Christian Dior

TRANSLATION OF THE FRENCH "RAPPORT ANNUEL"

FISCAL YEAR ENDED DECEMBER 31, 2011

Combined Shareholders' Meeting
April 5, 2012

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.

Chairman's message 2
Executive and Supervisory Bodies - Statutory Auditors 4
Simplified organizational chart of the Group 5
Financial highlights 6

Management report of the Board of Directors 7

1. Consolidated results 8
2. Results by business group 11
3. Business risk factors and insurance policy 18
4. Financial policy 23
5. Results of Christian Dior 26
6. Share ownership of the Company 28
7. Administrative matters 29
8. Financial authorizations 30
9. Remuneration of company officers 32
10. Stock option and bonus share plans 34
11. Information that might have an impact on a takeover bid or exchange offer 42
12. Group reporting on employee-related issues 43
13. Effects of operations on the environment 58
14. Litigation and exceptional events 67
15. Subsequent events 68
16. Recent developments and prospects 68

Report of the Chairman of the Board of Directors 69

1. Corporate governance 70
2. Implementation of risk management and internal control procedures 74

Consolidated financial statements 79

1. Consolidated income statement 80
2. Consolidated statement of comprehensive gains and losses 81
3. Consolidated balance sheet 82
4. Consolidated statement of changes in equity 83
5. Consolidated cash flow statement 84
6. Notes to the consolidated financial statements 86
7. Statutory Auditors' report 150

Parent company financial statements 153

1. Balance sheet 155
2. Income statement 156
3. Cash flow statement 157
4. Notes to the parent company financial statements 158
5. Subsidiaries and investments 167
6. Investment portfolio, other investment securities and short term investments 167
7. Company results over the last five fiscal years 168
8. Statutory Auditors' reports 169

Resolutions for the approval of the Combined Shareholders' Meeting of April 5, 2012 173

Ordinary resolutions 175
Extraordinary resolutions 176
Statutory Auditors' report on the proposed decrease in share capital 178
Statutory Auditors' report on the proposal to authorize the granting of options to subscribe to or purchase shares 179

Other information 181

GOVERNANCE 181

1. List of positions or offices exercised in all companies by company officers 182
2. Statutory Auditors 190
3. Charter of the Board of Directors 191
4. Internal rules of the Performance Audit Committee 193
5. Internal rules of the Nominations and Compensation Committee 195
6. Bylaws 197

GENERAL INFORMATION CONCERNING THE COMPANY AND ITS CAPITAL – STOCK MARKET 205

1. History of the Group 206
2. Information regarding the parent company 208
3. Information regarding the capital 209
4. Analysis of share capital and voting rights 210
5. Market for financial instruments issued by Christian Dior 212
6. Main locations and properties 215
7. Supply sources and subcontracting 218

Statement of the Company Officer responsible for the annual financial report 221

Christian Dior

2011 Annual Report

Chairman's message

The Group's excellent performance in 2011 once again highlights the power of our brands and the appeal of our products. Our results prove, if proof were in fact needed, that the quest for exceptionally high-quality products, the desire for authenticity and durability, the pleasure of being treated as an exceptional customer in an exceptional environment – all of these aspirations that our Group aims to fulfill – assume a more prominent role than ever in periods of uncertainty. This year we once again recruited many employees in all professions and we are delighted to have created numerous new positions for craftsmen and craftswomen at our workshops in France and elsewhere in Europe. As we keep a close watch on the current economic volatility in Europe, the Group will remain true to its values, managing the Group's businesses with a steady hand and continuing to invest wisely. Large-scale projects are taking shape and are being launched across the Group, so as to ensure that profitable growth remains here to stay. Our businesses once again showed excellent momentum in 2011, a direct consequence of our culture of innovation and creativity, as well as our obsessive focus on the quality of our products.

One event of the past year which comes to mind in particular is the tragedy that struck Japan in March 2011. From a personal perspective and on behalf of all Group employees, I would like to reiterate the admiration we feel for the Japanese people. Admiration for their bravery and strength of character in this extremely trying time, for the speed with which the regions affected by the catastrophe launched their reconstruction projects, and for the way our Japanese colleagues orchestrated a return to normality. Thanks to them, our operations were re-established in record time. And our customers returned in even greater numbers to our stores… a tremendous expression of faith in the future and loyalty to the Group's brands.

House of Dior exemplifies enduring Group values

Anchored in its timeless heritage, drawing on every facet of its savoir-faire and the brilliance of its creative teams, more than ever before the House of Dior is firmly positioned at the pinnacle of haute couture. Dior's uncompromising quest for excellence and relentless dedication to creativity cater to the demands of a sophisticated global clientele, who appreciate a quintessentially French sense of style and absolute elegance. At the foundation of Dior's strong brand identity, these core values also underlie its continuing performance at the very highest levels.

This same spirit is behind all of the House of Dior's collections, from haute couture to ready-to-wear and accessories. Leather goods have seen stronger growth, fueled by the ongoing success of the *Lady Dior* handbag as well as the enthusiastic reception for newer products, including those in the *Miss Dior* and *Diorissimo* lines. The triumphant launch of the *Dior VIII* series of timepieces has etched Dior's place in the world of luxury watchmaking. Dior Homme has also made further strides, especially in Asia.

The Group and Bulgari: A shared culture, a shared entrepreneurial spirit

The alliance between LVMH and the Bulgari family was one of the key moments of 2011. This legendary Italian label is one of the most outstanding pioneers of authentic, accomplished European craftsmanship. As well as being a leading jeweler and watchmaker, Bulgari also has perfume and leather goods lines. We share the same values, the same respect for heritage and brand identity as well as the same entrepreneurial culture. Now that we have joined forces with Bulgari, our Watches and Jewelry business group has strengthened its capabilities and savoir-faire and is reaping the benefits of new synergies. It has also significantly increased its market share and ability to finance growth projects.

2012: Managing with a steady hand, investing resolutely and judiciously

The beginning of 2012 has continued amid the same uncertain environment in Europe as the last few months of 2011. However, the world as a whole is experiencing growth. Building on the strengths of the Group's brands, the oldest of which trace their heritage back to the sixteenth century, means following major shifts in worldwide demand. At the same time, we will remain vigilant, close to our markets and responsive, a stance made possible thanks to our decentralized organization. We will also persevere with our program of selective investments in our businesses. The Group has always grown stronger in periods of uncertainty, while remaining true to our values: creativity, high quality craftsmanship and entrepreneurial spirit.

Attracting top-tier talent

Thanks to the Group's diversity and culture, we are able to attract the most creative and talented people, whether they are rising stars of tomorrow or have already garnered international renown. We offer these exceptional individuals exciting, challenging projects and we know just what it takes to light the spark that makes the difference by matching each of them with the most suitable brand. But the Group also attracts the best managers and we offer them a unique environment, with unequalled career development prospects. Attracting, incubating and nurturing the most promising talent are strategic priorities for all our businesses.

Dedicating the resources required to maintain exceptional quality

We ensure the quality of our products by carefully controlling the way they are made and by conserving our savoir-faire. The year saw the opening of three new workshops by Louis Vuitton, including one in Marsaz (in the Drôme region of France), which will employ 250 craftspeople. This production unit was not designed simply to perpetuate Louis Vuitton's pursuit of perfection, but also as a showcase for sustainable development. Louis Vuitton is also preparing to open a jewelry workshop in Place Vendôme, Paris. In Bordeaux, Château Cheval Blanc opened its new wine storehouse, superbly combining architectural aesthetics and wine-producing excellence. In Switzerland, Bulgari, TAG Heuer, Hublot and Zenith continue to enhance their technological expertise along with their watchmaking capacity. These are just a few examples of the resources deployed to ensure the future growth of our businesses and maintain the quality which has made our brands so successful since their inception.

The entrepreneurial culture throughout the Group allows us to constantly explore an ever-changing world, identify new and promising concepts, as well as the best opportunities in the market, make quick decisions, find the right teams and allocate the necessary financial resources to invest in new regions and build solid market positions. Examples include Sephora's rapid penetration into the Chinese market, Make Up For Ever's success in making professional make-up products accessible to the general public, and the ready-to-wear project launched for Berluti, which can now realize its full potential in the world of menswear.

Facing the future, with confidence

I would like to conclude by reaffirming my conviction that a bright future is in store for the Group. The dreams and emotions inspired by our brands transcend geographical and historical boundaries. The immense success of the *Journées Particulières* in October 2011, an unprecedented opportunity for the public to visit our workshops and historic sites, demonstrates the abiding fascination exerted by the excellence of our teams' craftsmanship and the time-honored heritage of our brands. It is also important, as ever, to note the tireless commitment of all our teams, their exemplary adherence to our values and ambitions, their willingness to go the extra mile. These are the essential foundations for our continuing success.

Bernard ARNAULT

Executive and Supervisory Bodies
Statutory Auditors
as of December 31, 2011

BOARD OF DIRECTORS

Bernard ARNAULT
Chairman

Eric GUERLAIN [1]
Vice-Chairman

Sidney TOLEDANO
Chief Executive Officer

Delphine ARNAULT [2]

Antoine BERNHEIM [1]

Denis DALIBOT [2]

Hélène DESMARAIS [1] [2]

Renaud DONNEDIEU DE VABRES [1]

Ségolène GALLIENNE [1]

Pierre GODÉ

Christian de LABRIFFE [1]

Jaime de MARICHALAR Y SÁENZ DE TEJADA [1] [2]

PERFORMANCE AUDIT COMMITTEE

Eric GUERLAIN [1]
Chairman

Renaud DONNEDIEU DE VABRES [1]

Christian de LABRIFFE [1]

NOMINATION AND COMPENSATION COMMITTEE

Antoine BERNHEIM [1]
Chairman

Eric GUERLAIN [1]

Christian de LABRIFFE [1] [3]

EXECUTIVE MANAGEMENT

Sidney TOLEDANO
Chief Executive Officer

STATUTORY AUDITORS

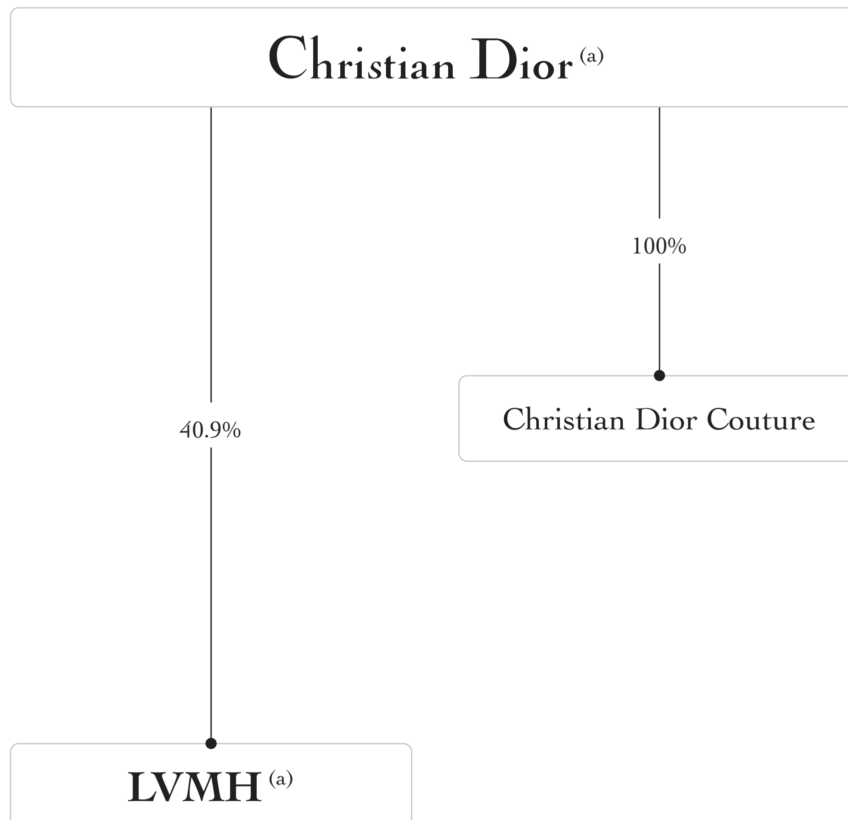
ERNST & YOUNG et Autres
represented by Olivier Breillot

MAZARS
represented by Simon Beillevaire

(1) Independent Director.
(2) Appointment/Reappointment proposed at the Shareholders' Meeting of April 5, 2012.
(3) Appointed by the Board of Directors on February 2, 2012.

Simplified organizational chart of the Group as of December 31, 2011

(direct or indirect ownership)



(a) Listed company.

Financial highlights

Key consolidated data

(EUR millions and percentage)	2011	2010	2009
Revenue	24,628	21,123	17,745
Profit from recurring operations	5,323	4,338	3,356
Net profit	3,448	3,269	1,902
Net profit, Group share	1,279	1,261	695
Cash from operations before change of working capital [(a)]	6,270	4,911	3,964
Operating investments	1,820	1,078	763
Free cash flow [(b)]	2,148	3,013	2,194
Total equity [(c)]	24,942	19,570	16,121
Net financial debt [(d)]	6,093	4,142	4,460
Net financial debt/Total equity ratio	24%	21%	28%

Data per share

(EUR)	2011	2010	2009
Earnings per share			
Basic Group share of earnings per share	7.14	7.06	3.90
Diluted Group share of earnings per share	7.09	7.03	3.89
Dividend per share			
Interim	0.98	0.88	0.44
Final	1.63	1.23	1.22
Gross amount paid for fiscal year [(e)] [(f)]	2.61	2.11	1.66

Information by business group

(EUR millions)	2011	2010	2009
Revenue by business group			
Christian Dior Couture	1,000	826	717
Wines and Spirits	3,524	3,261	2,740
Fashion and Leather Goods	8,712	7,581	6,302
Perfumes and Cosmetics	3,195	3,076	2,741
Watches and Jewelry	1,949	985	764
Selective Retailing	6,436	5,378	4,533
Other activities and eliminations	(188)	16	(52)
TOTAL	**24,628**	**21,123**	**17,745**
Profit from recurring operations by business group			
Christian Dior Couture	85	35	13
Wines and Spirits	1,101	930	760
Fashion and Leather Goods	3,075	2,555	1,986
Perfumes and Cosmetics	348	332	291
Watches and Jewelry	265	128	63
Selective Retailing	716	536	388
Other activities and eliminations	(267)	(178)	(145)
TOTAL	**5,323**	**4,338**	**3,356**

(a) Before tax and interest paid.
(b) Net cash from operating activities and operating investments.
(c) Including minority interests.
(d) Excluding purchase commitments for minority interests, included in Other non-current assets. See Note 17.1 of the notes to the consolidated financial statements.
(e) Excluding the impact of tax regulations applicable to the beneficiaries.
(f) For fiscal year 2011, amount proposed at the Shareholders' Meeting of April 5, 2012.

Management report of the Board of Directors

1. Consolidated results 8

2. Results by business group 11

2.1. Christian Dior Couture 11
2.2. Wines and Spirits 13
2.3. Fashion and Leather Goods 14
2.4. Perfumes and Cosmetics 15
2.5. Watches and Jewelry 16
2.6. Selective Retailing 17

3. Operational risk factors and insurance policy 18

3.1. Strategic and operational risks 18
3.2. Insurance policy 20
3.3. Financial risks 21

4. Financial policy 23

4.1. Comments on the consolidated cash flow statement 24
4.2. Comments on the consolidated balance sheet 25

5. Results of Christian Dior 26

6. Share ownership of the Company 28

6.1. Main shareholders 28
6.2. Shares held by members of the management and supervisory bodies 28
6.3. Information on share purchases and disposals 28
6.4. Summary of transactions in Christian Dior securities during the year by senior executives and related persons 28

7. Administrative matters 29

7.1. List of positions and offices held by the Directors 29
7.2. Membership of the Board of Directors 29
7.3. Amendment of the Bylaws 29

8. Financial authorizations 30

8.1. Status of current delegations and authorizations 30
8.2. Authorizations proposed to the Shareholders' Meeting 31

9. Remuneration of company officers 32

10. Stock option and bonus share plans 34

10.1. Options granted by the parent company, Christian Dior 34
10.2. Options granted by the group's subsidiary, LVMH 36
10.3. Options granted to and exercised by company officers and by the Group's top ten employees during the fiscal year 38
10.4. Allocation of bonus shares and performance bonus shares by the parent company, Christian Dior 39
10.5. Bonus shares and performance bonus shares allocated by the Group's subsidiary, LVMH 40
10.6. Bonus shares allocated during the year to company officers and the Group's top ten employees 41

11. Information that might have an impact on a takeover bid or exchange offer 42

12. Group reporting on employee-related issues 43

12.1. Analysis and development of the workforce 43
12.2. Work time 48
12.3. Compensation 49
12.4. Social responsibility 50
12.5. Professional development of employees 52
12.6. Health and safety 54
12.7. Employee relations 55
12.8. Relations with third parties 55
12.9. Compliance with international conventions 57

13. Effects of operations on the environment 58

13.1. Water, raw material and energy consumption requirements 58
13.2. Soil use conditions, emissions into the air, water and soil 62
13.3. Limitation of damage to ecosystem balance, natural habitats, animal and plant species 64
13.4. Environmental protection methods within the Group 64

14. Litigation and exceptional events 67

15. Subsequent events 68

16. Recent developments and prospects 68

1. Consolidated results

Consolidated revenue of the **Christian Dior group** for the year ended December 31, 2011 was 24,628 million euros, up 17% from the previous year.

It was affected by the depreciation of the main invoicing currencies against the euro, in particular the US dollar, which fell by 5%.

The following changes have been made in the Group's scope of consolidation since January 1, 2010: in Perfumes and Cosmetics, La Brosse et Dupont was deconsolidated in the third quarter of 2010; in Wines and Spirits, Montaudon was deconsolidated as of January 1, 2011; in Watches and Jewelry, Bulgari was consolidated with effect from June 30, 2011; and in Selective Retailing, Ile de Beauté, one of the leading perfume and cosmetics retail chains in Russia, was consolidated, with effect from June 1, 2011. These changes in the scope of consolidation made a positive contribution of 4 points to revenue growth for the year.

On a constant consolidation scope and currency basis, revenue increased by 14%.

The Group's profit from recurring operations was 5,323 million euros, up 23% compared to 2010. The current operating margin as a percentage of revenue increased by 1 point from the previous year to 22%.

Operating profit, after other operating income and expenses (a net expense of 120 million euros in 2011 compared with a net expense of 166 million euros in 2010), was 5,203 million euros, representing an increase of 25% from its level in 2010.

As of December 31, 2011, net financial income/(expense) was a net expense of 300 million euros. The Group had posted net financial income of 566 million euros the previous year, mainly as a result of a net gain amounting to 1,004 million euros recorded on the settlement of equity-linked swaps related to the Hermès transactions. The aggregate cost of net financial debt remained almost stable, at 204 million euros. In 2011, the Group benefited from a lower average cost of borrowing and a better return on its investments, which served to offset the increase in the average net financial debt outstanding.

The Group's effective tax rate was 30%, compared to 31% in 2010.

Income from investments in associates totaled 7 million euros in 2011, the same amount recorded the previous year.

Consolidated net profit amounted to 3,448 million euros, compared to 3,269 million euros in 2010. The Group share of consolidated net profit was 1,279 million euros, compared with 1,261 million euros in 2010.

The main financial items were as follows:

(EUR millions)	2011	2010	2009
Revenue	24,628	21,123	17,745
Profit from recurring operations	5,323	4,338	3,356
Operating profit	5,203	4,172	3,164
Net profit	3,448	3,269	1,902
Of which: Group share	1,279	1,261	695

Revenue growth in 2011 by business group was as follows:

- Revenue from Christian Dior Couture totaled 1 billion euros, up 21% at actual exchange rates and up 22% at constant exchange rates compared to 2010. In 2011, retail sales increased by 27% at actual exchange rates and by 28% at constant exchange rates. All product lines made strong contributions to this revenue growth worldwide, reflecting the success of the Christian Dior Couture brand.
- Wines and Spirits saw an increase in revenue of 8% based on published figures. Revenue for this business group increased by 10% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations and the net impact of changes in the scope of consolidation lowering Wines and Spirits revenue by 2 points. Group brands successfully took advantage of the recovery in consumer spending, boosting their revenue while making product mix improvements in line with their value-oriented strategy. Surging demand in Asia made a particularly significant contribution to the strong upturn in revenue. China is still the second largest market for the Wines and Spirits business group.
- Fashion and Leather Goods posted organic revenue growth of 16%, and 15% based on published figures. This business group's performance continues to be led by the exceptionally powerful momentum of Louis Vuitton, which again recorded double-digit revenue growth. Céline, Loewe, Givenchy, Fendi, Donna Karan and Marc Jacobs also confirmed their potential, delivering double-digit revenue growth in 2011.
- Revenue for the Perfumes and Cosmetics business group increased by 9% on a constant consolidation scope and currency basis, and by 4% based on published figures. All of this business group's brands performed well. This rebound illustrates the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the current economic crisis. The Perfumes and Cosmetics business group saw considerable revenue growth in both the United States and Asia, particularly in China.

- Revenue for the Watches and Jewelry business group increased by 23% on a constant consolidation scope and currency basis, and by 98% based on published figures. The consolidation of Bulgari with effect from June 30, 2011 boosted the business group's revenue by 72%. Inventory increases by retailers and the recovery in consumer demand helped to drive stronger revenue. For all of this business group's brands, Asia and the United States were the most dynamic regions.

- Based on published figures, revenue for the Selective Retailing business group increased by 20%, and by 19% on a constant consolidation scope and currency basis. The negative impact of exchange rate fluctuations was more than offset by the positive impact resulting from the consolidation of Ile de Beauté, the Russian perfume and cosmetics retail chain. The main drivers of this performance were Sephora, which saw considerable growth in revenue across all world regions, and DFS, which made excellent progress, spurred in particular by the continuing development of Chinese tourism boosting business at its stores in Hong Kong, Macao and Singapore.

Revenue by invoicing currency

(percentage)	2011	2010	2009
Euro	27	28	30
US dollar	26	27	26
Japanese yen	8	9	10
Hong Kong dollar	6	5	5
Other currencies	33	31	29
TOTAL	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the contributions of the euro, the US dollar and the Japanese yen all fell by 1 point to 27%, 26% and 8%, respectively. The contribution of the Hong Kong dollar rose by 1 point to 6% while that of all other currencies rose by 2 points to 33%.

Revenue by geographic region of delivery

(percentage)	2011	2010	2009
France	12	13	15
Europe (excluding France)	21	22	22
United States	22	22	22
Japan	8	9	10
Asia (excluding Japan)	27	25	23
Other markets	10	9	8
TOTAL	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of France, Europe (excluding France) and Japan to Group revenue each declined by 1 point, to 12%, 21% and 8%, respectively, whereas that of the United States remained stable at 22%. Asia (excluding Japan) and other markets advanced by 2 points to 27% and 1 point to 10%, respectively.

Revenue and profit from recurring operations by business group

	Revenue			Profit from recurring operations		
(EUR millions)	2011	2010	2009	2011	2010	2009
Christian Dior Couture	1,000	826	717	85	35	13
Wines and Spirits	3,524	3,261	2,740	1,101	930	760
Fashion and Leather Goods	8,712	7,581	6,302	3,075	2,555	1,986
Perfumes and Cosmetics	3,195	3,076	2,741	348	332	291
Watches and Jewelry	1,949	985	764	265	128	63
Selective Retailing	6,436	5,378	4,533	716	536	388
Other activities and eliminations	(188)	16	(52)	(267)	(178)	(145)
TOTAL	**24,628**	**21,123**	**17,745**	**5,323**	**4,338**	**3,356**

The breakdown of revenue by business group changed appreciably following the consolidation of Bulgari in Watches and Jewelry in the latter part of 2011, with the contribution of Watches and Jewelry to consolidated revenue increasing by 3 points to 8%. The period saw a 1 point drop in the contributions of Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics to 14%, 35% and 13%, respectively, while the contribution of Selective Retailing advanced by 1 point to 26%. The contribution of Christian Dior Couture remained stable at 4%.

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.

Consequently, LVMH's net profit was consolidated in the amount of 3,460 million euros, compared to 3,465 million euros before restatement and intra-group eliminations, and is included in the Group share of net profit of Christian Dior for 1,294 million euros.

Investments

The net balance from investing activities (purchases and sales) was a disbursement of 3,106 million euros. This includes, on the one hand, net operating investments totaling 1,820 million euros, and on the other hand, net financial investments totaling 1,286 million euros.

Research and development

Research and development expenses posted during the year totaled 63 million euros in 2011 (compared to 46 million in 2010 and 45 million in 2009). Most of these amounts cover scientific research and development costs for skincare and make-up products of the Perfumes and Cosmetics business group.

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, without taking into account the impact of foreign currency hedges on profit from recurring operations, whether settled or not during the period.

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

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

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

2. Results by business group

Results by business group as shown below are those published by Christian Dior Couture and LVMH, which have therefore not been restated.

2.1. CHRISTIAN DIOR COUTURE

2.1.1. Highlights

The key highlights of 2011 were as follows:

Strategy emphasizing excellence

Exceptional revenue growth, backed by Dior's strategy emphasizing excellence, was fueled by the continuing success of the brand's Leather Goods and Ready-to-Wear collections, but also by a number of major Watches and Jewelry launches, which were enthusiastically received.

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

Over the year as a whole, revenue generated by Dior's retail activities improved by 28% at constant exchange rates. This remarkable performance spanned all geographic regions, with the exception of Japan, with strong results achieved across all the Group's product lines: Leather Goods, Men's and Women's Ready-to-Wear, Footwear, and Watches and Jewelry.

Significant growth in profit from recurring operations

Profit from recurring operations amounted to 85 million euros in 2011, more than double that of the previous year, owing to stronger sales, continuous gross margin improvements and control of operating expenses.

Targeted investments in the Group's retail network

Investments were focused on the renovation of existing boutiques in strategic locations.

Stunning redesign projects were thus carried out in Saint-Tropez, Hong Kong (Peking Road), Tokyo (Omotesando), Rome, Milan and Moscow (Stoleshnikov).

But the year also saw the inauguration of new boutiques in Osaka, San Francisco (Dior Homme), Beijing (Shin Kong), Hangzhou (Dior Homme), and Hong Kong (Harbour City).

Dior's retail network thus comprised 210 points of sale as of December 31, 2011, including one for John Galliano SA.

Media campaigns centered around the brand and its iconic products

The reopening of the Stoleshnikov boutique in Moscow was accompanied by an exhibition at the Pushkin Museum, which provided an opportunity to underscore Dior's unique and timeless heritage in haute couture. In Paris, Dior took part in LVMH's *Journées Particulières* (Exclusive Days) event, thus giving the public a glimpse into the exceptional savoir-faire of its artisans.

Advertising campaigns featuring Marion Cotillard thrust the *Lady Dior* and *Miss Dior* lines into the spotlight, while Charlize Theron served as the special ambassador for the launch of the *Dior VIII* watch collection.

2.1.2. Consolidated results of Christian Dior Couture

Consolidated revenue amounted to 1 billion euros, up 22% at constant exchange rates and 21% at actual exchange rates. Revenue progressed particularly well in the second half of the year, posting an increase of 23% at constant exchange rates and 22% at actual exchange rates.

Profit from recurring operations was 85 million euros, representing an increase of 50 million euros. This improvement in the profitability of operations was achieved through an appreciable boost in the gross margin, combined with rigorous management of expenses.

Operating profit amounted to 73 million euros following the recognition of non-recurring expenses totaling 12 million euros, mainly incurred in connection with provisions and impairment.

Net financial income/(expense) was a net expense of 17 million euros, compared with a net expense of 11 million euros in 2010. As borrowing costs had remained stable, the greater expense in 2011 is mainly due to exchange rate fluctuations.

The tax expense totaled 1 million euros.

The Group share of net profit was 53 million euros, with the amount attributable to minority interests amounting to 2 million euros.

2.1.3. Analysis of Christian Dior group results by business activity

(EUR millions)	2011	2010	Change at actual rates	Change at constant rates
License royalties	35	35	-	-
Wholesale activities	123	124	-1%	-
Retail and other activities	842	667	+27%	+28%
TOTAL	**1,000**	**826**	**+21%**	**+22%**

License concessions

Christian Dior Couture's license royalties remained stable compared to 2010.

Eyewear made further advances during the year, reflecting the success of a highly selective policy for the distribution of these product lines.

Wholesale activities

The distribution strategy embodying a more selective approach with multi-brand clients resulted in a decrease of the relative contribution by this segment to Group revenue again in 2011.

Retail and other activities

(EUR millions)	2011	2010	Change at actual rates	Change at constant rates
Europe and the Middle East	388	333	+17%	+18%
Americas	79	68	+16%	+21%
Asia Pacific	375	266	+41%	+42%
TOTAL	**842**	**667**	**+27%**	**+28%**

- Retail sales turned in an excellent performance once again in 2011, recording an increase of 28% at constant exchange rates.
- The Asia Pacific region saw exceptional revenue growth in 2011, despite the impact of the tragic events in Japan during the year. Very satisfactory advances were also made by Europe and the Americas.
- In the Group's retail network, 2011 was a year rich in singular events. Key highlights included major openings in Hong Kong (Peking Road), Beijing (Shin Kong), but also in Rome and Saint-Tropez.
- In Leather Goods, the year saw the development of new *Miss Dior* and *Diorissimo* handbag lines, accompanying the continued success of the *Lady Dior* models.
- Men's and Women's Ready-to-Wear also witnessed a remarkable rise in sales, particularly in high-growth markets.
- While expanding the range of its Fine Jewelry offerings, notably with the *Bal des Roses* collection, Dior consolidated its position in luxury watchmaking during the year with the successful worldwide launch of the *Dior VIII* timepieces.

2.1.4. Outlook for 2012

In 2012, Christian Dior Couture will continue to emphasize excellence in its products, its retail network and its communications, in each of these dimensions seizing every opportunity to draw on its exceptional savoir-faire, underpinned by Dior's enduring values: luxurious refinement and absolute elegance.

Many events are planned for 2012, 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

In 2011, revenue for the Wines and Spirits business group amounted to 3,524 million euros, representing an increase of 8% based on published figures and 10% at constant structure and exchange rates.

Profit from recurring operations for Wines and Spirits was 1,101 million euros, up 18% compared to 2010. This performance was the result of both sales volume growth and a favorable product and country mix. Tight control of costs, together with the positive impact of exchange rate fluctuations, successfully offset the rise in advertising and promotional expenditures focused on strategic markets. The operating margin as a percentage of revenue for this business group increased by 2 points to 31%.

2.2.2. Main developments

Champagnes and Wines

Moët & Chandon reaffirmed its momentum and consolidated its leading position in the world of champagne. The brand successfully rolled out *Moët Ice Impérial*, the first champagne made to be consumed over ice.

Dom Pérignon's sales surged in most regions. This excellent performance was attributable to the unprecedented success of the 2002 vintage, which was universally acclaimed by consumers and opinion leaders alike. A new advertising campaign directed by David Lynch underscores the brand's exclusive commitment to vintage champagnes.

Ruinart, whose main strategic focus is to expand its range of prestige cuvée champagnes, increased sales substantially, particularly in Western Europe and the United States.

Veuve Clicquot confirmed the success of its value-creation strategy served by continuous innovation. *Veuve Clicquot Rosé* posted excellent sales and has earned a position as the brand's second-best selling champagne after *Brut Carte Jaune*. Veuve Clicquot is consolidating its positions in Europe and has experienced impressive growth in new markets, such as Australia, Brazil and Argentina.

Krug achieved excellent momentum in Europe and Asia and is continuing its redeployment in the US market.

Estates & Wines, Moët Hennessy's sparkling and still wines division, is growing steadily. Chandon made solid gains, especially in South America and Asia. Terrazas de los Andes (Argentina) and Cloudy Bay (New Zealand) saw strong growth in their key markets.

Sales of **Château d'Yquem**, the undisputed king of the Sauternes wines, were in keeping with its prestigious image.

Château Cheval Blanc inaugurated its new wine cellars, designed by French architect Christian de Portzamparc. The first release of the 2010 vintage, in July 2011, was a major success with prices reaching record levels.

Cognac and Spirits

Hennessy cognac maintained its robust growth trend in 2011, with sales increasing 6% by volume. Premium brands did exceptionally well. With sales at record levels, Hennessy has consolidated its position as the world's best-selling cognac, in terms of both volume and value.

Asia is Hennessy's primary growth driver. The brand recorded double-digit revenue growth across all product lines in this region, turning in especially strong results in China and Vietnam. In the United States, Hennessy has managed to maintain a high level of sales measured in volume terms, despite ongoing difficulties in the economic environment. Encouraging signs that the US economy may be on the road to recovery surfaced in the second half of the year.

Beyond its historical markets, Hennessy pursued its strategy to penetrate emerging markets, such as Mexico, Nigeria, South Africa and central Europe.

Glenmorangie and **Ardbeg** single-malt whiskies are stepping up the pace of their development. Glenmorangie's new "Unnecessarily Well Made" advertising campaign had a big impact.

Belvedere vodka grew strongly in the United States and gained market share elsewhere.

2.2.3. Outlook for 2012

With demand recovering in historical markets and growing in many emerging markets, the Wines and Spirits business group will continue to pursue its value-oriented strategy, notably by investing heavily in advertising and maintaining premium prices. This strategy will include a controlled increase in champagne and cognac volumes. While costs will be rigorously controlled, strategic priorities will be to innovate, enhance brand appeal and strengthen the distribution network. The excellence of Wines and Spirits' products together with the ambition and experience of its people will enable the business group to continue to grow profitably and strengthen the Group's leadership in the world of luxury wines and spirits.

2.3. FASHION AND LEATHER GOODS

2.3.1. Highlights

In 2011, revenue for the Fashion and Leather Goods business group amounted to 8,712 million euros, representing organic growth of 16%, and 15% based on published figures.

Profit from recurring operations of 3,075 million euros was up 20%. Profit from recurring operations for Louis Vuitton increased sharply, while Fendi, Céline, Loewe and Donna Karan confirmed their profitable growth momentum. The operating margin as a percentage of revenue for this business group increased by 1 point to 35%.

2.3.2. Main developments

Louis Vuitton

Propelled by the exceptional creativity of its products and its unequaled savoir-faire steeped in exacting craftsmanship, **Louis Vuitton** records steady and robust growth year after year. Once again in 2011, the brand saw double-digit revenue growth, thus continuing on its stellar course and consolidating its leadership position in the luxury goods sector. Paired with its consistently high profitability, Louis Vuitton's performance demonstrates the ever greater attractiveness and visibility of the brand as well as its organization's exceptional ability to adapt quickly to changing circumstances.

Louis Vuitton is also attracting growing numbers of new customers from Asia and South America, further contributing to the brand's phenomenal development. In 2011, growth was particularly remarkable in Europe, the United States and Asia. Business activity held up well in Japan, despite the dramatic events in the month of March.

All product categories are driving Louis Vuitton's exceptional performance. The production capacity has been increased during the year with, in particular, the opening of a new workshop in Marsaz in the Drôme region of France.

As was the case in 2010, sophistication and personalization were again the watchwords in 2011, placing the customer more than ever before at the heart of the brand's strategy.

In 2011, the brand further increased its use of fine and exotic leathers. In 2011, Louis Vuitton honored its commitment to ever greater mastery and excellence as demonstrated by the acquisition of Heng Long, a top-tier exotic leather tannery and La Fabrique du Temps, a Swiss luxury watchmaking workshop specializing in the design of high-end watch movements.

Fendi

Thanks to its distinctive image and its iconic products presented in a retail network placing increasing emphasis on the highest possible quality, Fendi confirmed its exceptional appeal once again in 2011, delivering record-setting results in terms of both revenue and profitability. All of the brand's product categories recorded strong revenue growth.

Other brands

Donna Karan recorded another year of solid growth in revenue and profit. *Donna Karan Collection*, the brand's luxury line, recently enhanced by the addition of the *Casual Luxe* collection, continues to achieve excellent results.

Marc Jacobs enjoyed rapid growth in 2011, spurred by strong results across all geographic regions. A ten-time winner at the annual "Council of Fashion Designers of America" (CFDA) Awards, the designer's runway shows during the year again generated considerable excitement and were enthusiastically applauded by the international press.

Loewe recorded very strong revenue growth and a significant increase in profitability. Men's accessories reaffirmed their strong growth potential. Growth was strong across all of the brand's markets, with China in the lead.

Céline performed remarkably well in 2011, attaining record-setting revenue and profit levels. Driven by the success of the collections created by Phoebe Philo, this exceptional performance was consistent across all geographic regions and product categories.

Kenzo focused on its repositioning around the brand's original values, now the responsibility of the new creative team of Humberto Leon and Carol Lim.

Givenchy continued its progress during the year, with all of its lines making strong advances. Women's ready-to-wear performed well, thus confirming the successful creative revitalization of the fashion house.

Berluti has reaffirmed its status as a house dedicate exclusively to its discerning male customers, successfully combining craftsmanship, tradition and modernity.

2.3.3. Outlook for 2012

Louis Vuitton will continue on the path of innovation in 2012, accentuating its high-end image, reinforcing the presence of leather in its collections, and introducing many personalization options. The brand will also be expanding its presence to new cities in China and Brazil. Stores will also be inaugurated in new countries for the brand, such as Barbados and Kazakhstan. A boutique dedicated to fine jewelry and a jewelry artisan workshop will be opened in Paris on the legendary Place Vendôme.

Fendi will be focusing on the qualitative expansion of its retail network with the aim of delivering a significant boost to the brand's visibility through more spacious stores, showcasing its high-end offerings. Major projects for 2012 include New Bond Street in London, Avenue Montaigne in Paris, and Canton Road in Hong Kong.

In 2012, driven by their creative spirit, the business group's **other brands** will pursue expansion in high-potential markets. Each will continue to reaffirm its distinctive and compelling image and identity as the foundation for solid growth. By harnessing their creativity, their pursuit of excellence and savoir-faire, the brands' teams will reinforce the cohesiveness of their business development models.

2.4. PERFUMES AND COSMETICS

2.4.1. Highlights

The Perfume and Cosmetics business group recorded revenue for 2011 of 3,195 million euros. At constant structure and exchange rates, revenue increased by 9% and by 4% based on published figures.

Profit from recurring operations for this business group was 348 million euros, up 5% compared to 2010 (up 8% after adjusting for the disposal of La Brosse and Dupont in 2010). This growth was driven by Parfums Christian Dior, Guerlain, and Parfums Givenchy, all of which posted improved results, thanks to the success of their market-leading product lines and strong innovative momentum. The operating margin as a percentage of revenue for this business group remained stable at 11%.

2.4.2. Main developments

Parfums Christian Dior

Parfums Christian Dior confirmed its strong momentum in 2011, in a highly competitive global market. The brand promoted its values of excellence and creativity through investments in major media campaigns that were closely associated with *Haute Couture*.

The exceptional vitality of its star product lines enabled perfume sales to make strong progress and outperform the market. *J'Adore* continues to gain market share in all countries. This classic perfume has significantly strengthened its leadership in the French market. *Miss Dior*, the company's first perfume created in 1947 by its founder Christian Dior, recorded an excellent performance. The men's fragrances, *Dior Homme* and *Eau Sauvage*, are making steady progress. Dior is also strengthening its position in high perfumery, through the international expansion of the *Collection Privée Christian Dior*, the creation of Dior's perfume designer François Demachy.

Make-up posted solid revenue growth, thanks to strong flagship products and successful new products. The new *Dior Addict Lipstick* is a historic success, becoming the leader in most markets in just a few months.

In the area of skincare, *Capture One Essential*, a new generation serum, has been doing exceptionally well in Asia and the new premium *Prestige* line was launched successfully in Europe.

Guerlain

Guerlain achieved record revenue and profit. Guerlain has been focusing on specific geographic markets, and in particular on Asia and France, where it continues to increase market share. *Shalimar* has strengthened its line with a new addition and consolidated its market positions, joining the select group of France's top-five selling perfumes. Skincare revenue was strong once again in 2011, thanks in particular to the premium *Orchidée Impériale* line. Make-up revenue was boosted by the very positive response to the new *Rouge Automatique* lipstick and the growing popularity of *Terracotta* and *Lingerie de Peau*.

Guerlain is expanding its highly selective distribution network by opening new boutiques in France, the Middle East and China.

Other brands

Parfums Givenchy increased revenue significantly, further improved its operating profit margin. Sales of *Very Irresistible* and *Ange ou Démon* are growing steadily.

Kenzo Parfums' revenue was underpinned by the robust performance of its star perfume, *Flower by Kenzo*, and by the launch of its new *Madly Kenzo Eau de Parfum* in several countries.

Fendi Parfums, which resumed business in the second half of 2010 with the launch of *Fan di Fendi*, is pursuing its global expansion.

Benefit once again enjoyed double-digit revenue growth and an excellent profit margin. Two of the year's most successful innovations were *They're Real* mascara and the *b.right* skincare line. Benefit has consolidated its presence in Southeast Asia, and is making a very promising debut in Brazil.

Make Up For Ever posted another year of exceptional growth. This may be attributed to the high quality of its products, which are enthusiastically endorsed by professional make-up artists. Its emblematic lines, *HD* and *Aqua*, continue to grow strongly. The brand opened two boutiques in Los Angeles and Paris.

2.4.3. Outlook for 2012

The business group is once again aiming to increase market share by maintaining an ambitious strategy of innovation and advertising investments.

Parfums Christian Dior will continue to assert its position in high perfumery by strengthening the star product lines and investing heavily in advertising. The new perfume ambassadors and close association with "*Haute Couture*" will further enhance the brand's appeal.

In 2012, **Guerlain** will be launching a new fragrance for women. The brand will also continue to expand its network of directly owned boutiques. The year will also see the launch of the extension and renovation project for the brand's flagship Champs-Élysées boutique, due to reopen in 2013.

Parfums Givenchy will pursue the global launch of *Dahlia Noir*. A new sports version of the *Play Pour Homme* fragrance, will also be launched.

The main event in 2012 for **Kenzo Parfums** will be the global launch of its *Madly Kenzo* fragrance.

Fendi Parfums will pursue its global expansion, particularly in Eastern Europe.

Benefit will focus on Asia, while further consolidating market share in Europe and the United States.

Make Up For Ever is once again aiming for strong growth in all geographies, with major product launches and an ambitious communications strategy.

2.5. WATCHES AND JEWELRY

2.5.1. Highlights

In 2011, Watches and Jewelry saw an increase in revenue of 23%, at constant structure and exchange rates, to 1,949 million euros, representing an increase of 98% based on published figures. The consolidation of Bulgari with effect from June 30, 2011 boosted the business group's revenue by 72%.

Profit from recurring operations for Watches and Jewelry increased twofold to 265 million euros. This strong rise was a result of both the consolidation of Bulgari's profits and an improvement in profitability. The operating margin as a percentage of revenue for this business group increased by 1 point to 14%.

2.5.2. Main developments

TAG Heuer

TAG Heuer set new records for revenue and profit in 2011. The brand achieved strong organic revenue growth in all markets, with a particularly remarkable performance in China and South Korea.

TAG Heuer perpetuated its unique expertise in mastering speed and precision in 2011 by launching the *Mikrograph 100* and the *Mikrotimer Flying 1000*, entirely developed and manufactured in its own workshops.

The brand continues to expand its retail network and now has nearly 130 stores worldwide (owned and franchised).

In addition, TAG Heuer is working to further industrialize its processes, as evidenced by the *Calibre 1887*, the brand's first automatic movement built in-house. TAG Heuer's industrial integration is also extending to other strategic components, with the acquisition of ArteCad, a leading Swiss manufacturer of watch dials. Also present in the manufacture of watch cases through its subsidiary Cortech, TAG Heuer is staking its place in the production of mechanical movements, cases and dials.

Hublot

Hublot has stepped up efforts on all fronts to grow its business and achieved an excellent performance in 2011. Highlights of the year included a number of market-leading and innovative product launches, such as the *Masterpiece* collection dedicated to complication watches and extraordinary movements and the development of *Magic Gold*, a new scratch-resistant material.

The brand has enhanced its production capacities for watch movements and now directly manages all manufacturing processes for its *UNICO* chronograph movement and the mechanisms of its Grand Complications, part of a strong value-added strategy.

Hublot doubled the number of its stores worldwide and operated a total of 40 boutiques at the end of 2011.

Zenith

Manufacture **Zenith** furthered its progress in 2011 and confirmed its status as a rising star in the rarefied world of prestige watchmakers. The full renewal of its collections is now complete, structured around the brand's five iconic lines.

Zenith has seen strong growth in Asia and the selective expansion of its retail network continues in high-potential markets, most notably with the opening of two new boutiques in Hong Kong and Geneva.

Bulgari

Bulgari recorded strong revenue growth in 2011 across all its product categories through its own stores as well as its other distribution channels.

An exceptional exhibition held in Paris and in Beijing, "Bulgari: 125 Years of Italian Magnificence", retraced the main chapters in the Italian jeweler's aesthetic evolution, a journey through history and culture.

Among the most evocative of the brand's iconic themes from the 1950s, Bulgari's *Serpenti* features prominently in its marketing and in its recent innovations in jewelry, watches and leather goods.

In the perfume segment, the successful launches of the new eau de toilette *Bulgari MAN* and the eau de parfum *Mon Jasmin Noir* were among the year's high points.

Store expansion and redesign projects are helping to reinforce the retail network's high-end image.

Other brands

At **Chaumet**, new jewelry watch creations were introduced in the *Bee My Love* and *Attrape moi si tu m'aimes* collections. Following the opening of boutiques in Beijing and Shanghai some time ago, Chaumet continues to expand its presence considerably in China.

De Beers is the clear front-runner in the diamond solitaire segment and continues to see strong business growth in its various markets, especially in Asia with the successful opening in Beijing of its first store in China.

Fred continues its targeted growth in France and Japan, with its main efforts focused in particular on its iconic *Force 10* and *Success lines*. Celebrating 75 years of highly contemporary designs, the jeweler launched its *Pain de Sucre* collection in 2011.

2.5.3. Outlook for 2012

The favorable trends noted in the final months of the year, within a worsening economic environment, point to encouraging prospects for 2012. All of the Watches and Jewelry brands plan to work on reinforcing their image and visibility in the most promising markets by maintaining the appropriate level of marketing investments. They will also strive to continue expanding their retail networks, particularly in Asia, with a special focus on China. All of the brands will continue to promote rigorous cost controls, while leveraging synergies across the Group. Investments will be targeted on developing industrial capacities for the production of watch movements, in line with the vertical integration strategy promoted by the Group. Lastly, all of the brands will be launching new collections, reflecting their ongoing passion for creativity, supreme craftsmanship and high quality.

2.6. SELECTIVE RETAILING

2.6.1. Highlights

In 2011, revenue for Selective Retailing amounted to 6,436 million euros, representing an increase of 20% based on published figures and 19% at constant structure and exchange rates. Operating profit was 716 million euros, representing a 34% increase over 2010.

The operating margin as a percentage of revenue for this business group as a whole increased by 1 point to 11%.

2.6.2. Main developments

DFS

DFS saw strong growth of both revenue and profits, driven by the steady rise of Asian tourism. The number of Chinese customers continued to expand at an increasing pace and a stronger yen boosted the purchasing power of Japanese tourists. Growing numbers of new customers from South Korea, the Middle East and India also contributed to these excellent results. The destinations of Hong Kong and Macao are making rapid progress, while North America and the Pacific region further consolidated their positions.

DFS remains focused on its strategy to offer more exclusive upscale products in its stores and continues to target investments on the extension and renovation of its *Gallerias* in the most strategic locations.

DFS is enhancing the appeal of its stores by offering a diversified range of products that includes new luxury brands.

Miami Cruiseline

Miami Cruiseline posted robust revenue growth that was driven by the commissioning of large ocean liners fitted with larger shops. Increased spending per passenger has also contributed to this excellent performance. As a new global clientele from Europe and Latin America emerges, Miami Cruiseline is reaping the benefits of its efforts to adapt its marketing strategy and products to the specific requirements of each cruise company's clientele.

Sephora

Sephora did remarkably well in 2011, gaining market share in all regions. As the only worldwide selective retailer of perfumes and cosmetics, Sephora continues to offer its customers a unique shopping experience by combining innovative offerings with a range of exclusive services. During the year, the brand actively pursued the development of loyalty programs across all its operations worldwide. At the end of 2011 there were 1,300 Sephora stores in 26 countries.

Sephora further increases its leadership in France and is expanding its network of stores, while continuing to roll out an ambitious innovation-based strategy for services. In a mixed economic environment, Sephora is making progress in other European countries and strengthened its presence in Russia by raising its stake in the Ile de Beauté chain to 65%.

Growth in Northern America was once again strong. The new flagship store in New York, in the heart of the Meatpacking district, features Sephora's latest major innovations, such as a mobile payment system that enables customer service attendants to process customer payments directly.

Sephora further increased market share in China, where it accelerated its growth. A new store concept was launched to accompany the chain's move upmarket. Sephora also attracted quite a bit of attention by sponsoring "Beauty Academy", a popular TV show where talented young make-up artists are discovered.

The chain pursued its expansion in the Middle East and Southeast Asia, with two new stores in Kuala Lumpur, Malaysia. Sephora also opened its first two stores in Mexico.

Online sales continued to grow strongly in France, the United States, Brazil and China.

Le Bon Marché

Le Bon Marché saw its revenue grow substantially over the year, thanks largely to luxury goods and fashion. This historic Left Bank department store in Paris also attracted a greater proportion of foreign customers in 2011, whose contribution to total sales increased markedly. Revenue growth was also buoyed by the completion of the new women's footwear department and the redesign of the store's ground floor layout. Le Bon Marché is preparing new and ambitious projects that include expanding its sales floor by over 4,000 sq.m.

2.6.3. Outlook for 2012

DFS will continue to benefit in 2012 from the growing number of Asian customers and will focus its efforts on moving its stores upmarket for all destinations. It will pursue the development of its innovative marketing and customer service programs. The opening of the new Hysan Hong Kong store will increase the number of *Gallerias* in the high-potential Hong Kong market to three and the expansion and renovation of the Macao store will be completed. DFS will take advantage of every opportunity to diversify its clientele.

Miami Cruiseline will continue to respond to the globalization of the cruise market by adapting its products and services to each cruise company's destinations and routes.

Sephora will continue its ambitious expansion in key markets by opening flagship stores. The chain will expand into new regions, such as Scandinavia, and will extend its presence in South America, most notably by opening new stores in Brazil. Sephora will develop its customer-oriented strategy and focus on providing innovative new products and services.

The world's very first department store, **Le Bon Marché** will celebrate its 160th anniversary in 2012. Efforts to expand the store's menswear departments will continue during the year and Le Bon Marché will also launch a comprehensive multi-year renovation program, including a redesign of La Grande Épicerie de Paris, its gourmet food hall.

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 brand ambassadors, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2011 amounted to 21.1 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, communications to limit the risk of confusion between the Group's brands and others with similar names, and constant monitoring, which may prompt legal action by the Group, if required. Initiatives pursued by the Group in favor of a legal framework suited to the digital world, prescribing the responsibilities of the various participants, are an integral part of this vigilance.

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 and may damage the brand image of the relevant products over time. 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 our 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.

In 2011, anti-counterfeiting measures generated internal and external costs, in the amount of approximately 27.2 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 December 31, 2011, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 6.5 billion euros. Detailed descriptions of these commitments may be found in Notes 29.1 and 29.2 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 December 31, 2011, this commitment is valued at 4.2 billion euros and is recognized in the Group's balance sheet under Other non-current liabilities (see Note 19 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 DFS and Moët Hennessy, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit of these entities.

3.1.4. 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. Furthermore, it is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area.

Lastly, the Group takes an active part in discussions worldwide on negotiations regarding access to markets as well as agreements on easing access to the European Union for non-European tourists.

3.1.5. 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.

In all markets where they sell their products, the Group's Wines and Spirits brands are subject to numerous regulations intended to inform and protect consumers against risks related to excessive alcohol consumption. In addition to cross-cutting regulations that govern the promotion of products, as well as places of sale and consumption, specific regulations also apply to precise segments of the population: minors, pregnant women, and employees in the workplace. Apart from ensuring compliance with these regulations, Moët Hennessy maintains a policy, which it reviews on an ongoing basis, designed to effectively communicate information relating to the health risks of excessive alcohol consumption through awareness campaigns promoting moderate consumption, in accordance with the cultural specificities of its markets and motivated by a constant desire to educate its target audience, which comprises consumers of its products, visitors to its production facilities and other sites open to the public, as well as its own employees.

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.

3.1.6. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. Historically, a significant proportion of the Group's sales – approximately 30% of the annual total for all businesses, with the exception of Wines and Spirits and Watches and Jewelry and Christian Dior Couture, for which the proportion is approximately 35% and 29%, respectively – has been generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may have a significant effect on the Group's business volume and earnings.

3.1.7. 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.

With respect to supply sources and sub-contracting, please also refer to section "Other information" of the Annual Report.

In addition, the Group's professions 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 those professions, which are essential to the quality of its products.

3.1.8. 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. 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.

3.1.9. Industrial and environmental risks

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.

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 section entitled "Effects of operations on the environment" of the Management Report of the Board of Directors.

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, LVMH has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk monitoring program. In 2011, engineering consultants devoted about a hundred audit days to the program at LVMH.

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 persons 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 under 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 its financial capacity, the Group's 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 the LVMH group companies and Christian Dior Couture are respectively less than 0.22% and 0.15% of 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 associated loss of gross margin. Property damage insurance limits are line with the values of assets insured.

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 LVMH's maximum possible losses. This limit amounts to 200 million euros per claim for Christian Dior Couture.

Coverage for "natural events" provided under the Group's international damage insurance program has been increased to 100 million euros per claim and 200 million euros per year for LVMH and 200 million euros per claim in France (10 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. These limits are in line with the Group companies' risk exposures.

3.2.2. Transportation insurance

All Group operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program (60 million euros for LVMH and 4 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 schemes, 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, directors' and 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 risks

Because of the nature of its activities, the majority of the Group's sales are not affected by customer credit risk. Sales are made directly to customers through Christian Dior Couture, the Selective Retailing network, the Fashion and Leather Goods companies and, to a lesser extent, the Perfumes and Cosmetics and Watches and Jewelry companies. Together, these sales accounted for approximately 64% of total revenue in 2011.

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 very satisfactory, with a cover ratio of around 94% as of December 31, 2011.

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 bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top-level categories.

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 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. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of cash flow hedging for 2012 relating to the main invoicing currencies are provided in Note 21.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than euros (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. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 21.5 to the consolidated financial statements.

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 6.1 billion euros as of December 31, 2011. After hedging, 41.7% of gross debt was subject to a fixed rate of interest and 58.3% was subject to a floating interest 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 17.4 and 17.6 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 also holds LVMH share-settled calls to cover these commitments. Christian Dior treasury shares, as well as call options on Christian Dior shares, are considered as equity instruments under IFRS, and as such have no impact on the consolidated income statement.

The Group holds a 22.4% stake in Hermès International SCA. Other quoted securities may be held by some of the funds in which the Group has invested, or even 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, equity swaps in LVMH shares allow cash-settled compensation plans index-linked to the change in the LVMH share-price to be covered. Derivatives may also be used to synthetically build a buyer 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 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 is purchased from banks, or future and/or options contracts are taken out with a physical delivery of the gold.

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 (1.6 billion euros) or (b) by comparing the amount of the short term portion of its net financial debt before hedging (3.6 billion euros) to the amount of cash and cash equivalents (2.4 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.2 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 paper), 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 net financial debt to equity; financial debt to assets). The current level of these ratios ensures that the Group has genuine 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 December 31, 2011, 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 non-standard clause likely to significantly modify their terms and conditions.

The breakdown of financial liabilities by contractual maturity is presented in Note 21.7 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 a stringent policy, as well as rigorous management guidelines 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 an information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is 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 management bodies and detailed documentation.

4. Financial policy

During the year, the Group's financial policy focused on:

- Improving the Group's financial structure and its flexibility, as evidenced by the key indicators listed below:
  - substantial growth in equity:
    Equity before appropriation of profit increased by 27% to 24.9 billion euros as of December 31, 2011, compared to 19.6 billion euros a year earlier. This improvement is attributable mainly to the impact of the initial consolidation of Bulgari, the positive change in gains arising on revaluation and currency translation adjustments, and the significant net profit recorded in 2011, despite a considerable increase in dividend payments;
  - reasonable growth in net debt:
    The rise in net financial debt, from 4.1 billion euros as of December 31, 2010 to 6.1 billion euros as of December 31, 2011, in the context of the Bulgari acquisition and higher operating investments, was kept under control thanks to cash flows generated by operations during the year;
  - access of the Group to liquidity, in particular through its commercial paper program finding favor with a number of investors and offering attractive rates;
  - maintaining a substantial level of cash and cash equivalents with a diversified range of top-tier banking partners:
    The Group's cash equivalents benefited from attractive yields offered by top-quality issuers, with a permanent focus on ensuring a proactive and dynamic approach to counterparty risk management;
  - the Group's financial flexibility, facilitated in particular by the renewal of a five-year syndicated loan, providing for the option to extend this maturity by a further two years, in the amount of 2 billion euros, by the bond issue in an amount of 300 million euros falling due in 2016, and, on a broader basis, by a significant reserve of undrawn confirmed credit lines totaling 4.2 billion euros.
- 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 investments.

  The Group has maintained a position ensuring that it will continue to benefit from the significant decline in interest rates. With regard to foreign exchange risks, in 2011 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 year. This strategy enabled the Group to obtain a rate after hedging for the US dollar significantly better than the average exchange rate for the year and a rate after hedging for the Japanese yen significantly better than that obtained in 2010, which was very close to the average exchange rate for the year.
- Greater concentration of Group liquidity owing to the ongoing worldwide dissemination of best practices for cash management, ensuring the fluidity of cash flows across the Group and better centralized liquidity management. As a rule, the Group applies a diversified short term and long term investment policy.
- The virtual stability of the cost of net financial debt, which amounted to 204 million euros as of December 31, 2011, as against 197 million euros a year earlier.

  In spite of the increase in gross financial debt, this situation results in particular from the substantial proportion of variable-rate borrowings in a context of low rates, but also from better yields on cash equivalents.
- Pursuing a dynamic dividend payout policy to shareholders, to enable them to benefit from the company's very strong performance over the year:
  - an interim dividend for 2011 of 0.98 euros was paid in December 2011;
  - proposal of a dividend payment of 2.61 euros per share for the period (final dividend of 1.63 euros available for distribution in 2012). As a result, total dividend payments to shareholders by Christian Dior in respect of 2011 would amount to 474 million euros, corresponding to the overall amount of the dividend, before the impact of treasury shares.

4.1. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, which is shown in the consolidated financial statements, details the main cash flows for the 2011 fiscal year.

(EUR millions)	2011	2010	Change
Cash from operations before changes in working capital	**6,270**	**4,911**	**1,359**
Cost of net financial debt: interest paid	(197)	(195)	(2)
Income taxes paid	(1,557)	(905)	(652)
Net cash from operating activities before changes in working capital	**4,516**	**3,811**	**705**
Total change in working capital	(548)	280	(828)
Operating investments	(1,820)	(1,078)	(742)
Free cash flow	**2,148**	**3,013**	**(865)**
Financial investments	(1,286)	(1,715)	429
Transactions relating to equity	(2,504)	(943)	(1,561)
Change in cash before financing activity	**(1,642)**	**355**	**(1,997)**

Cash from operations before changes in working capital totaled 6,270 million euros as of December 31, 2011, compared to 4,911 million euros the previous year, an increase of 28%.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 4,516 million euros, up 18% compared to 2010.

Interest paid, amounting to 197 million euros, was almost stable compared to 195 million euros paid in 2010, with the effects of the increase in net financial debt in the year offset by lower interest rates on borrowings and a better return on cash and cash equivalents.

Income tax paid amounted to 1,557 million euros, a significant increase from 905 million euros paid in the previous financial year, as a result of the increase in taxable profit and a modified payment schedule for income tax payments on account.

Working capital requirements increased by 548 million. The increase in inventories, particularly in Wines and Spirits, Fashion and Leather Goods, Selective Retailing, and at Christian Dior Couture, generated a cash requirement of 783 million euros, which was partially offset by a 339 million euro increase in accounts payable, principally in Fashion and Leather Goods and Selective Retailing and in respect of Christian Dior Couture. These effects were the result of business growth, especially during the year-end holiday season.

Operating investments for the period, net of disposals, resulted in a net cash outflow of 1,820 million euros, up from 1,078 million euros a year earlier. These were mainly comprised of investments in real estate dedicated to commercial or rental use, investments by Louis Vuitton, DFS, Sephora and Christian Dior Couture in their retail networks, as well as investments by the Champagne houses and Parfums Christian Dior in their production facilities, all reflecting the Group's growth momentum.

Financial investments represented a 1,286 million euro outflow in 2011, compared to 1,715 million euros in 2010. This amount consisted of 785 million euros arising from the purchase and sale of consolidated investments in the year, including in particular 616 million euros for the purchase of Bulgari shares on the market during the first quarter, net of cash acquired, and 43 million euros for the purchase of Singapore-based Heng Long, which specializes in the tanning and finishing of crocodile leather. Other net non-current available for sale financial assets totaled 501 million euros, including 447 million euros relating to the increase of the investment in Hermès International.

Transactions relating to equity generated an outflow of 2,504 million euros over the year. The acquisition of minority shareholdings in Bulgari as part of the public tender offer launched in the second half of the year accounted for 1,453 million euros of this total, not including the amount attributable to the acquisition of Bulgari remunerated by the capital increase of LVMH SA. In addition, a total of 396 million euros in dividends, after taking into account the impact attributable to treasury shares, was paid during the year by Christian Dior SA, corresponding to an initial distribution in May of 218 million euros in dividends in respect of the final dividend on 2010 profit, with the remaining amount of 178 million euros distributed in December in respect of the interim dividend for the 2011 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 805 million euros in dividends. These mainly relate to minority interests in LVMH SA, those in Diageo related to its 34% equity interest in Moët Hennessy, and minority interests in DFS.

Financing requirements, after all operating, investment and equity-related activities, thus amounted to 1,642 million euros, close to the amount of cash obtained from financing activities, 1,635 million euros. Cash and cash equivalents at the end of 2011 were stable with respect to the position as of December 31, 2010.

4.2. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	2011	2010	Change
Tangible and intangible fixed assets	30.1	24.5	5.6
Other non-current assets	7.4	5.1	2.3
Non-current assets	**37.5**	**29.6**	**7.9**
Inventories	7.7	6.1	1.6
Other current assets	6.0	5.5	0.5
Current assets	**13.7**	**11.6**	**2.1**
ASSETS	**51.2**	**41.2**	**10.0**

(EUR billions)	2011	2010	Change
Equity	24.9	19.6	5.3
Non-current liabilities	16.0	13.6	2.4
Equity and non-current liabilities	**40.9**	**33.2**	**7.7**
Short term borrowings	3.6	2.6	1.0
Other current liabilities	6.7	5.4	1.3
Current liabilities	**10.3**	**8.0**	**2.3**
LIABILITIES AND EQUITY	**51.2**	**41.2**	**10.0**

The significant increase in non-current assets compared to 2010 is chiefly attributable to the consolidation of Bulgari in 2011. Non-current assets thus represented 73% of total assets as of December 31, 2011, compared to 72% at year-end 2010.

Tangible and intangible fixed assets increased by 5.6 billion euros, with 4.2 billion euros of this amount arising from first-time consolidations during the year. This relates primarily to Bulgari, whose brand was provisionally valued at 2.1 billion euros, with goodwill amounting to 1.5 billion euros.

Other non-current assets increased by 2.3 billion euros, mainly as a result of an increase in the market value of the Group's investment in Hermès International and additional purchases of Hermès shares on the market. The Group's 22.4% stake in Hermès represented an amount of 5.4 billion euros as of December 31, 2011.

Inventories increased by 1.6 billion euros. Inventories held by entities acquired during 2011, mainly Bulgari, accounted for 0.7 billion euros of this increase, with the remainder attributable to growth in the Group's businesses.

Non-current liabilities increased from 13.6 billion euros at year-end 2010 to 16 billion euros at year-end 2011. This increase was due to the recognition of a deferred tax liability in respect of the Bulgari brand (0.7 billion euros), an increase in long-term net financial debt (1 billion euros), and an increase in commitments to purchase minority interests (0.5 billion euros).

Current liabilities increased by 2.3 billion euros compared to year-end 2010, reflecting growth in the Group's businesses.

(EUR billions)	2011	2010	Change
Long term borrowings	5.3	4.3	1.0
Short term borrowings and derivatives	3.4	2.5	0.9
Gross borrowings after derivatives	**8.7**	**6.8**	**1.9**
Cash and cash equivalents and current available for sale financial assets	(2.6)	(2.6)	-
Net financial debt	**6.1**	**4.1**	**2.0**
Equity	**24.9**	**19.6**	**5.3**
Net financial debt/Total equity ratio	**24.4%**	**21.2%**	**3.2%**

The ratio of net financial debt to equity rose by 3.2 points to 24.4% as of December 31, 2011. This change is attributable to a 2 billion euro rise in net financial debt together with a 5.3 billion euro increase in equity.

Total equity amounted to 24.9 billion euros at year-end 2011, representing an increase of 27.4%. This significant rise is mainly attributable to the following factors: the reserved capital increase by LVMH SA, in the amount of 2.2 billion euros, intended as consideration for the contribution of Bulgari shares by the company's family shareholders; the sharp increase in the value of some assets held by the Group, in particular its investment in Hermès, whose market value rose during the year by 1.7 billion euros; and finally, the strong earnings achieved by companies across the Group. As of December 31, 2011, total equity represented 49% of the balance sheet total; this represents an increase of 1 point compared to 2010.

Gross borrowings after derivatives totaled 8.7 billion euros at year-end 2011. Bond issues and new borrowings provided a cash inflow of 3.0 billion euros. In particular, LVMH carried out a euro-denominated public bond issue in April consisting of two tranches maturing in four and seven years, with a par value of 500 million euros each. Christian Dior also completed a public offering of 300 million euro principal amount of notes due in 2016. The Group also made use of private placements in an aggregate amount of 0.2 billion euros. The amount of commercial paper outstanding also increased by 1.3 billion euros in 2011. Conversely, borrowings of 1.4 billion euros were repaid in the year, in particular via the redemption of

several bonds for a total of 1.0 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 2.6 billion euros, stable compared to the position as of December 31, 2010.

At year-end 2011, the Group's undrawn confirmed credit lines amounted to 4.2 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 1.6 billion euros as of December 31, 2011.

5. 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 396 million euros, compared to 385 million euros in 2010. This consists principally of dividends received from subsidiaries totaling 441 million euros and, on the other hand, of net interest expense totaling 40 million euros.

Tax savings recognized under the tax consolidation agreement totaled 6 million euros in 2011, compared to 8 million euros in 2010.

The net profit was 391 million euros, compared to a net financial expense of 379 million euros for 2010.

The proposed appropriation of the distributable profit for the fiscal year ended at December 31, 2011 is as follows:

Amount available for distribution *(EUR)*	
Net profit	390,559,834.52
Retained earnings	99,342,658.48
DISTRIBUTABLE EARNINGS	**489,902,493.00**
Proposed appropriation	
Gross dividend distribution of 2.61 euros per share	474,307,595.28
Allocation to retained earnings	15,594,897.72
FOR A TOTAL OF	489,902,493.00

Should this distribution be approved, the gross amount of the dividend would be 2.61 euros per share.

As an interim dividend of 0.98 euros per share was paid on December 2, 2011, the final dividend per share is 1.63 euros; this will be paid as of April 25, 2012.

With respect to this dividend distribution, individuals whose tax residence is in France will be entitled to the 40% tax deduction provided under Article 158 of the French Tax Code.

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, 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	Nature	Payment date	Gross dividend [a] *(EUR)*	Tax deduction [b] *(EUR)*
2010	Interim	December 2, 2010	0.88	0.352
	Final	May 25, 2011	1.23	0.492
	TOTAL		**2.11**	**0.844**
2009	Interim	December 2, 2009	0.44	0.176
	Final	May 25, 2010	1.22	0.488
	TOTAL		**1.66**	**0.664**
2008	Interim	December 2, 2008	0.44	0.176
	Final	May 25, 2009	1.17	0.468
	TOTAL		**1.61**	**0.644**

(a) Excluding the impact of tax regulations applicable to the beneficiaries.
(b) For individuals with tax residence in France.

Information relating to payment terms

As of December 31, 2011, trade accounts payable amounted to 743 thousand euros (541 thousand euros as of December 31, 2010). They comprise accrued expenses in the amount of 733 thousand euros (533 thousand euros as of December 31, 2010) and outstanding invoices in the amount of 10 thousand euros (8 thousand euros as of December 31, 2010).

6. Share ownership of the Company

6.1. MAIN SHAREHOLDERS

As of December 31, 2011, the Arnault family group controlled 70.35% of the Company's capital, compared with 70.35% as of December 31, 2010 and held 82.92% of the voting rights, compared with 83.09% as of December 31, 2010.

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

As of December 31, 2011, 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.

6.3. INFORMATION ON SHARE PURCHASES AND DISPOSALS

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

- over the past fiscal year, the Company did not purchase or sell any of its treasury shares;
- at the end of the fiscal year, the number of shares allocated to current or future share purchase option plans and bonus share plans totaled 2,577,024, with a net value of 162,131,193.68 euros. They were purchased at an average price of 62.91 euros. Their par value was 2 euros. These shares represent 1.42% of the share capital;
- at fiscal year-end, the Company also held 19,532 treasury shares, with a net value 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.

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

6.4. SUMMARY OF TRANSACTIONS IN CHRISTIAN DIOR SECURITIES DURING THE YEAR BY SENIOR EXECUTIVES AND RELATED PERSONS [(a)]

Directors concerned	Type of transaction	Number of shares/ other securities	Average price *(EUR)*
Company(-ies) related to Bernard Arnault	Sale of share purchase options	2,500,000	-
	Purchase of share purchase options	2,500,000	-
Denis Dalibot	Purchase of shares [(b)]	15,000	45.95
Pierre Godé	Purchase of shares [(b)]	20,004	52.21
Eric Guerlain	Purchase of puts	154,747	5.488
Sidney Toledano	Purchase of shares [(b)]	75,000	31.14
Person(s) related to Sidney Toledano	Sale of shares	60,000	111.44

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

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 and during the last five years, is provided in the "Other Information – Corporate Governance" section of the Annual Report.

7.2. MEMBERSHIP OF THE BOARD OF DIRECTORS

It is proposed that the Shareholders' Meeting appoint Mrs. Delphine Arnault and Mrs. Hélène Desmarais, as well as Messrs. Denis Dalibot and Jaime de Marichalar y Sáenz de Tejada as Directors for a period of three years, as specified in the Bylaws.

7.3. AMENDMENT OF THE BYLAWS

We propose that the Company's Bylaws be amended in order to:

- increase the maximum number of Directors from twelve to eighteen (Article 9);
- simplify the wording of the section of Article 17 dealing with *Convening notices*, by referring to applicable legal provisions;
- ensure compliance with the new requirements enacted by Decree no. 2010-684 dated June 23, 2010 and Ministerial Order no. 2010-1512 dated December 9, 2010 relating to the change in the time period for sending the notice of a reconvened Shareholders' Meeting and in the conditions for the right to proxy representation at Shareholders' Meetings (Article 17);
- change the opening and closing balance sheet dates of the Company's fiscal year to May 1 and April 30 of the following year, respectively (Article 24). This amendment will help to optimize the flow of dividend distributions within the Group. Should this resolution be approved, the current fiscal year, which began on January 1, 2012, will close on April 30, 2012.

8. Financial authorizations

8.1. STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

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

Nature	Authorization date	Expiry Duration	Amount authorized	Use as of December 31, 2011
Share repurchase program Maximum purchase price: 200 euros	March 31, 2011 (8th resolution)	September 30, 2012 (18 months) [(a)]	10% of the share capital 18,172,704 shares	None
Reduction of capital through the retirement of shares purchased under the repurchase program	March 31, 2011 (10th resolution)	September 30, 2012 (18 months) [(a)]	10% of the share capital per 24-month period 18,172,704 shares	None

(a) A resolution renewing this authorization will be presented to the Shareholders' Meeting of April 5, 2012. See §8.2 below.

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

Nature	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2011
Through incorporation of reserves (L. 225-130)	March 31, 2011 (9th resolution)	May 30, 2013 (26 months)	80 million euros [(a)] 40,000,000 shares	Not applicable	None
With preferential subscription rights: ordinary shares and investment securities giving access to the share capital	March 31, 2011 (11th resolution)	May 30, 2013 (26 months)	80 million euros [(a) (b)] 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.*)	March 31, 2011 (12th resolution)	May 30, 2013 (26 months)	80 million euros [(a) (b)] 40,000,000 shares	At least equal to the minimum price required by regulations [(c)]	None
• by means of private placement (L. 225-135 *et seq.*)	March 31, 2011 (13th resolution)	May 30, 2013 (26 months)	80 million euros [(a) (b)] 40,000,000 shares	At least equal to the minimum price required by regulations [(c)]	None
In connection with a public exchange offer (L. 225-148)	March 31, 2011 (16th resolution)	May 30, 2013 (26 months)	80 million euros [(a)] 40,000,000 shares	Free	None
In connection with in-kind contributions (L. 225-147)	March 31, 2011 (17th resolution)	May 30, 2013 (26 months)	10 % of the share capital [(a)] 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 March 31, 2011, 15th 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 days preceding its determination (Shareholders' Meeting of March 31, 2011 14th resolution).

8.1.3. Employee share ownership

Nature	Authorization date	Expiry/ Duration	Amount authorized	Exercise price determination method	Use as of December 31, 2011
Share subscription or purchase options (L. 225-177 *et seq.*)	May 14, 2009 (23rd resolution)	July 13, 2012 (38 months) [(a)]	3% of share capital 5,451,811 shares	Average share price over the 20 trading days preceding the grant date	None
Bonus shares allocation (L. 225-197-1 *et seq.*)	March 31, 2011 (20th resolution)	May 30, 2014 (38 months)	1% of share capital 1,817,270 shares	Not applicable	granted: 2,000 available to be granted: 1,815,270
Capital increase reserved for employees who are members of a corporate savings plan (L. 225-129-6)	March 31, 2011 (18th resolution)	May 30, 2013 (26 months)	1% of share capital [(b)] 1,817,270 shares	Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 20%	None

(a) A resolution renewing this authorization will be presented to the Shareholders' Meeting of April 5, 2012. See §8.2 below.
(b) Subject to not exceeding a total ceiling of 80 million euros set forth above, to which this amount would be offset.

8.2. AUTHORIZATIONS PROPOSED TO THE SHAREHOLDERS' MEETING

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

Nature	Resolution	Duration	Amount authorized
Share repurchase program Maximum purchase price: 200 euros	9th	18 months	10% of the share capital 18,172,704 shares
Reduction of capital through the retirement of shares purchased under the repurchase program	10th	18 months	10% of the share capital per 24-month period 18,172,704 shares

8.2.2. Employee share ownership

Nature	Resolution	Duration	Amount authorized	Issue price determination method
Share subscription or purchase options (L. 225-177 *et seq.*)	11th	38 months	1% of share capital [(a)] 1,817,270 shares	Average share price over the 20 trading days preceding the grant date [(b)] no discount

(a) Subject to not exceeding a total ceiling of 80 million euros defined by the 19th resolution approved by the Shareholders' Meeting of March 31, 2011, 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.

9. Remuneration of company officers

• Summary of the remuneration, options and performance bonus 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 bonus shares granted during the fiscal year [b]	
(EUR)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Bernard Arnault	4,428,399	3,904,672	-	-	6,268,271	5,665,459
Sidney Toledano	1,870,000	6,581,810	-	-	1,191,951	1,083,915

(a) Gross remuneration and benefits in kind paid or borne by the Company and the companies controlled by it, 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 paragraphs 10.4 and 10.6.1.

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

Bernard Arnault	Amounts due for the fiscal year		Amounts paid in the fiscal year	
Compensation *(EUR)*	**2011**	**2010**	**2011**	**2010**
Fixed compensation	1,728,399	1,704,672	1,713,101 [b]	1,728,399 [b]
Variable compensation [c]	2,200,000	2,200,000	2,200,000 [d]	2,200,000 [d]
Exceptional compensation	500,000	-	500,000	-
Directors' fees	118,464	118,464	118,464	119,695
Benefits in kind	Company car	Company car	Company car	Company car
TOTAL	**4,546,863**	**4,023,136**	**4,531,565**	**4,048,094**

Sidney Toledano [e]	Amounts due for the fiscal year		Amounts paid in the fiscal year	
Compensation *(EUR)*	**2011**	**2010**	**2011**	**2010**
Fixed compensation	970,000	881,810	970,000	881,810
Variable compensation [f]	900,000	700,000	700,000 [d]	550,000 [d]
Exceptional compensation	-	5,000,000	2,000,000 [d]	3,000,000
Directors' fees	36,232	36,232	36,232	36,848
Benefits in kind	Company car	Company car	Company car	Company car
TOTAL	**1,906,232**	**6,618,042**	**3,706,232**	**4,468,658**

(a) Gross remuneration and benefits in kind paid or borne by the Company and the companies controlled, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.
(b) The differences between the amounts due and the amounts paid are attributable to changes in foreign exchange rates.
(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) Amounts paid in respect of the prior fiscal year.
(e) Medium term incentive scheme.
(f) 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 executive company 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 of the Board of Directors		X	X [(a)]			X		X
Sidney Toledano Chief Executive Officer	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 that is equal to the annual remuneration received over the last three calendar years preceding the retirement year, subject to a maximum of thirty-five times the annual social security ceiling. The annual supplemental retirement benefit is equal to the difference between 60% of the reference remuneration amount (i.e. 763,812 euros as of January 1, 2012) and all pension payments made by the general social security regime and the additional ARRCO and AGIRC regimes. Amount of the commitment made by LMVH as of December 31, 2011 in respect of Bernard Arnault, determined in accordance with the principles defined by IAS 19 Employee benefits: 17,057,816 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)	2011	2010	2011	2010	2011	2010
Antoine Bernheim	268,111	610,195	-	-	-	-
Denis Dalibot	32,841	31,235	580,000 [(d)]	580,000 [(d)]	-	-
Renaud Donnedieu de Vabres	13,848	14,771	-	-	-	-
Ségolène Gallienne [(c)]	6,924	-	-	-	-	-
Pierre Godé [(b)]	154,686	176,375	1,500,000	1,500,000	4,000,000	2,000,000
Eric Guerlain	23,080	24,619	-	-	-	-
Christian de Labriffe	10,258	14,771	-	-	-	-
Jaime de Marichalar y Sáenz de Tejada	24,617	25,233	-	-	-	-
Alessandro Vallarino Gancia [(e)]	5,129	9,848	-	-	-	-

(a) Directors' fees, gross remuneration and/or fees and benefits in kind paid or borne by the Company and the companies controlled by it, 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 financial year is presented in §10.6.2
(c) Appointed on April 15, 2010.
(d) Contract as a consultant.
(e) Resigned on May 30, 2011.

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

This breakdown appears in §10.6.2 below.

10. Stock option and bonus share plans

10.1. 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.

Nine share purchase option plans set up by Christian Dior were in force as of December 31, 2011. 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 after the end of a period of three to 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: profit from recurring operations, net cash from operating activities and operating investments, or 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 and 2011 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.

Both senior executive officers and other company officers must also comply with operating restrictions relating to the exercise period for their options.

In relation to options granted under plans set up since 2008, if either the Chairman of the Board of Directors and Chief Executive Officer 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 corresponding to a percentage of his total gross compensation.

10.1.1. Share purchase option plans

Date of Shareholders' Meeting	05/30/1996	05/14/2001	05/14/2001	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	**02/21/2001**	**02/18/2002**	**02/18/2003**	**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	**437,500**	**504,000**	**527,000**	**527,000**	**493,000**	**475,000**	**20,000**	**480,000**	**484,000**	**332,000**	**4,279,500**
o/w Company officers [(a)]	308,000	310,000	350,000	355,000	315,000	305,000	-	285,000	320,000	150,000	**2,698,000**
Bernard Arnault [(b)]	220,000	220,000	220,000	220,000	220,000	220,000	-	200,000	200,000	100,000	**1,820,000**
Denis Dalibot [(b)]	15,000	20,000	25,000	25,000	25,000	35,000	-	35,000	70,000	-	**250,000**
Pierre Godé [(b)]	65,000	65,000	65,000	65,000	20,000	-	-	-	-	-	**280,000**
Sidney Toledano [(b)]	30,000	35,000	40,000	45,000	50,000	50,000	-	50,000	50,000	50,000	**400,000**
o/w First ten employees [(a)]	121,000	153,000	143,000	128,000	124,000	144,000	20,000	133,000	147,000	159,000	**1,272,000**
Number of beneficiaries	17	24	25	26	27	24	1	28	25	26	
Earliest option exercise date	02/21/2004	02/18/2005	02/18/2006	02/17/2007	05/12/2008	02/15/2009	09/06/2009	01/31/2011	05/15/2012	05/14/2013	
Expiry date	02/20/2011	02/17/2012	02/17/2013	02/16/2014	05/11/2015	02/14/2016	09/05/2016	01/30/2017	05/14/2018	05/13/2019	
Purchase price *(EUR)*	45.95	33.53	29.04	49.79	52.21	72.85 [(c)]	74.93	85.00	73.24 [(c)]	52.10	
Number of options exercised in 2011	40,000	35,002	46,002	-	25,000	33,000	-	28,000	-	-	**207,004**
Number of options expired in 2011	-	-	-	-	-	-	-	20,000	25,000	25,000	**70,000**
Total number of options exercised as of 12/31/2011	427,500	459,000	438,000	167,500	130,000	92,000	-	28,000	-	-	**1,742,000**
Total number of options expired as of 12/31/2011	10,000	15,000	25,000	56,000	33,000	30,000	-	57,000	27,000	27,000	**280,000**
OPTIONS OUTSTANDING AS OF DECEMBER 31	**-**	**30,000**	**64,000**	**303,500**	**330,000**	**353,000**	**20,000**	**395,000**	**457,000**	**305,000**	**2,257,500**

(a) Options granted to active company officers/employees as of the plan's commencement date.
(b) Company officers active as of December 31, 2011.
(c) Exercise prices for Italian residents for 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.

10.1.2. Share subscription option plans

Nil.

10.2. OPTIONS GRANTED BY THE GROUP'S SUBSIDIARY, LVMH

10.2.1. Share purchase option plans

Date of Shareholders' Meeting	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	
Date of Board of Directors' meeting	**01/23/2001**	**03/06/2001**	**05/14/2001**	**09/12/2001**	**01/22/2002**	**05/15/2002**	**01/22/2003**	**Total**
Total number of options granted	**2,649,075**	**40,000**	**552,500**	**50,000**	**3,284,100**	**8,560**	**3,213,725**	**9,797,960**
o/w Company officers [(a)]	987,500	-	450,000	-	1,215,000	-	1,220,000	**3,872,500**
o/w First ten employees [(a)]	445,000	40,000	102,500	50,000	505,000	8,560	495,000	**1,646,060**
Number of beneficiaries	786	1	4	1	993	2	979	
Earliest option exercise date	01/23/2004	03/06/2004	05/14/2004	09/12/2004	01/22/2005	05/15/2005	01/22/2006	
Expiry date	01/22/2011	03/05/2011	05/13/2011	09/11/2011	01/21/2012	05/14/2012	01/21/2013	
Purchase price *(EUR)*	65.12	63.53	61.77	52.48	43.30 [(b)]	54.83	37.00 [(b)]	
Number of options exercised in 2011	46,870	-	14,122	-	77,175	5,560	75,135	**218,862**
Number of options expired in 2011	171,675	-	-	50,000	51,000	-	38,875	**311,550**
Total number of options exercised as of 12/31/2011	2,169,750	40,000	552,500	-	2,842,170	8,560	2,831,482	**8,444,462**
Total number of options expired as of 12/31/2011	479,325	-	-	50,000	272,678	-	166,425	**968,428**
OPTIONS OUTSTANDING AS OF DECEMBER 31	**-**	**-**	**-**	**-**	**169,252**	**-**	**215,818**	**385,070**

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

Plans	Italian	American
01/22/2002	45.70	43.86
01/22/2003	38.73	-

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

10.2.2. Share subscription option plans

Date of Shareholders' Meeting	5/15/2003	5/15/2003	5/11/2006	5/11/2006	5/11/2006	5/11/2006	5/14/2009	
Date of Board of Directors' meeting	**1/21/2004**	**5/12/2005**	**5/11/2006**	**5/10/2007**	**5/15/2008**	**5/14/2009**	**7/29/2009**	**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 in 2011	400,045	386,975	171,093	437,722	-	-	-	**1,395,835**
Number of options expired in 2011	8,100	3,000	9,538	21,312	25,750	16,763	-	**84,463**
Total number of options exercised as of December 31, 2011	1,677,290	1,355,622	579,483	437,722	-	8,000	-	**4,058,117**
Total number of options expired as of December 31, 2011	109,750	89,225	93,098	84,072	75,669	29,964	-	**481,778**
OPTIONS OUTSTANDING AS OF DECEMBER 31, 2011	**960,435**	**479,553**	**1,116,778**	**1,158,194**	**1,622,651**	**1,263,806**	**2,500**	**6,603,917**

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

Plans	Italian
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 1.3% 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.

10.3. OPTIONS GRANTED TO AND EXERCISED BY COMPANY OFFICERS AND BY THE GROUP'S TOP TEN EMPLOYEES DURING THE FISCAL YEAR

10.3.1. Options granted

No option plans were created in 2011.

10.3.2. Options exercised by senior executive officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price (EUR)
Bernard Arnault	Christian Dior	-	-	-
	LVMH	05/12/2005	204,000	52.82
Sidney Toledano	Christian Dior	02/18/2002	35,000	33.53
	"	02/18/2003	40,000	29.04

10.3.3. Options exercised by other company officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price (EUR)
Denis Dalibot	Christian Dior	02/21/2001	15,000	45.95
Pierre Godé	Christian Dior	02/18/2002	2	33.53
	"	02/18/2003	2	29.04
	"	05/12/2005	20,000	52.21
	LVMH	05/12/2005	40,000	52.82

10.3.4. 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	02/21/2001	25,000	45.95
"	02/18/2003	6,000	29.04
"	05/12/2005	5,000	52.21
"	02/15/2006	33,000	72.85
"	01/31/2007	21,000	85.00
LVMH Moët Hennessy - Louis Vuitton	01/23/2001	2,000	65.12
"	01/22/2002	10,000	43.30
"	01/22/2003	2,700	37.00
"	01/21/2004	57,500	55.70
"	05/12/2005	26,250	52.82
"	05/11/2006	57,500	78.84
"	05/10/2007	140,298	86.12

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

Beneficiaries of bonus shares are selected among the employees of the Group's subsidiaries 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 are also subject to 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.

The schemes launched on April 15, 2010, March 31, 2011 and July 26, 2011 combine the allocation of traditional bonus shares and the allocation of performance bonus shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Bonus shares subject to performance conditions 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. With respect to the plans set up on March 31, 2011 and July 26, 2011, this condition was satisfied in 2011.

In the event of the vesting of their share allocations, the Chairman of the Board of Directors and Chief Executive Officer are required to retain possession of half of these shares in pure registered form until the conclusion of their term in office.

Date of Shareholders' Meeting	05/15/2008		05/15/2008		03/31/2011		
Date of Board of Directors' meeting	**04/15/2010**		**03/31/2011**		**07/26/2011**		
	Bonus shares	**Performance bonus shares**	**Bonus shares**	**Performance bonus shares**	**Bonus shares**	**Performance bonus shares**	**Total**
Number of shares provisionally allocated	**22,761**	**67,419**	**25,394**	**64,621**	**1,000**	**1,000**	**182,195**
o/w Company officers [(a)]	-	40,500	-	38,175	-	-	**78,675**
Bernard Arnault [(b)]	-	27,000	-	25,450	-	-	**52,450**
Sidney Toledano [(b)]	-	13,500	-	12,725	-	-	**26,225**
o/w First ten employees [(a)]	14,322	21,048	15,200	24,220	1,000	1,000	**76,790**
Number of beneficiaries	26	28	32	34	1	1	
Vesting date	04/15/2012 [(c)]	04/15/2012 [(c)]	03/31/2014 [(d)]	03/31/2014 [(d)]	07/26/2014	07/26/2014	
Date as of which the shares may be sold	04/15/2014	04/15/2014	03/31/2016 [(d)]	03/31/2016 [(d)]	07/26/2016	07/26/2016	
Number of share allocations vested in 2011	-	-	-	-	-	-	**-**
Number of share allocations expired in 2011	-	-	-	-	-	-	**-**
Total number of share allocations vested as of 12/31/2011	-	-	-	-	-	-	**-**
Total number of share allocations expired as of 12/31/2011	-	-	-	-	-	-	**-**
REMAINING SHARE ALLOCATIONS AS OF DECEMBER 31, 2011	**22,761**	**67,419**	**25,394**	**64,621**	**1,000**	**1,000**	**182,195**

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Company officers active as of December 31, 2011.
(c) Definitive allocation on April 15, 2014 for beneficiaries who are not French residents for tax purposes.
(d) Definitive allocation of shares on March 31, 2015, which then become transferable for beneficiaries who are not French residents for tax purposes.

Bonus shares vested do not involve any dilution for the shareholders, since existing shares are remitted for the settlement.

10.5. BONUS SHARES AND PERFORMANCE BONUS SHARES ALLOCATED BY THE GROUP'S SUBSIDIARY, LVMH

Date of the Shareholders' Meeting	05/15/2008	05/15/2008	05/15/2008		05/15/2008		03/31/2011	03/31/2011	
Date of the 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 bonus shares**	**Bonus shares**	**Performance bonus shares**	**Bonus shares**	**Bonus shares**	**Total**
Number of shares allocated provisionally	**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 [(c)]	03/31/2014 [(c)]	10/20/2013 [(d)]	10/20/2013	
Date of the end of the holding period	05/14/2013	07/29/2013	04/15/2014	04/15/2014	03/31/2016 [(c)]	03/31/2016 [(c)]	10/20/2015 [(e)]	10/20/2015	
Number of shares definitively allocated in 2011	143,979	-	-	-	-	-	-	-	**143,979**
Number of expired allocations in 2011	14,405	-	5,152	2,268	1,063	355	-	-	**23,243**
Accumulated number of shares vested as of 12/31/2011	146,312	-	-	-	-	-	-	-	**146,312**
Accumulated number of shares expired as of 12/31/2011	22,939	-	5,152	2,268	1,063	355	-	-	**31,777**
REMAINING BONUS SHARE ALLOCATIONS AS OF 12/31/2011	**141,958**	**833**	**189,917**	**272,099**	**183,265**	**257,369**	**95,000**	**20,000**	**1,160,441**

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Definitive allocation on May 14, 2013 and April 15, 2014 for beneficiaries who are not French residents for tax purposes.
(c) Definitive allocation of shares on March 31, 2015, which then become transferable for beneficiaries who are not French residents for tax purposes.
(d) Definitive allocation in two tranches of 47,500 shares, with the second tranche of shares to be definitively allocated on October 20, 2014.
(e) 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.

Bonus shares vested do not involve any dilution for the shareholders, since existing shares are remitted for the settlement.

10.6. BONUS SHARES ALLOCATED DURING THE YEAR TO COMPANY OFFICERS AND THE GROUP'S TOP TEN EMPLOYEES

10.6.1. Provisional allocations of performance bonus shares to senior executive officers

Beneficiaries	Companies allocating the shares under the plan	Date of the plan	Number of shares	Value of shares *(EUR)*
Bernard Arnault	Christian Dior	03/31/2011	25,450	2,383,901
	LVMH	03/31/2011	36,994	3,884,370
Sidney Toledano	Christian Dior	03/31/2011	12,725	1,191,951

See also the table shown on page 39 and above for the other terms and conditions of allocation.

10.6.2. Bonus shares and performance bonus shares allocated on a provisional basis to other company officers

Beneficiaries	Companies allocating the shares under the plan	Date of the plan	Performance bonus shares
Pierre Godé	LVMH	03/31/2011	18,498

See also the table above for the other terms and conditions of allocation.

10.6.3. Bonus shares vested to executive company officers and other company officers

No bonus shares were allocated definitively in 2011.

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

Company granting shares	Plan commencement date	Number of shares
LVMH Moët Hennessy - Louis Vuitton	05/14/2009	30,051

(a) Active employees as of the date of definitive allocation.

11. Information that might 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, the capital structure and other information that could have a bearing on a takeover bid or exchange offer are presented below:

- capital structure of the Company: the Company is controlled by the Arnault family group, which controlled 70.35% of the capital and 82.92% of the voting rights as of December 31, 2011;
- 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 3% 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.

12. Group reporting on employee-related issues

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, deepening 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 reporting 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. In addition, information system controls are in place throughout reporting procedures in order to verify the reliability and consistency of data entered.

Workforce information provided below relates to all consolidated companies on December 31 of the Christian Dior group, including LVMH's share in joint ventures. Other social indicators were calculated for a scope of 563 organizational entities covering more than 92% of the worldwide workforce and encompass all staff employed during the year, including those employed by joint ventures. Neither Bulgari and its subsidiaries nor Sephora's Russian subsidiary Ile de Beauté, both initially consolidated in the second half of 2011, are covered by these indicators.

Since the 2007 fiscal year, selected employee-related disclosures for the Group have been audited each year, on the basis of data provided by LVMH, by one of the Statutory Auditors of LVMH, Deloitte & Associés, assisted by its Sustainable Development team.

12.1. ANALYSIS AND DEVELOPMENT OF THE WORKFORCE

12.1.1. Breakdown of the workforce

The total workforce as of December 31, 2011 amounted to 101,154 employees, an increase of nearly 17% compared to 2010. Of this total, 90,868 employees worked under permanent contracts and 10,286 worked under fixed-term contracts. Part-time employees represented some 19% of the total workforce, or 18,720 individuals. The portion of staff outside France increased by 2 points on the previous year to 79% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce in 2011 comprised 84,497 employees, a rise of 11% on 2010. The main internal changes are due to the opening of new stores, mainly in the United States, Europe and China. The Fashion and Leather Goods and Selective Retailing business groups thus saw average workforce increases of 8% and 15% respectively. Among the most important changes in the scope of consolidation, we should note the consolidation of Ile de Beauté, the Russian subsidiary of Sephora, and the acquisition of Bulgari on June 30, 2011.

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

Breakdown by business group

Total headcount as of December 31 [(a)]	2011	%	2010	%	2009	%
Christian Dior Couture	3,595	4	3,276	4	3,208	4
Wines and Spirits	6,372	6	6,063	7	6,032	7
Fashion and Leather Goods	27,137	27	25,013	29	23,012	28
Perfumes and Cosmetics	18,423	18	17,715	20	17,374	22
Watches and Jewelry	7,249	7	2,332	3	2,091	3
Selective Retailing	36,905	37	30,998	36	27,389	34
Other	1,473	1	1,421	1	1,404	2
TOTAL	**101,154**	**100**	**86,818**	**100**	**80,510**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total headcount as of December 31 [a]	2011	%	2010	%	2009	%
France	21,554	21	20,515	23	20,289	25
Europe (excluding France)	24,614	24	18,143	21	17,459	22
United States	23,281	23	19,918	23	16,817	21
Japan	5,458	6	4,943	6	5,129	6
Asia (excluding Japan)	21,290	21	19,051	22	16,875	21
Other	4,957	5	4,248	5	3,941	5
TOTAL	**101,154**	**100**	**86,818**	**100**	**80,510**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown of personnel by professional category

Total headcount as of December 31 [a]	2011	%	2010	%	2009	%
Executives and managers	16,970	17	14,736	17	13,794	17
Technicians and team leaders	9,375	9	8,413	10	8,348	11
Office and sales personnel	62,148	61	51,920	60	46,851	58
Labor and production workers	12,661	13	11,749	13	11,517	14
TOTAL	**101,154**	**100**	**86,818**	**100**	**80,510**	**100**

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

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	13.2	6.8	9.4	20.3	3.3	18.1	16.5
	25-29 years	21.3	14.8	18.3	21.2	19.1	30.9	22.0
	30-34 years	19.0	16.3	20.6	16.0	27.8	20.2	21.8
	35-39 years	14.3	15.3	17.6	10.6	23.7	11.6	15.2
	40-44 years	11.1	13.8	13.4	9.2	13.1	7.6	10.6
	45-49 years	8.7	13.1	9.2	7.8	7.0	5.7	6.3
	50-54 years	6.3	10.4	6.2	6.2	3.9	3.3	3.8
	55-59 years	4.2	7.7	3.8	4.4	1.9	1.8	2.6
	60 years and over	1.9	1.8	1.5	4.3	0.2	0.8	1.2
		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

The average length of service within the Group is ten years in France and ranges from five 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	59.9	39.5	56.9	72.0	42.3	74.2	70.6
5-9 years	18.5	18.7	22.8	16.6	34.0	13.5	15.6
10-14 years	10.2	16.0	11.2	6.8	15.4	5.9	7.8
15-19 years	4.2	7.2	4.0	2.2	4.1	3.3	2.4
20-24 years	3.6	8.3	2.7	1.4	3.1	2.0	1.6
25-29 years	1.7	4.6	1.0	0.6	0.7	0.6	1.2
30 years and over	1.9	5.7	1.4	0.4	0.4	0.5	0.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE LENGTH OF SERVICE	**7**	**10**	**6**	**5**	**7**	**5**	**5**

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

12.1.2. 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 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, it is the quality of teams and of each of their members that makes the difference.

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. Again in 2011, LVMH was named as the leading ideal employer in two separate French surveys: upcoming gradates of top French business schools polled by Universum ranked LVMH first among preferred employers for the sixth consecutive year, while future managers surveyed by Trendence named LVMH as the most attractive employer for the third year running. In March 2011, as further confirmation of these strong results, LVMH was awarded the top prize for employer attractiveness in the "Consumer Goods" category by Randstad's human resources consulting division. These distinctions honor the efforts made by all Group companies to reinforce their attractiveness among young graduates, thus raising their potential to attract diverse, top-tier talent.

Last April, Universum consolidated national survey results achieved by companies worldwide, once again listing the Group among the world's top fifty most attractive employers for 2011. Counted among Universum's global Top 50 for the first time in 2010, LVMH rose 12 spots in the ranking compared to last year and now places twenty-seventh among business school students surveyed. In 2011, this greater global recognition of the Group's attractiveness as an employer resulted in a 20% increase in responses to listings published on LVMH's career Web sites, which received a total of 190,000 job applications during the year.

For many years, the Christian Dior group has cultivated and maintained key partnerships with the most highly regarded universities and MBAs across all continents. For example, the Group maintains close ties with French business schools: ESSEC (through the endowment of a chair in luxury brand marketing), HEC (as sponsor of an orientation seminar for international students), the *Institut d'Études Politiques de Paris* or *Sciences Po* (through grants for students from the Antilles). Moreover, the Group maintained its close relations with leading fashion schools, the *Institut Français de la Mode* in Paris, Central Saint Martins College of Arts and Design in London, Parsons the New School for Design in New York, and the Hong Kong Polytechnic University School of Design.

The Group is also developing custom-tailored programs around the world in conjunction with specific universities and business schools in order to meet the increasingly exacting demands of their students. For example, LVMH is a member of CEMS, a global alliance of leading business schools and multinational companies. In addition, the Group's "*LVMH Rendez-Vous*" events provide the opportunity for students selected as participants to attend a presentation of the Group and its businesses, followed by an introduction to the world of luxury brand marketing. In 2011, *LVMH Rendez-Vous* events were held at London Business School, INSEAD, HEC, Melbourne Business School, and Wharton. Also during the year, the first "LVMH MBA

Alumni Networking" event, organized in Shanghai by the Group's Asia-Pacific human resources teams, provided an opportunity for 180 alumni of prestigious MBA programs to meet each other for an evening of networking. Lastly, "LVMH One-to-One" events allow students having passed through a preliminary selection process to meet human resources managers from Group companies at their universities or business schools for interviews and to share in a unique creative experience.

A total of about one hundred events in various formats are organized every year with schools and universities around the world, all designed to give students a glimpse of the Christian Dior group and its brands.

As an adjunct to the development of internal talent, external recruitment is a key pillar of the Group's human resources policy. In 2011, twenty "Recruitment Days" were organized around the world to recruit high-potential graduates able to offer an international profile. The rigorous methodology used for these Recruitment Days, involving exercises simulating real-life business scenarios, is very popular with applicants, who receive personalized feedback on their performance. This system also contributes to the professional training of recruiters (human resources and operations personnel), who are all trained in advance of each Recruitment Day in interactive observation and assessment techniques.

Since 2009, 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. Across the Group, 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, more than a hundred human resources managers have completed this training. Lastly, the Christian Dior group also has discrimination tests performed, 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 guarantees the excellence of its recruitment practices.

12.1.3. Movements: joiners, leavers and internal mobility

In 2011, 23,859 individuals were hired under permanent contracts, including 3,069 in France. Over 5,300 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end of year holiday season and the harvest season, are two main reasons for using fixed-term contracts.

Departures from Group companies in 2011 (all causes combined) affected a total of 16,205 employees working under permanent contracts, of which more than 44% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignations (75%) and individual dismissals (14%). The exceptional sweep of the worldwide economic crisis had significantly reduced movements of personnel in 2009. The sharp upturn in the luxury goods sector since 2010 led to a substantial increase in joiners and leavers, which rose by 20% and 8% compared to the prior year, respectively.

The overall turnover rate is stable compared to 2010 and shows marked differences across geographic regions: the highest rates are recorded in North America and Asia, where labor markets are more fluid.

Turnover by geographic region

(as %)	2011	France	Europe [d]	United States	Japan	Asia [e]	Other markets	2010	2009
Total turnover [a]	**19.2**	**10.0**	**15.9**	**27.8**	**9.8**	**25.7**	**19.9**	**19.5**	**18.3**
Of which:									
voluntary turnover [b]	14.3	4.8	11.2	22.7	8.9	20.5	15.3	13.6	11.5
involuntary turnover [c]	4.4	4.3	4.2	4.7	0.7	5.0	4.5	5.3	6.4

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

Breakdown of movements[(a)] of employees working under permanent contracts by business group and geographic region

	Joiners			Leavers		
(number)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
By business group						
Christian Dior Couture	1,124	849	491	724	779	657
Wines and Spirits	902	526	242	543	637	623
Fashion and Leather Goods	5,870	4,964	3,267	3,761	3,461	3,221
Perfumes and Cosmetics	4,559	4,213	2,709	3,504	3,185	2,665
Watches and Jewelry	758	472	294	382	355	482
Selective Retailing	10,467	8,648	5,509	7,158	6,470	5,557
Other	179	139	110	133	142	123
TOTAL	**23,859**	**19,811**	**12,622**	**16,205**	**15,029**	**13,328**
By geographic region						
France	3,069	2,393	1,479	2,014	1,944	1,793
Europe (excluding France)	4,067	3,429	2,194	2,819	2,746	2,748
United States	7,206	5,922	3,233	4,868	4,296	3,950
Japan	450	412	387	430	383	542
Asia (excluding Japan)	7,613	6,626	4,507	5,172	4,805	3,580
Other	1,454	1,029	822	902	855	715
TOTAL	**23,859**	**19,811**	**12,622**	**16,205**	**15,029**	**13,328**

(a) Under permanent contract, including conversions of fixed-term contracts to permanent contracts and excluding internal mobility within the Group.

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. In order to facilitate mobility within the Group, monthly reviews are organized in order to align opportunities for new positions with individuals interested in developing their careers. Significant results have thus been obtained over the last several years: more than 1,700 career moves through internal mobility were accomplished in 2011, which means that half of all manager positions were filled internally. Among key points worth noting, two-thirds of key positions are currently occupied by internally recruited talent and about 20% of career moves in 2011 were to another Group company.

The Christian Dior group also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially by pursuing qualifying training or degree programs. More than 4,600 staff members were promoted in 2011, representing approximately 5% of the workforce employed under permanent contract.

12.2. WORK TIME

12.2.1. Work time organization

Worldwide, 16% of employees benefit from variable or adjusted working hours and 38% work as a team or alternate their working hours.

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

Employees concerned [(a)] *(as %)*	**Global workforce**	**France**	**Europe** [(b)]	**United States**	**Japan**	**Asia** [(c)]	**Other markets**
Variable/adjusted schedules	16	36	19	7	12	2	-
Part-time	19	11	22	42	3	6	19
Teamwork or alternating hours	38	10	10	68	88	56	43

(a) The percentages are calculated in relation to the total number of employees 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.
(b) Excluding France.
(c) Excluding Japan.

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

Employees concerned [(a)] *(as %)*	**France workforce**	**Managers**	**Technicians and team leaders**	**Office and sales staff**	**Labor and production workers**
Variable/adjusted schedules	36	35	50	54	2
Part-time	11	3	6	23	7
Teamwork or alternating hours	10	-	7	2	35
Employees benefiting from time off in lieu	10	-	14	16	12

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

12.2.2. Overtime

The cost of the volume of overtime is 47.0 million euros, or an average of 1.6% of the worldwide payroll.

Percentage of overtime by region

(% of payroll)	**Global workforce**	**France**	**Europe** [(a)]	**United States**	**Japan**	**Asia** [(b)]	**Other markets**
Overtime	1.6	1.5	1.9	1.3	2.0	1.5	1.0

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

12.2.3. Absenteeism

The worldwide absentee rate of the Group for employees working under permanent and fixed-term contracts is 4.8%. It is stable compared with the previous years (4.8% in 2010 and 5.2% in 2009). The two main causes of absence are illness (2.1%) and maternity leave (1.4%). The overall absentee rate of the European entities is twice as high as that recorded in other geographic regions.

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

(as %)	Global workforce	France	Europe [(b)]	United States	Japan	Asia [(c)]	Other markets
Illness	2.1	3.7	3.0	0.9	0.4	1.4	1.1
Work/work-travel accidents	0.2	0.5	0.1	0.1	-	0.1	0.1
Maternity	1.4	1.4	2.7	0.5	3.1	1.0	1.0
Paid absences (family events)	0.7	0.3	0.5	0.2	0.7	1.4	1.2
Unpaid absences	0.4	0.4	0.4	0.2	0.1	0.5	0.3
OVERALL ABSENTEE RATE	**4.8**	**6.3**	**6.7**	**1.9**	**4.3**	**4.4**	**3.7**

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

12.3. COMPENSATION

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 mainly relate to equal pay, access through promotion to positions of greater responsibility, and the distribution of levels of individual performance.

The studies conducted in 2011 on the breakdown of levels of individual performance found that the distribution was identical for women and men.

In 2011, most of the Group's French companies paid all of their employees very substantial amounts in profit sharing and/or incentives, representing an increase of 40% compared to previous years. The Group also maintained its program for the allocation of bonus shares, to encourage the loyalty of staff members making the greatest contribution to its performance.

12.3.1. Average salary

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

Employees concerned *(as %)*	2011	2010	2009
Less than 1,500 euros	1.4	3.9	7.6
1,501 to 2,250 euros	31.9	33.8	32.9
2,251 to 3,000 euros	22.8	22.3	22.1
Over 3,000 euros	43.9	40.0	37.4
TOTAL	**100.0**	**100.0**	**100.0**

12.3.2. Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	2011	2010	2009
Gross payroll - Fixed term or permanent contracts	2,964.1	2,665.8	2,422.1
Employers' social security contributions	765.6	691.9	630.2
Temporary staffing costs	144.6	118.8	89.1
TOTAL PERSONNEL COSTS	**3,874.3**	**3,476.5**	**3,141.4**

Outsourcing and temporary staffing costs increased appreciably compared to the previous year, accounting for 6.5% of the total payroll worldwide, including employer's social security contributions.

12.3.3. 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 143.0 million euros in 2011, paid in respect of 2010, a strong increase compared to previous years.

(EUR millions)	2011	2010	2009
Profit sharing	71.9	53.5	68.2
Incentive	61.8	32.8	31.6
Employer's contribution to company savings plans	9.3	6.3	5.5
TOTAL	**143.0**	**92.6**	**105.3**

12.4. 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. This key message was reinforced at the Group's second international conference on social responsibility held in 2011. Bringing together more than 200 executives and managers, this event highlighted the considerable progress made since the first edition of this conference in 2007. In the intervening period, initiatives have been undertaken in a number of areas, including efforts to promote non-discrimination, equal opportunities for men and women, well-being at work, access to employment for the disadvantaged, the employment of disabled persons, children's education, and the fight against social exclusion. These achievements demonstrate the extent to which Group companies monitor the impact of their business activities and behaviors on people, communities and the regions in which they operate. The Group was awarded the Special Jury Prize for the third consecutive year at the 2011 *Trophées de la Diversité*, confirming the high level of confidence among external stakeholders in the substantial efforts spearheaded by the Group.

Following the semi-annual review of the FTSE4Good Index by its provider FTSE Group, it was announced that LVMH met all of the necessary criteria for admission to this leading index of responsible investment stocks for the second consecutive year.

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. These commitments are demonstrated by all Group companies through the various actions described below.

12.4.1. Equality of opportunity for men and women

Gender equality is an integral part of Christian Dior's corporate culture. Women account for more than three-quarters of the Group's workforce. This strong feminine presence is an essential characteristic of the Christian Dior group. It is related to the fact that 85% of Group customers are women but it is also explained by the very nature of its businesses. Women are particularly prominent in Perfumes and Cosmetics (84%), sale of luxury products (81%) and Fashion and Leather Goods (72%). Conversely, the majority of staff in Wines and Spirits are men, representing 64% of the workforce in this business group.

Furthermore, women make up 62% of managers within the Group and more than 35% of Group Houses' executive committee members are female. Six Group companies are chaired by women: Krug, Fred, Loewe, Givenchy, Emilio Pucci, and Acqua di Parma.

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

	Joiners			Group employees		
(% of women)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Breakdown by business group						
Christian Dior Couture	72	70	75	72	72	74
Wines and Spirits	47	46	40	36	35	35
Fashion and Leather Goods	68	70	67	72	73	73
Perfumes and Cosmetics	85	86	87	84	84	82
Watches and Jewelry	57	56	64	56	57	57
Selective Retailing	82	81	82	81	81	80
Other	57	50	45	46	44	47
Breakdown of personnel by professional category						
Executives and managers	64	61	59	62	62	60
Technicians and team leaders	73	70	71	68	68	69
Office and sales personnel	80	81	82	81	81	81
Labor and production workers	55	66	56	63	64	63
Breakdown by geographic region						
France	74	72	71	69	68	68
Europe (excluding France)	76	78	75	75	75	75
United States	80	79	80	77	76	76
Japan	79	81	77	78	78	77
Asia (excluding Japan)	75	77	78	75	76	76
Other markets	75	74	77	65	65	63
TOTAL	**76**	**77**	**77**	**74**	**74**	**73**

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

Equality of opportunity also prevails in career advancement. Accordingly, 71% of staff promoted in 2011 were women.

The quest for gender equality, an agent of transformation with respect to diversity generally, encouraging the complementarity of sensitivities and professional behaviors, colors all major human resources management actions. The Christian Dior group has put in place a range of programs designed to facilitate access by women to positions of greater responsibility: monitoring of remuneration practices, management of international mobility, access to management training, diversity considerations in the context of succession planning for key positions or in the recruitment of managers. To commemorate the global centenary year of International Women's Day, LVMH organized an event on March 7–8, 2011 in London bringing together some forty female executives from the Group. Female leadership was one of the main issues discussed at this meeting, during which those in attendance also drafted new action plans to promote women's access to key positions. In 2011, LVMH also signed the "Women on the Board Pledge for Europe".

A number of Group companies, including Hennessy, Le Bon Marché, Moët & Chandon and Benefit Cosmetics, have negotiated collective agreements relating to equal opportunities for men and women, including provisions on workplace conditions, compensation, career development and achieving a better balance between private and professional life, notably by introducing measures relating to the male responsibilities of parenthood and financing places in company day-care centers.

12.4.2. 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, 30 actions plans and 12 collective agreements have been implemented to promote the recruitment, employment and career development of staff over the age of 50. Louis Vuitton and Parfums Givenchy are among Group companies that have developed international "Senior-Junior" mentoring schemes to ensure the successful transmission of 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, in order to better manage the careers of older employees and to offer all staff over the age of 50 a specially designed career development assessment. Information meetings on retirement for staff members in this age group have been set up.

Further measures to promote the employment of older staff have already been implemented in several Group companies. Parfums Givenchy, Guerlain, Moët & Chandon and Le Bon Marché have signed agreements with 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. Givenchy has introduced a mentor system to facilitate the transfer of know-how, pairing the *premier d'atelier* (the head of the design studio) or the *second d'atelier* (the former's deputy) with a tutor or an apprentice. Kenzo has adopted a procedure for preventing discrimination on the basis of age during the recruitment process. Since 2007, Moët Hennessy has been working with a recruitment consultancy specializing in the placement of older employees. All Group companies have developed specific plans in relation to older staff.

A posture and movement training program is also implemented at all production sites to prevent musculoskeletal disorders and to assist older employees through constant efforts to improve workplace conditions.

Worldwide, 12.4% of the Christian Dior group's active workforce are over the age of 50. In France, this population accounts for 19.9% of employees.

12.4.3. 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, LVMH is supported by a network of more than 30 disability correspondents in Group companies through its Mission Handicap initiative. Awareness sessions are organized on a regular basis for these correspondents, addressing the various issues raised by disabilities. In 2011, mental disabilities were a focus of special interest. In France, between 2007 and 2010, the employment rate for disabled persons increased from 1.6% to 3.7% 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 objectify the recruitment process and identify skills and competencies which are transferable into the professional sphere.

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 Spain, Loewe has forged a partnership, staffed by employee volunteers, with two associations working to integrate persons with mental disabilities into the workplace, using innovative pedagogical methods, in particular dog training and painting. In Japan, the employment of disabled staff at Louis Vuitton and Marc Jacobs stores has led to the adjustment of a number of training programs and the adaptation of job requirements.

The proportion of disabled staff in the Group's workforce has been increasing steadily for several years in France. In addition, services sub-contracted to sheltered workshops totaled about 6.5 million euros in 2011, equivalent to the addition of more than 160 indirect jobs.

12.5. PROFESSIONAL DEVELOPMENT OF EMPLOYEES

The annual review of the Group's talent pool and its organizational management is one of the key processes in analyzing and building the added value of human capital across the Group. This review focuses the attention of Group companies by defining key positions and the associated succession plans. This process also supports the identification and development of talent within the Group through career opportunities in the short and medium term and by putting together individual development plans to prepare staff for their future responsibilities. The Group also makes use of regular performance appraisals. These appraisals serve to reveal employees' strong points as well as areas in need of improvement, to better understand their professional development ambitions and to outline concrete actions that will assist them with their career plans. An e-learning module, combining videos and interactive exercises designed to facilitate the implementation of these performance management and professional development procedures is offered to 16,000 managers.

The Group offers an environment particularly conducive to career development. Apart from encouraging internal mobility across the various Group companies, training serves as a powerful driver in the building of careers, enabling the acquisition or enhancement of skills and favoring exchanges both inside and outside the Group.

In 2011, the Group increased its commitment to the training of managers, especially in the area of leadership.

New online training projects have extended the reach of this investment and are contributing to the development of regional management training programs. Among these initiatives, 2011 saw the introduction of a new training module entitled "Inspiring Entrepreneurs". An initial intensive and creative training session was held in Shanghai. The second will take place in Paris in early 2012, followed by a third in New York in May. Apart from the forums for senior executives that have been organized for several years by LVMH House in London, San Francisco, New York and Hong Kong, 2011 saw the inauguration of new regional forums in Shanghai, Moscow and Tokyo. Thanks to this unprecedented effort, nearly double the number of managers were able to attend these sessions compared to previous years. In all, over 400 managers representing more than 30 brands and 30 countries benefited from the notable participation of world-renowned experts and executives, through 16 forums.

All world regions recorded a considerable increase in training investments in 2011. New programs to build understanding of the luxury universe were also introduced in Asia to ensure even greater effectiveness in the on-boarding of new managers. A program was launched with the same objective in France, entitled "360° of Luxury" and involving the participation of more than ten experts.

The Group offers a wide range of training programs to its employees in order to support their professional development within the Group. In 2011, more than 3,000 management-level staff participated in internships and in-house seminars offered at the Group's four main training centers for France, Asia, Japan and the United States.

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	**2011**	**2010**	**2009**
Training investment *(EUR millions)*	73.6	64.8	55.6
Portion of total payroll *(as %)*	2.5	2.4	2.3
Number of days training per employee	2.5	2.5	2.3
Average cost of training per employee *(EUR)*	772	735	685
Employees trained during the year *(as %)*	64.6	64.6	58.9

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

In 2011, training expenses incurred by Christian Dior group companies throughout the world represented a total of 73.6 million euros, or 2.5% of total payroll. Following a decline seen in 2009 due to the difficult economic environment, indicators relating to the Group's overall training effort have returned to levels comparable to those recorded in previous years.

The average training investment per full-time equivalent person amounts to approximately 772 euros. In 2011, the total number of training days amounted to nearly 237,000 days, representing an equivalent of around 1,030 people receiving full-time training for the entire year.

Other indicators, such as the training penetration rate and the average number of days training per employee also remained stable in comparison to 2010. Thus a total of 65% of employees received at least one day of training during the year and the average number of days training came to 2.5 days per employee. The training investment is spread across all professional categories and geographic regions in accordance with the table below.

Breakdown of training investment by geographic region and professional category

		France	**Europe (a)**	**United States**	**Japan**	**Asia (b)**	**Other markets**
Training investment *(EUR millions)*		27.8	12.6	11.8	6.0	13.2	2.2
Portion of total payroll *(as %)*		3.2	2.0	1.8	2.6	2.8	2.0
Employees trained during the year *(as %)*		59.1	60.9	60.7	80.7	71.6	73.1
Of which:	Executives and managers	67	67	59	80	74	60
	Technicians and team leaders	68	68	38	80	78	63
	Office and sales personnel	48	60	62	81	71	76
	Labor and production workers	55	54	59	92	62	82

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

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

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 23,900 employees attended seminars of this type in 2011.

12.6. HEALTH AND SAFETY

In 2011, there were a total of 906 work accidents resulting in leave of absence which resulted in 18,871 lost working days. Frequency rates have been improving steadily for several years and severity rates are stable. 288 commuting accidents were also recorded, resulting in 6,627 lost working days.

Lost time accidents by business group and geographic region break down as follows:

		Number of accidents	Frequency rate [a]	Severity rate [b]
Breakdown by business group				
Christian Dior Couture		21	2.92	0.05
Wines and Spirits		173	12.61	0.29
Fashion and Leather Goods		170	3.30	0.06
Perfumes and Cosmetics		97	2.73	0.06
Watches and Jewelry		19	3.45	0.09
Selective Retailing		408	7.10	0.16
Other		18	5.74	0.03
Breakdown by geographic region				
France		430	13.17	0.32
Europe (excluding France)		158	4.21	0.06
United States		100	2.88	0.07
Japan		2	0.20	0.01
Asia (excluding Japan)		164	4.01	0.05
Other		52	5.56	0.15
Group	**2011**	**906**	**5.49**	**0.11**
	2010	883	5.77	0.11
	2009	839	5.92	0.13

(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.

The Group invested over 14.8 million euros in Health and Safety in 2011. This includes expenses for occupational medical services, small 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, noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 59.1 million euros, representing 2.0% of the Group's gross payroll worldwide.

More than 18,800 Group company employees received safety training worldwide.

The Christian Dior group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace. Accordingly, the Group continued to implement the plan for the prevention of psychosocial risks in 2011, covering the following points: diagnostics/barometers (Hennessy), steering committees, awareness raising and training for affected staff, support units (Parfums Christian Dior, Veuve Clicquot, Loewe, Guerlain, Sephora Inc. etc.), work organization reviews, balance between private and professional life, organization overhauls, harassment prevention.

Moët & Chandon, Le Bon Marché and Sephora have signed agreements to prevent psychosocial risks which 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 encompassing 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.

12.7. EMPLOYEE RELATIONS

12.7.1. Status of collective agreements

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

In 2011, employee representatives attended more than 1,600 meetings:

Nature of the meetings	Number
Works council	543
Employee representatives	518
Health and Safety Committee	211
Other trade names	331
TOTAL	**1,603**

As a result of these meetings, 133 company-wide agreements were signed (such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans, 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.

12.7.2. Social and cultural activities

In 2011, in France, the Group allocated a budget of almost 16 million euros, or 1.8% of total payroll expenses, to social and cultural activities in France via contributions to works councils.

Total catering costs for all Group employees represent a budget of 14.7 million euros.

12.8. RELATIONS WITH THIRD PARTIES

12.8.1. 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 (impact reduction, 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, Moët & Chandon and Glenmorangie, for example, establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues. Audits are also carried out on suppliers. 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, no working conditions, providing a safe and healthy work environment, 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 industrial relations and labor law and for 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 calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, 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 2011, 453 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria. More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.

Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers. 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 2012, together with follow-ups on action plans.

12.8.2. 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.

Non-disciplinary layoffs, including those due to economic conditions, represent 2.6% of total departures.

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 Orleans), 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.

12.8.3. 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. In India, Moët Hennessy supports the work of Aseema, a non-governmental organization working to promote access to education for underprivileged children in Mumbai, by sponsoring a class of 27 pupils. Also in India, Moët Hennessy has organized a fund-raising campaign to improve living conditions for inhabitants of disadvantaged neighborhoods. 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. In the aftermath of the devastating earthquake that hit Japan, in March 2011, a number of Group companies, including DFS, LVMH Fragrance Brands, Loewe and Fendi, focused efforts on collecting donations.

In all countries, 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, and 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 "*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, 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 2011 edition of the Ethical Fashion Show, held at the *Carrousel du Louvre* in Paris. In the same spirit, for the second 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. In January 2011, six such diplomas were awarded and five individuals were hired. In November, eight individuals from a second group of graduates received diplomas and six were hired.

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 equality 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 funds ten scholarships offered by the association "*Promotion des Talents*" and, in the framework of a partnership with the *Institut d'Études Politiques de Paris (Sciences Po)*, LVMH also offers grants to students from disadvantaged backgrounds and gives young *Sciences Po* graduates 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. In 2011, almost 620 employees were able to take advantage of work-study arrangements in France. Eighty percent of those offered a professionalization contract have found stable employment afterwards. As of December 31, 2011, there were almost 640 young people working under apprenticeship or professionalization contracts in all of the Group's French companies.

12.9. 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.

13. Effects of operations on the environment

The reporting scope for environmental indicators included the following sites in 2011:

- Production facilities, warehouses and administrative sites: 195 of the 229 sites owned and/or operated by companies controlled by the Group are covered. The 34 sites that are not covered include primarily the production facilities of Wen Jun Distillery and four Louis Vuitton workshops that have been opened recently, in addition to certain administrative sites of Christian Couture, Benefit, Berluti, Donna Karan, Pucci, Fresh, Marc Jacobs and Thomas Pink. Changes in the reporting scope compared to 2010 relate to the integration of Hublot. For Rossimoda, Chandon do Brasil and several holding company sites, 2010 data were applied again in 2011. The Bulgari production sites and the Heng Long tannery acquired in 2011 are not included in the reporting scope for environmental indicators in 2011. They will be included for the first time in 2012.
- Stores: the French stores of Céline and Guerlain, the French stores and certain international stores of Louis Vuitton (28% of Louis Vuitton's total sales area, up from 14% in 2010), Le Bon Marché in Paris, DFS stores worldwide, three Italian stores of Fendi, the Spanish stores of Loewe, the French stores and certain US and Canadian stores of Sephora as well as some Christian Dior Couture stores are covered. The reporting scope does not cover the stores operated under franchise by the Group's Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry companies. Lastly, depending upon the environmental indicators examined, the corresponding reporting scope can vary significantly:
  - energy consumption and greenhouse gas emissions: the reporting scope covers 63% of the total sales area of Sephora's US and Canadian stores;
  - water consumption: the reporting scope covers 27% of the total sales area of Sephora's stores in France and 59% of the total sales area of the US and Canadian stores of Sephora;
  - waste production: the stores of Céline and Fendi, the Spanish stores of Loewe, the French stores of Sephora, the stores of Louis Vuitton (with the exception of certain Japanese stores) and the stores Christian Dior Couture (with the exception of certain Italian and Chinese stores) are not covered.

For stores, no other environmental indicator is concerned.

In 2011 the reporting scope for stores covers 42% of the sales area for energy consumption and 27% for water consumption. The environmental indicators of the stores that are not covered are deduced by extrapolation, based on the average of the actual ratios per unit of sales area. The integration of the Bulgari stores and of the stores of Ile de Beauté in Russia are the main changes in reporting scope involved in this extrapolation.

Pursuant to Decree No. 2002-221 of February 20, 2002, known as the "NRE decree" (*Nouvelles régulations économiques*), the following sections provide information concerning the nature and importance of the elements that have a relevant and significant impact on operations. The indicators retained were selected by the Group's environmental department and validated by the Environment and Sustainable Development Department of Ernst & Young, one of the Group's Statutory Auditors. Since fiscal year 2002, the LVMH group's annual environmental data reporting has been verified each year by Ernst & Young, assisted by its Environment and Sustainable Development Department.

More information and explanations may be found in the 2011 LVMH Environmental Report.

13.1. WATER, RAW MATERIAL AND ENERGY CONSUMPTION REQUIREMENTS

13.1.1. 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 practiced in France. 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)	2011	2010	Change *(as %)*
Process requirements	1,861,141	1,773,033	+5
Agricultural requirements (vine irrigation)	6,618,614	6,521,146	+1

Water consumption used for the process requirements of the Group's companies increased 5% in absolute terms between 2010 and 2011 and exceeded 1.86 million cubic meters. This consumption covers 27% of the sales areas. Water consumption by retail sales areas excluded from the reporting scope (73% of total retail space) is estimated at 980,941 cubic meters.

Water consumption by business group

Process requirements *(in m³)*	**2011**	**2010**	**Change** *(as %)*
Christian Dior Couture	44,425	38,694	+15 [a]
Wines and Spirits	993,306	928,934	+7
Fashion and Leather Goods	249,271	261,641	-5
Perfumes and Cosmetics	202,274	213,450	-5
Watches and Jewelry	12,573	9,120	+38 [b]
Selective Retailing	332,014	295,230	+12 [c]
Other	27,278	25,964	+5
TOTAL	**1,861,141**	**1,773,033**	**+5**

(a) Increase due to a change in the scope of entities covered by Christian Dior Couture.
(b) Change due to the integration of Hublot and the increase in Watches and Jewelry business volumes.
(c) Change due to the integration of new Sephora stores in America and Canada.

Vineyard irrigation is an authorized and supervised practice in California, Argentina, Australia and New Zealand 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, the size of the vine, yielding an enhanced concentration of aroma and color).

13.1.2. Energy consumption

Energy consumption corresponds to primary energy sources consumed internally (combustion on a Group site, such as fuel oil, butane, propane and natural gas) added to secondary energy sources (energy originates from combustion outside the Group's sites).

In 2011, the subsidiaries included in the reporting scope consumed 580,710 MWh provided by the following sources: 67% electricity, 19% natural gas, 6% heavy fuel oil, 5% fuel oil, 1% butane propane, 1% steam, and less than 1% renewable energies. Consumption is stable compared to 2010.

This consumption corresponds, in decreasing order of use to Selective Retailing (34%), Wines and Spirits (29%), Fashion and Leather Goods (18%), Perfumes and Cosmetics (10%), and Christian Dior Couture (5%). The remaining 4% is generated by Watches and Jewelry and the other activities of the Group.

Energy consumption by retail sales areas excluded from the reporting scope (58% of total retail space) is estimated at 341,362 MWh.

Upon the completion of Bilan Carbone® greenhouse gas emission assessments and energy audits, various action plans were implemented by Group companies relating to lighting and air conditioning in stores, one of the main sources of the Group's greenhouse gas emissions, but also in the areas of transportation, energy efficiency and the promotion of renewable energies. Among the most significant projects in 2011, Louis Vuitton completed the installation of an array consisting of 1,218 photovoltaic panels on the roof of its workshop in San Dimas, California, offering a total potential electricity output of 286.2 kW, thus covering 31% of the site's needs.

Energy consumption by business group

(in MWh)	2011	2010	Change *(as %)*
Christian Dior Couture	26,356	25,493	+3
Wines and Spirits	167,737	155,882	+8
Fashion and Leather Goods	104,904	104,439	-
Perfumes and Cosmetics	60,939	70,816	-14 [(a)]
Watches and Jewelry	10,083	7,217	+40 [(b)]
Selective Retailing	196,623	196,266	-
Other	14,068	19,805	-30 [(c)]
TOTAL	**580,710**	**579,918**	**-**

(a) Change due primarily to the decrease in consumption at the Parfums Christian Dior French production site.
(b) Change due to the integration of Hublot and the increase in Watches and Jewelry business volumes.
(c) Change due to the decrease in business at certain holding company sites.

Consumption by energy source in 2011

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Renewable energies
Christian Dior Couture	23,472	1,480	-	222	-	1,191	-
Wines and Spirits	61,907	47,005	28,203	22,770	6,518	-	1,334
Fashion and Leather Goods	84,471	17,256	-	672	1,150	782	573
Perfumes and Cosmetics	37,380	22,549	-	61	-	779	170
Watches and Jewelry	6,280	3,685	-	118	-	-	-
Selective Retailing	172,761	9,247	-	12,247	-	2,368	-
Other	9,574	4,087	-	87	40	280	-
TOTAL	**395,845**	**105,309**	**28,203**	**36,177**	**7,708**	**5,400**	**2,077**

13.1.3. Raw material consumption

Given the variety of the Group's operations and the many different types of raw materials used, the only significant, relevant criterion used by all of the Group's brands relevant 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)	2011	2010	Change *(as %)*
Christian Dior Couture	372	203	+83 [a]
Wines and Spirits	163,186	148,145	+10 [b]
Fashion and Leather Goods	6,100	5,711	+7
Perfumes and Cosmetics	23,798	21,974	+8
Watches and Jewelry	527	440	+20 [a]
Selective Retailing	1,563	1,327	+18 [a]
TOTAL	**195,546**	**177,800**	**+10**

(a) In 2011, reporting of sales packaging covered the complete scope of Christian Dior Couture's operations.
(b) Changes due to increase in business volumes.

Breakdown of the total weight of packaging placed on the market, by type of material, in 2011

(in metric tons)	Glass	Paper-cardboard	Plastic	Metal	Fabric	Other packaging material
Christian Dior Couture	-	320	46	-	-	6
Wines and Spirits	138,675	19,965	1,757	1,298	55	1,436
Fashion and Leather Goods	-	4,984	17	-	100	999
Perfumes and Cosmetics	12,693	4,254	5,144	813	101	793
Watches and Jewelry	-	208	-	-	-	319
Selective Retailing	253	215	1,004	53	38	-
TOTAL	**151,621**	**29,946**	**7,968**	**2,164**	**294**	**3,553**

The brands have different adapted tools and training to ensure that there is optimum consideration of the environment in product design. Eco-design involves reductions in packaging weight and volume, the selection of ingredients and raw materials, the use of more energy-efficient production processes, and efforts to ensure compliance with the REACH Regulation.

13.2. SOIL USE CONDITIONS, EMISSIONS INTO THE AIR, WATER AND SOIL

13.2.1. 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. Finally, the Group's manufacturing operations require very little soil use, except for wine production.

Integrated grape growing (*viticulture raisonnée*) is an advanced method that combines cutting-edge technology with traditional methods, covering all stages of the wine producing process. This method, used for several years by Wines and Spirits, was developed further this year. For example, Moët & Chandon and Veuve Clicquot are developing their "third way" approach, combining the use of synthetic products, applied during the critical flowering period, and organic products, applied at the beginning and the end of the season when vines are less vulnerable to attacks by pests.

13.2.2. 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 section 13.1.2. Energy consumption. These include direct emissions (on-site combustion) and indirect emissions (from the generation of electricity and vapor used by the sites). CO_2 emission factors are updated every year for each energy source, notably for electricity. This update may lead to significant changes.

Breakdown of emissions by business group in 2011

		Of which:			
(in metric tons of CO_2 equivalent)	**CO_2 emissions in 2011**	**Direct CO_2 emissions**	**Indirect CO_2 emissions**	**CO_2 emissions in 2010**	**Change** *(as %)*
Christian Dior Couture	12,473	365	12,108	12,424	-
Wines and Spirits	39,416	25,327	14,089	37,380	+5 (a)
Fashion and Leather Goods	32,714	4,011	28,703	25,199	+30 (b)
Perfumes and Cosmetics	10,036	4,662	5,374	11,635	-14
Watches and Jewelry	1,001	791	210	742	+35 (c)
Selective Retailing	69,593	5,224	64,369	72,281	-4
Other	2,602	875	1,727	3,021	-14
TOTAL	**167,835**	**41,255**	**126,580**	**162,682**	**+3**

(a) Change due to increase in business volumes.
(b) Change due to the integration of new Louis Vuitton sites and stores located in countries where electricity generation involves the highest CO_2 levels, in addition to the updating of CO_2 emission factors for electricity generation.
(c) Change due to the integration of Hublot and the increase in Watches and Jewelry business volumes.

Greenhouse gas emissions generated by retail space excluded from the reporting scope (58% of total retail space) are estimated at 163,278 metric tons of CO_2 equivalent. The Group has long stressed the importance of addressing climate change in its business activities and has carried out Bilan Carbone® assessments of the following brands since 2002: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora, Le Bon Marché, and Christian Dior Couture. Greenhouse gas emissions are retested using this assessment protocol every three years.

13.2.3. Discharges to water

The most significant and relevant emissions of note are the discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations. 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. In 2011, COD discharges increased by 5%. As a particularly precious resource for the Group's businesses, and especially for the activities of its Wines and Spirits and Perfumes and Cosmetics business groups, water is the focus of considerable attention: each year, ambitious goals are set to limit consumption and renewed efforts are made to curtail discharges into water.

COD after treatment *(metric tons/year)*	2011	2010	Change *(as %)*
Wines and Spirits	2,227.3	2,107.0	+6 [a]
Perfumes and Cosmetics	13.6	18.3	-26 [b]
TOTAL	**2,240.9**	**2,125.3**	**+5**

(a) Change due to increase in business volumes.
(b) Change mainly due to process improvements at Parfums Christian Dior's French production site.

13.2.4. Waste

Group companies continued their efforts with respect to the sorting and recovery of waste. On average, 89% of the waste was recovered in 2011 (92% in 2010). The change is primarily the result of a better traceability of certain waste types of Estates & Wines. In parallel, waste production increased by 13% in 2011.

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 in 2011	Of which: hazardous waste produced in 2011 [a]	Waste produced in 2010	Change in waste produced *(as %)*
Christian Dior Couture	415	20	495	-16 [b]
Wines and Spirits	43,447	178	37,795	+15
Fashion and Leather Goods	7,509	121	7,504	-
Perfumes and Cosmetics	7,379	896 [c]	6,819	+8
Watches and Jewelry	283	29	215	+32 [d]
Selective Retailing	4,738	64	3,607	+31 [e]
Other	1,212	79	1,323	-8
TOTAL	**64,983**	**1,387**	**57,758**	**+13**

(a) Waste to be sorted and treated separately from other "common" waste (boxes, plastic, wood, paper, etc.).
(b) Change due mainly to a reduction in waste produced by the Paris headquarters building.
(c) Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.
(d) Change due to the integration of Hublot and the increase in Watches and Jewelry business volumes.
(e) Change due to the integration of the waste of certain Sephora North America stores.

Waste recovery in 2011

(as %)	Re-used	Material recovery	Energy recovery	Total recovery
Christian Dior Couture	1	67	14	82
Wines and Spirits	5	81	4	90
Fashion and Leather Goods	3	47	18	68
Perfumes and Cosmetics	5	68	24	97
Watches and Jewelry	-	64	30	94
Selective Retailing	6	42	37	85
Other	-	97	2	99
TOTAL	**5**	**73**	**11**	**89**

13.3. LIMITATION OF DAMAGE TO ECOSYSTEM BALANCE, NATURAL HABITATS, ANIMAL AND PLANT SPECIES

Fashion and Leather Goods, and Watches and Jewelry implemented procedures to improve compliance with the convention on 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 ethnobotany for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. For example, Guerlain is a sponsor of TianZi, a nature reserve in China, having entered into a ten-year funding agreement focusing on three areas: reforestation, introduction of orchids, and social initiatives in support of local populations. Guerlain has also launched a program promoting sound farming practices for *vetiver* in the high plateaus surrounding Coimbatore in southern India. Apart from its donations to the Japanese Red Cross in the aftermath of the earthquake and tsunami that hit Japan in March 2011, Louis Vuitton is a sponsor of the “Forests are Lovers of the Sea” campaign, whose aim is to reverse water quality degradation and damage to oyster fisheries in Miyagi prefecture through the planting of trees. Louis Vuitton has also funded the acquisition of forest land in the region of Nagano, whose timber is being used to build homes and furniture for people directly affected by the disaster.

13.4. ENVIRONMENTAL PROTECTION METHODS WITHIN THE GROUP

13.4.1. Organization

The LVMH 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.).

The Environmental Charter requires that all Group Houses adapt this document for their internal purposes so as to reflect the nature of their own operations. All the Houses have begun implementing their own environmental management systems; an ever increasing number of them have established their own environmental committees to supervise the deployment of this approach across their organizations. Each Group House has appointed an environmental management representative. They meet as part of the LVMH Environment Commission coordinated by the Group's environment management team once every three months and post their conclusions on the Group's Environment Extranet page, LVMH Mind, which is accessible to all employees.

In 2011, almost all of the companies, in all of the Group's business groups, continued their employee training and awareness programs this year. These programs comprised 15,602 hours, a 24% increase compared to 2010 (12,577 hours).

13.4.2. Evaluation and certification programs

In accordance with the LVMH Environment Charter, each company of the LVMH group 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 an LVMH self-assessment guide and can, if it wishes, apply for ISO 14001 or EMAS certification for its system.

The LVMH group requires all Houses to put in place environmental management systems. 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. Having obtained ISO 14001 certification for its French logistics sites, its headquarters at the Pont Neuf in Paris, and its Barbera workshop in Spain, Louis Vuitton continued its efforts in this area in 2011 by focusing on its French workshops and its facilities in Fiesso, Italy. Lastly, Parfums Christian Dior has obtained certification for its international distribution center in Saint-Jean de Braye in France and its distribution facility in Singapore.

LVMH's 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, which applies to all members involved in the diamond and gold jewelry supply chain and requires that compliance with the system be verified by accredited, independent Auditors. Bulgari, TAG Heuer, Chaumet and Fred have been certified this year. Zenith obtained certification in January 2012, whereas Hublot and the jewelry business of Louis Vuitton and Dior Jewelry intend to obtain certification by the end of the first half of 2012.

Since the 2002 fiscal year, the LVMH group's annual environmental data reporting has been audited, based on data from LVMH, by the Environment and Sustainable Development department of Ernst & Young, one of the Group's Statutory Auditors.

13.4.3. 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 2011, 25% of the 229 manufacturing, logistics and administrative sites were audited, for a total of 49 external audits and 95 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 in 2011.

13.4.4. 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.

Environmental protection expenses in 2011 break down as follows:

- operating expenses: 7.8 million euros;
- capital expenditure: 8.0 million euros.

13.4.5. Provisions and guarantees given for environmental risks, and compensation paid during the year pursuant to a court decision

The amount of provisions for environmental risks is 12.9 million euros as of December 31, 2011.

13.4.6. 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.

13.4.7. 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 responsibility of the manufacturer: clarification of minimum requirements relating to the assessment of product safety;
- by reinforcing market surveillance: obligation to notify the competent authorities of serious undesirable effects.

The Group has been working over the last several months to set up procedures to ensure its readiness once the new regulation enters into application. These initiatives are becoming more essential than ever, in an environment where cosmetics regulations are giving rise to an increasing amount of legislation worldwide.

Other European regulations have entered into application, some of which relatively recently, and 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 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.

14. Litigation and exceptional events

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 Retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the 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. It is conceivable that a new appeal could be brought before the *Cour de cassation*.

In 2006, Louis Vuitton Malletier, Christian Dior Couture and the French companies of the Perfumes and Cosmetics business group filed lawsuits against eBay in the Paris Commercial Court. Louis Vuitton Malletier and Christian Dior Couture demanded compensation for losses caused by eBay's participation in the commercialization of counterfeit products and its refusal to implement appropriate procedures to prevent the sale of such goods on its site. The Perfumes and Cosmetics brands sued eBay for undermining their selective retailing networks. In a decision delivered on June 30, 2008, the Paris Commercial Court ruled in favor of Louis Vuitton Malletier, Christian Dior Couture and the Perfumes and Cosmetics brands, 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 brands. 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 brands, as the initial amount had been determined on the basis of eBay's worldwide operations. In response, eBay has filed an appeal on points of law with the *Cour de Cassation*. The *Cour de cassation* is expected to hand down its ruling by the end of 2012.

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) decided to launch an investigation into the market and financial disclosures relating to Hermès and LVMH shares. This investigation is currently under way.

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. This decision is currently under review by the Constitutional Council.

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 has brought legal proceedings against these two Group companies. At the time of the publication of this document, no decision had been handed down.

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 under review, any significant impact on the financial position or profitability of the Company and/or the Group.

15. Subsequent events

No significant subsequent events occurred between December 31, 2011 and February 2, 2012, the date on which the financial statements were approved for publication by the Board of Directors.

16. Recent developments and prospects

Following an exceptional year in 2011, and despite an uncertain economic outlook for Europe, the Christian Dior group is very well placed to continue to deliver robust growth in all of its businesses in 2012. The Group's strategy will remain focused on communicating the core values of its brands and building on their successes through a sustained commitment to innovation, quality, and expansion in the most promising markets.

Driven by the agility of its organization, the balance of its different businesses and geographic diversity, the Christian Dior group enters 2012 with confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

Report of the Chairman of the Board of Directors

Drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report was approved by the Board of Directors at its meeting on February 2, 2012.

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.code-afep-medef.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 – Corporate 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

- During its meeting of February 2, 2012, the Board of Directors proposed to submit resolutions to the Shareholders' Meeting of April 5, 2012 for the appointments of Mrs. Delphine Arnault and Mrs. Hélène Desmarais, as well as Messrs. Denis Dalibot and Jaime de Marichalar y Sáenz de Tejada, as Directors;
- The Board of Directors, subject to the decisions of the Shareholders' Meeting of April 5, 2012, will thus consist of twelve members: Mrs. Delphine Arnault, Mrs. Hélène Desmarais and Mrs. Ségolène Gallienne, as well as 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 whom: 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 hold no interests in the Company.

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

  During its meeting of February 2, 2012 the Board of Directors reviewed the status of each Director currently in office as well as each proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code of Governance of Listed Companies, and considered that:

  (i) Mrs. Hélène Desmarais fulfills all of these criteria,

  (ii) Mrs. Ségolène Gallienne is to be considered, given her personal situation, as an independent Director, despite having served on the Board of Directors of a subsidiary of the LVMH group,

  (iii) Mr. Renaud Donnedieu de Vabres is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Board of Directors of Fondation d'Entreprise Louis Vuitton pour la Création,

  (iv) Mr. Eric Guerlain is to be considered, given his personal situation, as an independent Director, despite having served as a board member of the Company's Board of Directors for more than twelve years and on the Board of Directors of another company that is a subsidiary of the LVMH group,

  (v) Mr. Christian de Labriffe is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years and of the Boards of Directors of a subsidiary of Christian Dior,

  (vi) Mr. Jaime de Marichalar y Sáenz de Tejada is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Board of Directors of a subsidiary of the LVMH group and his capacity of Advisor to the Chairman of the LVMH group for Spain.
- The Board of Directors met three times in 2011, on a written notice of meeting from the Chairman sent to each of the Directors at least one week before the date of the meeting. The

average attendance rate of Directors at these meetings was 84%.

The Board approved the annual and half-yearly consolidated and parent company financial statements and reviewed the compensation of company officers, including a medium-term incentive scheme in favor of the Company's Chief Executive Officer, the establishment of bonus share plans, changes in the membership of the Board of Directors, the authorization for third-party guarantees and the renewal of the authorization to issue bonds. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, organization, and procedures, making the necessary changes to its Charter and the Internal Regulations of the Performance Audit Committee and the Nominations and Compensation Committee, in particular with regard to respecifying the responsibilities of the Board of Directors and the Performance Audit Committee and the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted.

- During its meeting of February 2, 2012, the Board of Directors carried out a formal analysis of its capacity to meet shareholders' expectations. It reviewed its composition, organization and *modus operandi*, using as a basis a questionnaire addressed to each Director prior to the meeting.

  The Board came to the conclusion that its composition is in line with regard to its percentage of external Directors, the breakdown of share capital, and with respect to the diversity and complementarity of the skills and experiences of its members.

  The Directors believe that:

  - the Directors are satisfied with the membership of the Board in regard to the diversity and complementarity of the skills and experiences of its members;
  - the Directors are also 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 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 ways in which the Group may respond to the ongoing changes in the economic and financial environment gave rise to exchanges between Directors and Executive Management.

  The Board also approved continuing efforts to improve the gender balance of its membership and proposed to submit resolutions to the Shareholders' Meeting of April 5, 2012 to appoint Mrs. Delphine Arnault and Mrs. Hélène Desmarais as Directors, thus bringing the proportional representation of women on the Board to more than 20%.

  Lastly, the Board amended the internal regulations for the Nominations and Compensation Committee with a view to specifying its role with respect to the compensation of the Group's executives.

1.3. EXECUTIVE MANAGEMENT

The Board of Directors decided to dissociate the roles of Chairman and Chief Executive Officer. It did not limit the powers vested in the Chief Executive Officer.

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 External 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 met three times in 2011 and all of its members were in attendance at each of these meetings.

These meetings were also attended by the External Auditors, the Chief Financial Officer, the Company's Accounting Director and the Accounting Director of LVMH.

On the basis of presentations made by Christian Dior's Chief Financial Officer, the work of the Performance Audit Committee focused on the following matters in 2011: 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 financial statements (half-yearly and annual); and the Group's exposure

to risk, risk management procedures and off balance sheet commitments. The Committee also verified the independence of External 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 External Auditors.

In addition, the Performance Audit Committee held a meeting specifically dedicated to monitoring the effectiveness of internal control and risk management procedures within the Group, which was attended in particular by Christian Dior Couture's Chief Financial Officer and its Head of Internal Audit as well as LVMH's Head of Internal Audit.

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. Antoine Bernheim (Chairman), Eric Guerlain and Christian de Labriffe.

The Committee met twice during the 2011 fiscal year, in the presence of all its members. In particular, it issued proposals on the fixed and variable compensation and benefits in kind to be received by the Chief Executive Officer in respect of his functions at Christian Dior Couture, the compensation received by the Chairman of the Board of Directors, and the allocation of bonus shares subject to performance conditions to these same individuals. It examined the recommendations made by the Nominations and Compensation Committee of LVMH in favor of the Directors of LVMH that are company officers at Christian Dior as well as the decisions of LVMH's Board of Directors. The committee also issued an opinion on the nominations of Directors to be put to a vote at the Shareholders' Meeting.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code.

Prior to the meeting of the Board of Directors held on February 2, 2011, the Committee issued recommendations, notably with respect to (i) the variable compensation to be received by the Chief Executive Officer for 2011 and (ii) the fixed compensation and benefits in kind to be granted for 2012 by Christian Dior Couture to Mr. Sidney Toledano as Chief Executive Officer. It also issued an opinion on the appointments submitted for the approval of the Shareholders' Meeting and made recommendations concerning the gender balance of the Board of Directors' membership.

The Committee has also requested more detailed information on remuneration and incentive schemes for the Group's senior executives.

1.6. ADVISORY BOARD

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors.

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" 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 sets 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 2011 fiscal year, Christian Dior paid a total gross amount of 131,301 euros in Directors' fees to the members of its Board of Directors.

The Nominations and Compensation Committee is kept informed of the amount of Directors' fees paid to senior executive officers by the Group's subsidiaries in which they perform the role of company officers.

Other compensation

Compensation of senior executive officers is determined with reference to principles listed in the AFEP/MEDEF Corporate Governance Code for Listed Companies.

Compensation and benefits awarded to 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 executives and managers of the Company and its main subsidiaries or operational departments is based on the attainment of both financial and qualitative targets. For the Chief Executive Officer, quantitative and qualitative objectives carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow, 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 Chief Executive Officer.

The breakdown of compensation and benefits awarded to the Chairman of the Board of Directors and the Chief Executive Officer is presented in the "Management Report of the Board of Directors" included in 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.

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 bonus shares subject to performance conditions.

Company officers are eligible for stock option or performance bonus 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" included in 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 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. Increase in provisions in 2011 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30.3 of the consolidated financial statements.

An exceptional remuneration may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount of this remuneration shall be determined by the Board of Directors and reported to the Company's External 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 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 internal control system 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 internal control system takes into consideration the Group's specific structure. Christian Dior is a holding company that controls 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 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. The sections below on internal control deal with procedures relating to Christian Dior Couture, followed by those relating to the holding company, Christian Dior SA. Procedures relating to LVMH are described in the report filed by that company, which may be consulted as a supplement to this report.

2.1. 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 54 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.

2.1.1. 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 that the following objectives will be achieved:

- 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.

2.1.2. 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.

2.1.3. 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 will be 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.

In 2011, the Company put in place a mechanism for the signing of letters of representation attesting to the implementation of risk management and internal control procedures, for all of its main subsidiaries, thus supplementing the signing of annual letters certifying the entity's financial disclosures.

As an example of action plans within the Group, a business continuity plan (BCP) has been established for its logistics activities, while IT staff have completed the preparation of their disaster recovery plan (DRP).

2.1.4. 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 monitors management information so that it can intervene in the process of defining objectives then oversee their realization through:
  - three-year strategic plans;
  - the annual budget;
  - monthly reports on actual data compared with budget with in-depth and formalized 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 IAS 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 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.

2.1.5. 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 Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies. It develops and maintains a telecommunications system shared by the 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 Group's consolidated entities produce a three years 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 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.

2.1.6. Actions planned for 2012

- Formalization of the internal control self-assessment process for 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 to the political or economic environment or internal strategy.
- Continued migration of accounting applications within an ERP solution (SAP), which will facilitate the monitoring of cost commitments, while also making the year-end closing process more efficient, among other benefits.

2.2. CHRISTIAN DIOR

2.2.1. The control environment

As noted above, Christian Dior is a holding company whose assets are essentially limited to two equity holdings: Christian Dior Couture and LVMH.

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 its:
  - presence at the Board meetings and Shareholders' Meetings of the subsidiaries,
  - monitoring of dividends paid by the subsidiaries,
  - control of the subsidiaries' financial performance,
- providing accurate financial information, in line with applicable laws, given its status as a listed company.

Given the limited number of tasks described above, and its membership of 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 role at Christian Dior Couture and LVMH.

2.2.2. 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.

2.2.3. 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.

2.2.4. 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.

2.2.5. Internal controls relating to the preparation of the parent company's financial and accounting information

The individual company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the sub-consolidation levels (LVMH and Christian Dior Couture) guarantee the integrity of the information.

Financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Finance Department. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

This report, based on the contribution of the above-mentioned internal control and risk management stakeholders, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its meeting of February 2, 2012.

Statutory Auditors' report

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), 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 (*Code de commerce*) for the year ended December 31, 2011.

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 (*Code de commerce*) 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,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). 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 (*Code de commerce*).

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 (*Code de commerce*).

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Olivier Breillot

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.

Consolidated financial statements

1.	**Consolidated income statement**	**80**
2.	**Consolidated statement of comprehensive gains and losses**	**81**
3.	**Consolidated balance sheet**	**82**
4.	**Consolidated statement of changes in equity**	**83**
5.	**Consolidated cash flow statement**	**84**
6.	**Notes to the consolidated financial statements**	**86**
7.	**Statutory Auditors' report**	**150**

1. Consolidated income statement

(EUR millions, except for earnings per share)	*Notes*	2011	2010	2009
Revenue	*22-23*	**24,628**	**21,123**	**17,745**
Cost of sales		(8,369)	(7,449)	(6,422)
Gross margin		**16,259**	**13,674**	**11,323**
Marketing and selling expenses		(8,905)	(7,544)	(6,422)
General and administrative expenses		(2,031)	(1,792)	(1,545)
Profit from recurring operations	*22-23*	**5,323**	**4,338**	**3,356**
Other operating income and expenses	*24*	(120)	(166)	(192)
Operating profit		**5,203**	**4,172**	**3,164**
Cost of net financial debt		(204)	(197)	(242)
Other financial income and expenses		(96)	763	(155)
Net financial income (expense)	*25*	**(300)**	**566**	**(397)**
Income taxes	*26*	(1,462)	(1,476)	(867)
Income (loss) from investments in associates	*7*	7	7	2
Net profit before minority interests		**3,448**	**3,269**	**1,902**
Minority interests		2,169	2,008	1,207
Net profit, Group share		**1,279**	**1,261**	**695**
Basic Group share of net profit per share *(EUR)*	*27*	**7.14**	**7.06**	**3.90**
Number of shares on which the calculation is based		179,026,990	178,524,828	178,243,418
Diluted Group share of net profit per share *(EUR)*	*27*	**7.09**	**7.03**	**3.89**
Number of shares on which the calculation is based		179,914,092	179,161,811	178,475,792

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	2011	2010	2009
Net profit before minority interests	**3,448**	**3,269**	**1,902**
Translation adjustments	195	694	(127)
Tax impact	47	89	(20)
	242	**783**	**(147)**
Change in value of available for sale financial assets	1,634	294	114
Amounts transferred to income statement	(38)	38	(11)
Tax impact	(118)	(35)	(26)
	1,478	**297**	**77**
Change in value of hedges of future foreign currency cash flows	95	(20)	128
Amounts transferred to income statement	(167)	(29)	(118)
Tax impact	21	14	(2)
	(51)	**(35)**	**8**
Change in value of vineyard land	25	206	(53)
Tax impact	(11)	(71)	18
	14	**135**	**(35)**
Gains and losses recognized in equity	**1,683**	**1,180**	**(97)**
Comprehensive income	**5,131**	**4,449**	**1,805**
Minority interests	3,187	2,720	1,138
COMPREHENSIVE INCOME, GROUP SHARE	**1,944**	**1,729**	**667**

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	2011	2010	2009
Brands and other intangible assets – net	*3*	14,155	11,772	11,370
Goodwill - net	*4*	7,583	5,660	4,901
Property, plant and equipment - net	*6*	8,371	7,060	6,395
Investments in associates	*7*	172	226	215
Non-current available for sale financial assets	*8*	5,982	3,891	540
Other non-current assets		503	338	766
Deferred tax	*26*	762	699	555
Non-current assets		**37,528**	**29,646**	**24,742**
Inventories and work in progress	*9*	7,681	6,139	5,802
Trade accounts receivable	*10*	1,952	1,629	1,515
Income taxes		132	105	224
Other current assets	*11*	1,486	1,270	1,237
Cash and cash equivalents	*13*	2,428	2,408	2,533
Current assets		**13,679**	**11,551**	**11,311**
TOTAL ASSETS		**51,207**	**41,197**	**36,053**

Liabilities and equity

(EUR millions)	*Notes*	2011	2010	2009
Share capital		363	363	363
Share premium account		2,205	2,205	2,205
Treasury shares and related derivatives		(174)	(190)	(265)
Cumulative translation adjustment		174	89	(219)
Revaluation reserves		1,118	538	378
Other reserves		4,668	3,437	3,107
Net profit, Group share		1,279	1,261	695
Equity, Group share	*14*	9,633	7,703	6,264
Minority interests	*16*	15,309	11,867	9,857
Total equity		**24,942**	**19,570**	**16,121**
Long term borrowings	*17*	5,263	4,268	5,163
Provisions	*18*	1,415	1,176	995
Deferred tax	*26*	4,826	4,254	4,023
Other non-current liabilities	*19*	4,505	3,944	3,086
Non-current liabilities		**16,009**	**13,642**	**13,267**
Short term borrowings	*17*	3,561	2,578	2,164
Trade accounts payable		3,012	2,349	1,956
Income taxes		459	451	224
Provisions	*18*	358	346	354
Other current liabilities	*20*	2,866	2,261	1,967
Current liabilities		**10,256**	**7,985**	**6,665**
TOTAL LIABILITIES AND EQUITY		**51,207**	**41,197**	**36,053**

4. Consolidated statement of changes in equity

						Revaluation reserves				Total equity		
(EUR millions)	Share capital: Number of shares	Share capital	Share premium	Treasury shares and similar	Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Net profit and other reserves	Group share	Minority interests	Total
Notes		*14.1*		*14.2*	*14.4*						*16*	
As of December 31, 2008	**181,727,048**	**363**	**2,205**	**(256)**	**(167)**	**61**	**18**	**275**	**3,391**	**5,890**	**9,281**	**15,171**
Gains and losses recognized in equity					(52)	34	3	(13)		(28)	(69)	(97)
Net profit									695	695	1,207	1,902
Comprehensive income					**(52)**	**34**	**3**	**(13)**	**695**	**667**	**1,138**	**1,805**
Stock option plan and similar expenses									25	25	27	52
(Acquisition)/ disposal of treasury shares and related derivatives				(9)					(22)	(31)	11	(20)
Capital increase in subsidiaries										-	29	29
Interim and final dividends paid									(287)	(287)	(603)	(890)
Changes in control of consolidated entities										-	11	11
Acquisition and disposal of minority interests' shares										-	(8)	(8)
Purchase commitments for securities										-	(29)	(29)
As of December 31, 2009	**181,727,048**	**363**	**2,205**	**(265)**	**(219)**	**95**	**21**	**262**	**3,802**	**6,264**	**9,857**	**16,121**
Gains and losses recognized in equity					308	129	(12)	43		468	712	1,180
Net profit									1,261	1,261	2,008	3,269
Comprehensive income					**308**	**129**	**(12)**	**43**	**1,261**	**1,729**	**2,720**	**4,449**
Stock option plan and similar expenses									27	27	26	53
(Acquisition)/ disposal of treasury shares and related derivatives				75					(28)	47	155	202
Capital increase in subsidiaries										-	12	12
Interim and final dividends paid									(375)	(375)	(698)	(1,073)
Changes in control of consolidated entities										-	(3)	(3)
Acquisition and disposal of minority interests' shares									25	25	(87)	(62)
Purchase commitments for securities									(14)	(14)	(115)	(129)
As of December 31, 2010	**181,727,048**	**363**	**2,205**	**(190)**	**89**	**224**	**9**	**305**	**4,698**	**7,703**	**11,867**	**19,570**
Gains and losses recognized in equity					84	631	(17)	5		703	980	1,683
Net profit									1,279	1,279	2,169	3,448
Comprehensive income					**84**	**631**	**(17)**	**5**	**1,279**	**1,982**	**3,149**	**5,131**
Stock option plan and similar expenses									30	30	31	61
(Acquisition)/ disposal of treasury shares and related derivatives				15		(1)		(1)	13	26	84	110
Capital increase in subsidiaries										-	4	4
Interim and final dividends paid									(396)	(396)	(803)	(1,199)
Changes in control of consolidated entities				1	1	(24)	(2)	(11)	362	327	2,018	2,345
Acquisition and disposal of minority interests' shares									-	-	(784)	(784)
Purchase commitments for securities									(39)	(39)	(257)	(296)
As of December 31, 2011	**181,727,048**	**363**	**2,205**	**(174)**	**174**	**830**	**(10)**	**298**	**5,947**	**9,633**	**15,309**	**24,942**

5. Consolidated cash flow statement

(EUR millions)	*Notes*	2011	2010	2009
I - OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,203	4,172	3,164
Net increase in depreciation, amortization and provisions		1,070	837	863
Other computed expenses		(35)	(117)	(41)
Dividends received		61	20	21
Other adjustments		(29)	(1)	(43)
Cash from operations before changes in working capital		**6,270**	**4,911**	**3,964**
Cost of net financial debt: interest paid		(197)	(195)	(250)
Income taxes paid		(1,557)	(905)	(906)
Net cash from operating activities before changes in working capital		**4,516**	**3,811**	**2,808**
Change in inventories and work in progress		(783)	(110)	115
Change in trade accounts receivable		(71)	(14)	216
Change in trade accounts payable		339	298	(373)
Change in other receivables and payables		(33)	106	191
Total change in working capital		**(548)**	**280**	**149**
Net cash from operating activities		**3,968**	**4,091**	**2,957**
Purchase of tangible and intangible fixed assets		(1,835)	(1,103)	(783)
Proceeds from sale of tangible and intangible fixed assets		31	33	26
Guarantee deposits paid and other operating investments		(16)	(8)	(6)
Operating investments		**(1,820)**	**(1,078)**	**(763)**
Net cash from operating activities and operating investments (free cash flow)		**2,148**	**3,013**	**2,194**
II - FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets		(518)	(1,724)	(93)
Proceeds from sale of non-current available for sale financial assets	*8*	17	70	49
Impact of purchase and sale of consolidated investments [(a)]	*2.4*	(785)	(61)	(277)
Net cash from (used in) financial investments		**(1,286)**	**(1,715)**	**(321)**
III - TRANSACTIONS RELATING TO EQUITY				
Capital increases of subsidiaries subscribed by minority interests [(a)]		97	121	42
Acquisition and disposals of treasury shares and related derivatives by the Group		13	193	21
Interim and final dividends paid by Christian Dior SA	*14.3*	(396)	(375)	(287)
Interim and final dividends paid to minority interests in consolidated subsidiaries		(805)	(697)	(604)
Purchase and proceeds from sale of minority interests	*2.4*	(1,413)	(185)	-
Net cash from (used in) transactions relating to equity		**(2,504)**	**(943)**	**(828)**
IV - FINANCING ACTIVITIES				
Proceeds from borrowings		3,034	654	2,826
Repayment of borrowings		(1,405)	(1,386)	(2,496)
Purchase and proceeds from sale of current available for sale financial assets		6	(32)	321
Net cash from (used in) financing activities		**1,635**	**(764)**	**651**
V - EFFECT OF EXCHANGE RATE CHANGES		**55**	**170**	**(114)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**48**	**(239)**	**1,582**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*13*	**1,996**	**2,235**	**653**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*13*	**2,044**	**1,996**	**2,235**
Transactions included in the table above, generating no change in cash: - acquisition of assets by means of finance leases		3	6	12

(a) The impact of the amount attributable to the acquisition of Bulgari carried out by the capital increase of LVMH SA is not reflected in these line items.

Notes to the consolidated financial statements

NOTE 1	ACCOUNTING POLICIES	86
NOTE 2	CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES	92
NOTE 3	BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS	96
NOTE 4	GOODWILL	99
NOTE 5	IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES	100
NOTE 6	PROPERTY, PLANT AND EQUIPMENT	101
NOTE 7	INVESTMENTS IN ASSOCIATES	103
NOTE 8	NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	104
NOTE 9	INVENTORIES AND WORK IN PROGRESS	105
NOTE 10	TRADE ACCOUNTS RECEIVABLE	106
NOTE 11	OTHER CURRENT ASSETS	107
NOTE 12	CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	107
NOTE 13	CASH AND CASH EQUIVALENTS	108
NOTE 14	EQUITY	108
NOTE 15	STOCK OPTION AND SIMILAR PLANS	110
NOTE 16	MINORITY INTERESTS	114
NOTE 17	BORROWINGS	115
NOTE 18	PROVISIONS	118
NOTE 19	OTHER NON-CURRENT LIABILITIES	119
NOTE 20	OTHER CURRENT LIABILITIES	119
NOTE 21	FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT	120
NOTE 22	SEGMENT INFORMATION	127
NOTE 23	REVENUE AND EXPENSES BY NATURE	131
NOTE 24	OTHER OPERATING INCOME AND EXPENSES	132
NOTE 25	NET FINANCIAL INCOME (EXPENSE)	132
NOTE 26	INCOME TAXES	133
NOTE 27	EARNINGS PER SHARE	136
NOTE 28	PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS	137
NOTE 29	OFF BALANCE SHEET COMMITMENTS	140
NOTE 30	RELATED PARTY TRANSACTIONS	142
NOTE 31	SUBSEQUENT EVENTS	143

6. Notes to the consolidated financial statements

NOTE 1 - ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the year ended December 31, 2011 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2011.

These standards and interpretations have been applied consistently to the fiscal years presented. The 2011 consolidated financial statements were approved for publication by the Board of Directors on February 2, 2012.

1.2. Changes in the accounting framework in 2011

Standards, amendments and interpretations for which application is mandatory in 2011

The standards, amendments and interpretations applicable to the Group that have been implemented since January 1, 2011 are limited to the amendment to IAS 24 regarding related party transactions.

This amendment does not have a significant impact on the Group's consolidated financial statements.

Standards, amendments and interpretations for which application is mandatory after 2011

The following standards, amendments and interpretations applicable to the Group, whose mandatory application date is January 1, 2012, were not applied early in 2011; they relate to:

- amendment to IAS 1 on the presentation of gains and losses recognized in equity;
- amendment to IFRS 7 on required disclosures in the event of a change in valuation method of financial assets.

The application of these standards, amendments and interpretations in 2012 is not expected to have a significant impact on the Group's consolidated financial statements.

New or revised standards, amendments and interpretations applicable to the Group from January 1, 2013 (subject to adoption by the European Union), whose impacts are currently under analysis, are:

- IFRS 10, IFRS 11 and IFRS 12 on consolidation, redefining the concept of the control of entities, eliminating the possibility of using proportional consolidation to consolidate jointly controlled entities which are now to 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 in 2013 is not expected to have any material impact on the Group's consolidated financial statements, due to the low number of jointly controlled entities which are proportionately consolidated.
- Amendments to IAS 19 on employee benefit 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.

  The Group applies the partial recognition in the income statement for actuarial gains and losses (see Note 1.21). In light of the change of the standards, the Group will retroactively recognize an additional provision in the amount of 84 million euros as well as the associated deferred tax assets in 2013. The provision, which corresponds to the balance of actuarial gains and losses not yet recognized as of January 1, 2011, the date of the transition to IAS 19R, will be recognized as an adjustment to equity. The impact on the income statement in subsequent years, currently under analysis, is not expected to be significant.

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;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- 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";
- share-based payment: IFRS 2 Share-Based Payment was applied to all share subscription and share purchase option plans that were open at the date of transition, including those created before November 7, 2002, with the application of the standards before that date being optional.

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 subsidiaries outside the euro zone

The consolidated financial statements are stated in euros; the financial statements of subsidiaries 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 balance sheet date. 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 balance sheet date 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 an 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 between 100% and 200% of the lease period;
- development expenditure: three years at most;
- software: one to five years.

1.9. Goodwill

When the Group takes *de jure* or *de facto* control of an enterprise, 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 of January 1, 2010, 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

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 closing date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in "Other non-current liabilities";
- 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 of January 1, 2010, the difference between the amount of the commitments and 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, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region, 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;
• Store 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 net selling price, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Net selling price is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts.

Cash flows are forecast at the level of each business segment, one business segment corresponding to 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 method 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 "Sicav", "FCP" 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 balance sheet date in the case of quoted investments, and at their estimated net 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 prorata 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 nevertheless 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 overtime.

Monetary investments are measured at their market value and at the exchange rate prevailing at the balance sheet date, 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 this 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 nominal 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 balance sheet date, with any changes in those values recognized within net financial income/expense for the period. 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-hedge derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

Financial debt bearing embedded derivatives is measured at market value; changes in market value are recognized within net financial income/expense.

Net financial debt comprises short and long term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of current available for sale financial assets, cash and cash equivalents in addition to the market value at the balance sheet date of related foreign exchange derivatives at that date.

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 market value at the balance sheet date. 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 14.2) 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, resulting in changes in percentage holdings of the Christian Dior group in LVMH, are treated in the consolidated accounts of the Christian Dior group as acquisitions and disposals of minority interests.

For fiscal years beginning on or after January 1, 2010, in accordance with the amendment to IFRS 3, changes in the percentage of the Christian Dior group’s ownership interest in LVMH are taken to equity. As the provisions of this amendment are applied prospectively, goodwill amounts recognized as of December 31, 2009 are maintained as assets 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, 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, 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 dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

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

Cumulative actuarial gains or losses are amortized if, at the year-end, they exceed 10% of the higher of the total commitment or the market value of the plan assets funding the commitment. These gains or losses are amortized in the period following their recognition over the average residual active life of the relevant employees.

1.22. Current and deferred tax

Deferred tax is recognized in respect of temporary differences arising between the amounts of assets and liabilities for purposes of consolidation and the amounts resulting from application of tax regulations.

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

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

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries are provided for if distribution is deemed probable.

1.23. Revenue recognition

Revenue

Revenue mainly comprises retail sales within the Group's store network and sales through 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 through distributors are made for Wines and Spirits, and 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 are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands 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; the expected benefit is 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 estimated at each period-end based on the LVMH share price at that date, is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Beyond that date and until 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. Definition 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 outstanding 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 re-purchase Christian Dior shares at a price corresponding to their average trading price over the period. 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 OF INTEREST IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2011

Fashion and Leather Goods

By means of a voluntary cash offer closed in December 2011, the Group acquired 51% of Heng Long International Ltd. ("Heng Long") for an amount of 47 million euros (82 million Singapore dollars), the founding family retaining 49% of the share capital of Heng Long by means of a reinvestment in the acquisition structure. Following this operation, Heng Long was delisted from the Singapore stock exchange in December 2011. The share capital held by the founding family is subject to purchase commitments that can be exercised in several tranches, mainly as from December 2016.

Heng Long is fully consolidated as of December 31, 2011. Provisional goodwill arising on this acquisition amounts to 24 million euros and minority interests were valued in the amount of their share in the acquiree's restated net assets. The difference between the value of the purchase commitment for the 49% of the share capital held by the founding family and minority interests, amounting to 24 million euros, was deducted from equity.

Watches and Jewelry

Bulgari

On March 5, 2011, one of our subsidiaries, LVMH, concluded a memorandum of understanding with the Bulgari family, under the terms of which the Bulgari family undertook to contribute to LVMH its majority ownership stake in the share capital of Bulgari SpA, on the basis of a value per share of 12.25 euros for Bulgari shares and a parity of 0.108 LVMH shares for one Bulgari share, thus implicitly valuing LVMH shares at 113 euros per share.

On June 30, 2011, pursuant to this memorandum of understanding, the Board of Directors of LVMH Moët Hennessy - Louis Vuitton SA approved the contribution of 55% (48% on a fully-diluted basis) of the share capital of Bulgari SpA and, as consideration for this contribution, issued 18 million new shares, representing 3.5% of the share capital after this capital increase.

As of June 30, 2011, the acquisition date of the controlling interest, the ownership stake held by the Group amounted to 76.1% of the share capital (66% on a fully-diluted basis) of Bulgari, i.e. 230.1 million shares, resulting on the one hand from the abovementioned contribution transaction, and on the other hand from prior acquisitions on the stock market: 57.9 million shares were acquired during the first quarter of 2011, and 5.9 million shares were already owned as of December 31, 2010.

The carrying amount on the initial consolidation of Bulgari, based on the shares owned on June 30, 2011, breaks down as follows:

	Carrying amount at acquisition date of controlling interest *(EUR millions)*	Number of shares *(millions)*	Value per share *(EUR)*
Historical cost price of shares	739	63.8	11.58
Remeasurement at acquisition date of controlling interest	42 (a)		
Value of shares acquired prior to acquisition of controlling interest	**781**	**63.8**	
Contribution value of shares contributed by family shareholders	2,038	166.3	12.25
Remeasurement at acquisition date of controlling interest	200 (b)		
Value of shares contributed by family shareholders	**2,238**	**166.3**	
VALUE OF SHARES HELD AS OF JUNE 30, 2011	**3,019**	**230.1**	

In accordance with IFRS:
(a) Bulgari shares acquired by the Group prior to the acquisition of the controlling interest were revalued at 12.25 euros per share, the share price agreed between the parties for the acquisition of the controlling interest, generating a gain of 42 million euros, which was recognized under "Other operating income and expenses" (see Note 24).
(b) The Bulgari shares contributed by the family shareholders were revalued according to the exchange ratio and the quotation of the LVMH share on the Paris stock exchange as of the acquisition date of the controlling interest, June 30, 2011. The impact of the revaluation, 200 million euros, was recognized under consolidated reserves.

Bulgari was consolidated under the full consolidation method from June 30, 2011, according to the percentage of interest owned, determined on a fully diluted basis, 66%. The table presented below summarizes the provisional allocation, as of December 31, 2011, of the purchase price paid by LVMH at acquisition date of controlling interest:

(EUR millions)	Purchase price allocation
Brands, other intangible assets, and tangible assets - net	2,365
Other non-current assets	64
Provisions	(69)
Current assets	901
Current liabilities	(319)
Net financial debt	(24)
Deferred tax	(649)
Revalued net assets	**2,269**
Minority interests (34%)	(772)
Revalued net assets, Group share (66%)	**1,497**
Provisional goodwill	1,522
Carrying amount of shares held as of June 30, 2011	**3,019**

Provisional goodwill, 1,522 million euros, corresponds to Bulgari's expertise, particularly in watches and jewelry, in addition to synergies with the Group's Watches and Jewelry network. The Bulgari brand was estimated at 2,100 million euros on a provisional basis.

Since Bulgari SpA is listed on the Milan (Italy) stock exchange our subsidiary LVMH launched, in accordance with applicable stock market regulations, a public tender offer ("OPA") for all of the Bulgari shares held by minority shareholders at the price of 12.25 euros per share following the contribution transaction. On September 28, 2011, at the conclusion of this public tender offer, LVMH held a 98.09% stake in Bulgari, authorizing the Group to launch a squeeze-out procedure ("OPRO") for the purchase of the remaining outstanding shares. As of December 31, 2011, the Group held a 100% stake in the company.

Shares acquired after June 30, 2011 break down as follows:

	Total value *(EUR millions)*	Number of shares *(millions)*	Value per share *(EUR)*
Shares acquired through the public tender offer	1,338	109.2	
Shares acquired through the squeeze-out procedure	82	6.7	
Shares acquired on the stock market	33	2.7	
Shares acquired after June 30, 2011	**1,453**	**118.6**	**12.25**

In accordance with the memorandum of understanding, shares acquired through the public tender offer include 36.8 million shares issued in connection with the early exercise of conversion options by holders of convertible bonds issued in 2009 and 9.5 million shares issued as a result of the early exercise of subscription options granted prior to the acquisition of the controlling interest by the Group in favor of senior executives and employees of Bulgari.

Shares acquired after June 30, 2011 represent a disbursement of 1,453 million euros. The difference between this amount and minority interests' attributable portion of net assets of 772 million euros, which represents 681 million euros, was deducted from consolidated reserves.

Transaction fees relating to the Bulgari acquisition were recognized in "Other operating income and expenses"; they represent an amount of 16 million euros (see Note 24).

The impact of the acquisition of Bulgari on Group cash flows was a cash outflow of 2,025 million euros, net of 89 million euros of cash acquired and of 60 million euros of cash obtained from the exercise of share subscription options. A portion of this amount (705 million euros) represents acquisitions of shares on the market in the first half of the year, with 1,453 million euros corresponding to acquisitions of shares in the second half of the year via the public tender offer.

The balance represents acquisition-related costs. Bulgari's consolidated revenue for the second half of 2011 amounted to 713 million euros, with operating profit of 85 million euros and net profit of 71 million euros. Bulgari's consolidated revenue for 2011 amounted to 1,272 million euros with operating profit of 109 million euros, after deducting non-recurring expenses amounting to 16 million euros relating to the alliance with the Group.

ArteCad

In November 2011, the Group acquired 100% of the share capital of the Swiss company ArteCad SA, for consideration of 60 million Swiss francs (49 million euros), 14 million of which will be paid in 2015. ArteCad is one of the leading Swiss manufacturers of watch dials. ArteCad was fully consolidated with effect from December 31, 2011. Provisional goodwill arising on this acquisition amounts to 46 million Swiss francs (38 million euros).

Selective Retailing

The stake held by the Group in the share capital of the company owning the Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia, was increased from 45% to 65% in June 2011, for an amount of 40 million euros. The Group's partner benefits from an option to sell to the Group the remaining 35% stake, which may be exercised in tranches from 2013 to 2016. This investment, which was previously accounted for under equity method, was fully consolidated with effect from June 1, 2011.

The price paid was allocated to the Ile de Beauté trade name, for a provisional amount of 12 million euros. Provisional goodwill amounts to 128 million euros, in recognition of Sephora's prospects for expansion in the Russian market. Minority interests were valued in the amount of their share in the acquiree's restated net assets, with the difference between the value of the purchase commitment for the 35% of share capital that was not acquired and non-controlling interests, in the amount of 66 million euros, deducted from consolidated reserves.

2.2. Fiscal year 2010

Wines and Spirits

In December 2010, the Group sold the Montaudon champagne house, which was acquired in 2008. The rights held under grape supply contracts previously held by Montaudon as well as certain industrial assets were retained by the Group.

Perfumes and Cosmetics

The activity operated by La Brosse et Dupont was sold in September 2010.

Selective Retailing

In July 2010, the Group acquired 70% of the share capital of Sack's for a consideration of 75 million euros and entered into a purchase commitment for the remaining 30%, exercisable from fiscal year 2015. Sack's is Brazil's leading online retailer of perfumes and cosmetics and is also a top player in the beauty retail sector in this country. Sack's was fully consolidated with effect from August 2010. Goodwill, determined on the basis of the portion of the net assets acquired by the Group, amounted to 75 million euros. The difference between the value of the purchase commitment for the 30% of the share capital that was

not acquired and minority interests, amounting to 30 million euros, was deducted from equity.

Other activities

In November 2010, the Group increased its percentage interest in the Samaritaine's real estate property from 57% to 99%, for consideration of 176 million euros. Acquisition costs, corresponding primarily to registration fees, amounted to 9 million euros. The difference between the acquisition price, including acquisition costs, and the carrying amount of minority interests, corresponding to an amount of 81 million euros, was deducted from Group equity.

2.3. Fiscal year 2009

Wines and Spirits

In August 2009, the Group acquired from Groupe Arnault for 238 million euros a 50% stake in the wine estate Château Cheval Blanc (Gironde, France), producer of the eponymous premium Saint-Émilion wine classified as *premier grand cru classé A*.

Château Cheval Blanc has been consolidated on proportionate basis since August 2009. The table below summarizes the final purchase price allocation, on the basis of Château Cheval Blanc's balance sheet as of August 12, 2009:

(EUR millions)	Purchase price allocation
Brand	183
Vines and vineyard land	35
Other tangible assets	3
Inventories	9
Working capital, excluding inventories	(11)
Net financial debt	8
Deferred income taxes	(76)
Net assets acquired (50%)	151
Goodwill	87
TOTAL AMOUNT OF THE ACQUISITION	**238**

The goodwill recognized in relation with this acquisition, 87 million euros, corresponds to Château Cheval Blanc's winemaking know-how, together with the synergies generated by its integration within the Wines and Spirits business group.

2.4. Impact on cash and cash equivalents of changes in the percentage of interest in consolidated entities

(EUR millions)	2011	2010	2009
Purchase price of consolidated investments	(2,375)	(269)	(287)
Positive cash balance/(net overdraft) of companies acquired	174	(10)	9
Proceeds from sale of consolidated investments	8	38	1
(Positive cash balance)/net overdraft of companies sold	(5)	(5)	-
IMPACT OF CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES ON CASH AND CASH EQUIVALENTS	**(2,198)**	**(246)**	**(277)**

- In 2011, the main impacts of changes in the percentage interest of consolidated entities break down as follows:
  - 2,025 million euros for the acquisition of Bulgari;
  - 44 million euros for the acquisition of 51% of Heng Long;
  - 49 million euros for the acquisition of ArteCad;
  - 40 million euros, for the acquisition of a 20% stake in Ile de Beauté.
- In 2010, the main impacts of changes in the percentage interest of consolidated entities broke down as follows:
  - 185 million euros for the acquisition of minority interests in the Samaritaine;
  - 75 million euros for the acquisition of 70% of Sack's.

- In 2010, the main impacts of disposals of consolidated investments on the Group's cash and cash equivalents broke down as follows:
  - 20 million euros for the disposal of La Brosse et Dupont;
  - 13 million euros for the disposal of Montaudon.
- In 2009, the main impacts of acquisitions of consolidated investments on the Group's cash and cash equivalents broke down as follows:
  - 238 million euros for the acquisition of 50% of Château Cheval Blanc;
  - 24 million euros for the acquisition of minority interests in certain subsidiaries of Sephora Europe.

2.5. Impact of acquisitions on period net profit

If the 2011 acquisitions had been carried out as of January 1, the impact on the consolidated income statement would have been as follows:

(EUR millions)	2011 Published consolidated income statement	Pro forma restatements	2011 Pro forma consolidated income statement
Revenue	24,628	664	25,292
Profit from recurring operations	5,323	40	5,363

Acquisitions carried out in 2010 and 2009 did not have a material impact on net profit for those fiscal years.

NOTE 3 - BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	2011			2010	2009
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	11,973	(461)	11,512	9,380	9,152
Trade names	3,450	(1,406)	2,044	1,977	1,853
License rights	35	(34)	1	2	15
Leasehold rights	469	(263)	206	137	117
Software	696	(521)	175	144	111
Other	445	(228)	217	132	122
TOTAL	**17,068**	**(2,913)**	**14,155**	**11,772**	**11,370**
o/w: assets held under finance leases	14	(14)	-	-	-

3.1. Movements in the year

Movements during the year ended December 31, 2011 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2010	**9,806**	**3,339**	**1,184**	**14,329**
Acquisitions	-	-	265	265
Disposals and retirements	-	-	(33)	(33)
Changes in the scope of consolidation	2,106	12	211	2,329
Translation adjustment	61	99	16	176
Reclassifications	-	-	2	2
AS OF DECEMBER 31, 2011	**11,973**	**3,450**	**1,645**	**17,068**

Amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2010	**(426)**	**(1,362)**	**(769)**	**(2,557)**
Amortization expense	(32)	(1)	(159)	(192)
Impairment expense	(1)	-	(1)	(2)
Disposals and retirements	-	-	32	32
Changes in the scope of consolidation	-	-	(135)	(135)
Translation adjustment	(2)	(43)	(13)	(58)
Reclassifications	-	-	(1)	(1)
AS OF DECEMBER 31, 2011	**(461)**	**(1,406)**	**(1,046)**	**(2,913)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2011	**11,512**	**2,044**	**599**	**14,155**

The impact of changes in the scope of consolidation correspond to the provisional valuation of the Bulgari brand in the amount of 2,100 million euros.

The translation adjustment is mainly attributable to intangible assets recognized in US dollars, and in Swiss francs, following the change in the exchange rate of those currencies with respect to the euro during the fiscal year. The DFS Galleria trade name and the Donna Karan brand for the US dollar and the TAG Heuer and Hublot brands for the Swiss franc were particularly affected.

The gross value of amortized brands was 784 million euros as of December 31, 2011.

3.2. Movements in prior years

Net carrying amount *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2008	**8,920**	**1,909**	**370**	**11,199**
Acquisitions	-	-	83	83
Disposals and retirements	-	-	(1)	(1)
Changes in the scope of consolidation	277	-	2	279
Amortization expense	(32)	-	(101)	(133)
Impairment expense	-	-	-	-
Translation adjustment	(1)	(56)	-	(57)
Other movements	(12)	-	12	-
As of December 31, 2009	**9,152**	**1,853**	**365**	**11,370**
Acquisitions	1	-	139	140
Disposals and retirements	-	-	(13)	(13)
Changes in the scope of consolidation	(2)	-	4	2
Amortization expense	(34)	-	(109)	(143)
Impairment expense	-	-	-	-
Translation adjustment	263	124	29	416
Other movements	-	-	-	-
AS OF DECEMBER 31, 2010	**9,380**	**1,977**	**415**	**11,772**

Changes in the scope of consolidation for the year ended December 31, 2009 were mainly attributable to the acquisition of a 50% stake in Château Cheval Blanc in the amount of 183 million euros, and the recognition of the Royal Van Lent-Feadship brand in the amount of 92 million euros.

3.3. Brands and trade names

The breakdown of brands and trade names by business group is as follows:

	2011			2010	2009
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Christian Dior Couture	34	(1)	33	34	34
Wines and Spirits	2,987	(47)	2,940	2,945	2,937
Fashion and Leather Goods	3,909	(353)	3,556	3,557	3,543
Perfumes and Cosmetics	1,288	(23)	1,265	1,264	1,262
Watches and Jewelry	3,524	(6)	3,518	1,380	1,167
Selective Retailing	3,407	(1,358)	2,049	1,976	1,853
Other activities	274	(79)	195	201	209
BRANDS AND TRADE NAMES	**15,423**	**(1,867)**	**13,556**	**11,357**	**11,005**

The brands and trade names recognized in the table above are those that the Group has acquired. The principal acquired brands and trade names as of December 31, 2011 are:

- Wines and Spirits: Hennessy, Moët & Chandon, Veuve Clicquot, Krug champagnes, 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, Le Bon Marché, Ile de Beauté and Ole Henriksen;
- Other activities: the publications of the media group Les Échos-Investir and the Royal Van Lent-Feadship 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 De Beers Diamond Jewellers 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 62% of the Group's consolidated revenue in 2011.

Please refer also to Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

NOTE 4 - GOODWILL

	2011			2010	2009
(EUR millions)	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	6,953	(1,186)	5,767	4,039	3,962
Goodwill arising on purchase commitments for minority interests	1,816	-	1,816	1,621	939
TOTAL	**8,769**	**(1,186)**	**7,583**	**5,660**	**4,901**

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

	2011			2010	2009
(EUR millions)	Gross	Impairment	Net	Net	Net
As of January 1	**6,778**	**(1,118)**	**5,660**	**4,901**	**5,054**
Changes in the scope of consolidation	1,743	-	1,743	21	19
Changes in purchase commitments for minority interests	203	-	203	701	(95)
Changes in impairment	-	(49)	(49)	(54)	(56)
Translation adjustment	43	(19)	24	91	(21)
Reclassifications	2	-	2	-	-
AS OF DECEMBER 31	**8,769**	**(1,186)**	**7,583**	**5,660**	**4,901**

Changes in the scope of consolidation in 2011 were mainly attributable to the acquisition of Bulgari for 1,522 million euros, Ile de Beauté for 128 million euros, ArteCad for 38 million euros and Heng Long for 24 million euros.

Changes in the scope of consolidation in fiscal year 2010 were mainly attributable to the acquisition of a 70% equity stake in Sack's in the amount of 76 million euros, net of the effect resulting from the disposal of La Brosse et Dupont of 46 million euros.

Changes in the scope of consolidation for 2009 were attributable to the acquisition of a 50% stake in Château Cheval Blanc for 87 million euros, the allocation of purchase price of Royal Van Lent to the brand, generating a 67 million euro deduction from goodwill, and the finalization of the purchase price allocations of Montaudon and Hublot for 26 million euros.

Please refer also to Note 19 for goodwill arising on purchase commitments for minority interests.

NOTE 5 - 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 have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2011. 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 multi-year business plans drawn up over the course of each fiscal year.

The main assumptions retained in 2011, for the determination of these forecast cash flows are as follows:

	2011		2010		2009	
Business group *(percentage)*	**Post-tax discount rate**	**Growth rate for the period after the plan**	**Post-tax discount rate**	**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	2.0	8.6	2.0	8.2	2.0
Wines and Spirits	7.5 to 11.2	2.0	7.5 to 11.6	2.0	7.5 to 11.6	2.0
Fashion and Leather Goods	8 to 13.3	2.0	8.7 to 12.8	2.0	8.7 to 12.8	2.0
Perfumes and Cosmetics	8 to 8.4	2.0	8	2.0	8	2.0
Watches and Jewelry	8.5 to 10.3	2.0	9.5 to 10.8	2.0	9.5 to 10.8	2.0
Selective Retailing	8.4 to 9.6	2.0	7.5 to 8.6	2.0	7.5 to 8.6	2.0
Other	6.5 to 8.2	2.0	7.5 to 10.0	2.0	7.5	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.

As the rise in risk premiums in 2011 was offset by lower interest rates, discount rates remain close to those used in 2010. Annual growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2011, 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** *(percentage)*	**Growth rate for the period after the plan** *(percentage)*	**Period covered by the forecast cash flows**
Louis Vuitton	2,058	623	2,681	8.0	2.0	5 years
Fendi	713	401	1,114	9.5	2.0	5 years
Bulgari	2,100	1,522	3,622	8.5	2.0	10 years
TAG Heuer	1,021	192	1,213	9.2	2.0	5 years
DFS Galleria	1,769	14	1,783	9.6	2.0	5 years
Hennessy	1,067	47	1,114	7.5	2.0	5 years
Sephora	281	624	905	8.4	2.0	5 years

As of December 31, 2011, 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, 2011, would not result in the recognition of any impairment losses for these intangible assets. The Group considers that changes in excess of the 0.5% limit 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, eight have disclosed intangible assets with a carrying amount close to their value in use. The carrying amount for each of these intangible assets as

of December 31, 2011 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, compared to rates used as of December 31, 2011, are indicated below:

		Impairment amount	
(EUR millions)	Amount of intangible assets concerned as of 12/31/2011	Change in post-tax discount rate +0.5%	Change in growth rate -0.5%
Wines and Spirits	318	(25)	(18)
Watches and Jewelry	457	(18)	(9)
Other business groups	474	(25)	(17)
TOTAL	**1,249**	**(68)**	**(44)**

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	2011			2010	2009
(EUR millions)	Gross	Depreciation and impairment	Net	Net	Net
Land	1,070	-	1,070	1,042	940
Vineyard land and producing vineyards	1,965	(98)	1,867	1,828	1,611
Buildings	2,629	(1,150)	1,479	1,067	973
Investment property	604	(68)	536	298	287
Machinery and equipment	5,805	(3,822)	1,983	1,717	1,658
Other tangible fixed assets (including assets in progress)	2,058	(622)	1,436	1,108	926
TOTAL	**14,131**	**(5,760)**	**8,371**	**7,060**	**6,395**
o/w: assets held under finance leases	265	(147)	118	118	140
historical cost of vineyard land and producing vineyards	650	(98)	552	538	531

6.1. Movements in the year

Movements in property, plant and equipment during 2011 break down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	**1,919**	**3,014**	**359**	**4,911**	**1,754**	**11,957**
Acquisitions	18	312	237	514	613	1,694
Change in the market value of vineyard land	25	-	-	-	-	25
Disposals and retirements	(1)	(38)	(1)	(303)	(50)	(393)
Changes in the scope of consolidation	-	306	-	232	56	594
Translation adjustment	2	82	10	117	18	229
Other movements, including transfers	2	23	(1)	334	(333)	25
AS OF DECEMBER 31, 2011	**1,965**	**3,699**	**604**	**5,805**	**2,058**	**14,131**

Depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	**(91)**	**(905)**	**(61)**	**(3,194)**	**(646)**	**(4,897)**
Depreciation expense	(7)	(89)	(5)	(538)	(110)	(749)
Impairment expense	-	(1)	-	2	1	2
Disposals and retirements	1	24	1	291	39	356
Changes in the scope of consolidation	-	(159)	-	(188)	(29)	(376)
Translation adjustment	(1)	(22)	(2)	(71)	(6)	(102)
Other movements, including transfers	-	2	(1)	(124)	129	6
AS OF DECEMBER 31, 2011	**(98)**	**(1,150)**	**(68)**	**(3,822)**	**(622)**	**(5,760)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2011	**1,867**	**2,549**	**536**	**1,983**	**1,436**	**8,371**

Purchases of property, plant and equipment include property investments allocated for commercial or rental use, investments by Louis Vuitton, Christian Dior Couture, DFS and Sephora in their retail networks, and those of the champagne houses and Parfums Christian Dior in their production equipment.

6.2. Movements in prior years

Net carrying amount (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2008	**1,613**	**1,913**	**293**	**1,641**	**885**	**6,345**
Acquisitions	4	51	3	322	346	726
Disposals and retirements	(1)	(3)	-	(8)	(10)	(22)
Depreciation expense	(6)	(69)	(4)	(437)	(97)	(613)
Impairment expense	-	-	-	-	-	-
Change in the market value of vineyard land	(53)	-	-	-	-	(53)
Changes in the scope of consolidation	43	16	-	1	(1)	59
Translation adjustment	3	(24)	(3)	(11)	(5)	(40)
Other, including transfers	8	29	(2)	150	(192)	(7)
As of December 31, 2009	**1,611**	**1,913**	**287**	**1,658**	**926**	**6,395**
Acquisitions	5	159	3	363	417	947
Disposals and retirements	(2)	(4)	(1)	(11)	(11)	(29)
Depreciation expense	(6)	(76)	(5)	(500)	(107)	(694)
Impairment	-	-	-	-	-	-
Change in the market value of vineyard land	206	-	-	-	-	206
Changes in the scope of consolidation	1	(10)	-	(1)	(3)	(13)
Translation adjustment	10	106	8	88	33	245
Other, including transfers	3	21	6	120	(147)	3
AS OF DECEMBER 31, 2010	**1, 828**	**2,109**	**298**	**1,717**	**1,108**	**7,060**

Purchases of property, plant and equipment in 2010 and 2009 reflected investments by Louis Vuitton, Christian Dior Couture, Sephora and DFS in their retail networks, and those of Parfums Christian Dior and the champagne houses in their production equipment. In addition to those, real estate investments dedicated to administrative or commercial use and investments by Glenmorangie in its production equipment were recorded in 2010.

NOTE 7 - INVESTMENTS IN ASSOCIATES

	2011			2010	2009
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
Share of net assets of associates as of January 1	**226**	**-**	**226**	**215**	**219**
Share of net profit (loss) for the period	7	-	7	7	2
Dividends paid	(12)	-	(12)	(5)	(9)
Changes in the scope of consolidation	(57)	-	(57)	-	8
Translation adjustment	3	-	3	9	(5)
Other, including transfers	5	-	5	-	-
SHARE OF NET ASSETS OF ASSOCIATES AS OF DECEMBER 31	**172**	**-**	**172**	**226**	**215**

As of December 31, 2011, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns a building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA;
- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development;
- 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.

The impact of changes in the scope of consolidation is attributable to accounting for the above-mentioned investment in STTI and the change in accounting treatment of Ile de Beauté, which was previously accounted for under the equity method and has been fully consolidated since June 2011 (see Note 2).

NOTE 8 - NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

	2011			2010	2009
(EUR millions)	Gross	Impairment	Net	Net	Net
TOTAL	**6,136**	**(154)**	**5,982**	**3,891**	**540**

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

	2011			
(EUR millions)	Total	Of which Hermès	2010	2009
As of January 1	**3,891**	**3,345**	**540**	**375**
Acquisitions	496	427	2,756	89
Proceeds from disposal at net realized value	(17)	-	(70)	(38)
Changes in market value	1,613	1,666	(114)	93
Changes in impairment	(6)	-	(12)	(1)
Reclassifications from Other non-current assets to Non-current available for sale	-	-	775	-
Other reclassifications	(7)	-	(3)	29
Changes in the scope of consolidation	6	-	-	(2)
Translation adjustment	6	-	19	(5)
AS OF DECEMBER 31	**5,982**	**5,438**	**3,891**	**540**

As of December 31, 2011, non-current available for sale assets mainly comprise an investment in Hermès International SCA (“Hermès”) with a gross and net amount of 5,438 million euros (3,345 million euros as of December 31, 2010). The stake in the share capital of Hermès increased from 20.2% to 22.4% in 2011, resulting from the acquisition of shares on the market. Given the legal form of Hermès, the investment stake held by the Group is not accounted for under the equity method.

As of December 31, 2011, the stake in Hermès, corresponding to 23.6 million shares, represented, on the basis of the Hermès share price at that date, an amount of 5.4 billion euros, for a total amount of 3.4 billion euros on initial recognition (2.4 billion euros in cash after deducting the gain recognized in 2010, upon the settlement of equity linked swaps covering 12.8 million shares). Acquisitions conducted during fiscal year 2011 corresponded to a cash outflow of 0,4 billion euros.

As of December 31, 2011, the Hermès share price on the Paris stock exchange, applied for the purpose of valuing this investment, was 230.35 euros (156.75 as of December 31, 2010).

The increased ownership interest in Hermès during the fiscal year 2010 resulted from the following transactions:

- in October 2010, the reclassification of the 4.5 million securities recognized previously as Other non-current assets due to the objective and the form of their ownership to Non-current available for sale financial assets, amounting to 775 million euros (419 million euros based on the Hermès share price as of December 31, 2009);
- the settlement in October 2010 of equity linked swaps in relation to 12.8 million Hermès shares (hereafter referred to as “ELS”). The ELS contracts were agreed as cash-settled when concluded in 2008 and the terms of these agreements were then amended in October 2010, by way of riders to the original agreements, to allow for settlement in shares;
- finally, purchases of 3.3 million Hermès shares on the market, for a total price of 496 million euros.

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 December 31, 2011 include the following:

(EUR millions)	Percentage of interest	Net value	Revaluation reserves	Dividends received	Equity [c]	Net profit [c]
Hermès International SCA (France) [a]	22.4%	5,438	2,011	32	2,150 [d]	422 [d]
Hengdeli Holdings Ltd (China) [a]	6.3%	70	47	1	489 [d]	62 [d]
Tod's SpA (Italy) [a]	3.5%	67	20	2	612 [d]	109 [d]
L Real Estate SCA (Luxembourg) [b]	32.2%	84	2	-	260 [e]	16 [e]
L Capital 2 FCPR (France) [b]	18.5%	54	4	-	336 [e]	(6) [e]
Sociedad Textil Lonia SA (Spain) [b]	25.0%	31	22	2	121 [d]	35 [d]
Other		238	36	12		
TOTAL		**5,982**	**2,142**	**49**		

(a) Market value of securities as of the close of trading on December 31, 2011.
(b) Valuation at estimated net realizable value.
(c) Figures provided reflect company information prior to December 31, 2011, as year-end accounting data was not available at the date of preparation of the consolidated financial statements.
(d) Consolidated data.
(e) Company data.

NOTE 9 - INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2011	2010	2009
Wines and distilled alcohol in the process of aging	3,403	3,235	3,189
Other raw materials and work in progress	1,320	770	741
	4,723	**4,005**	**3,930**
Goods purchased for resale	834	670	537
Finished products	2,902	2,165	2,007
	3,736	**2,835**	**2,544**
Gross amount	**8,459**	**6,840**	**6,474**
Provision for impairment	(778)	(701)	(672)
NET AMOUNT	**7,681**	**6,139**	**5,802**

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

	2011			2010	2009
(EUR millions)	Gross	Impairment	Net	Net	Net
As of January 1	**6,840**	**(701)**	**6,139**	**5,802**	**5,963**
Change in gross inventories	785	-	785	110	(114)
Fair value adjustment for the harvest of the period	14	-	14	(3)	13
Changes in impairment	-	(65)	(65)	11	(56)
Changes in the scope of consolidation	694	-	694	(39)	38
Translation adjustment	152	(12)	140	265	(31)
Reclassifications	(26)	-	(26)	(7)	(11)
AS OF DECEMBER 31	**8,459**	**(778)**	**7,681**	**6,139**	**5,802**

Changes in the scope of consolidation primarily reflect the consolidation of Bulgari and Ile de Beauté.

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

(EUR millions)	2011	2010	2009
Fair value adjustment for the harvest of the period	50	36	43
Adjustment for inventory consumed	(36)	(39)	(30)
NET EFFECT ON COST OF SALES OF THE PERIOD	**14**	**(3)**	**13**

NOTE 10 - TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2011	2010	2009
Trade accounts receivable – nominal amount	2,186	1,839	1,737
Provision for impairment	(69)	(62)	(68)
Provision for product returns	(165)	(148)	(154)
NET AMOUNT	**1,952**	**1,629**	**1,515**

The amount of the impairment expense in 2010 was 11 million euros (compared to 10 million euros in 2010 and 22 million euros in 2009).

Approximately 64% of the Group's sales is generated through its own stores. The balance of trade accounts receivable 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 December 31, 2011, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)	Gross amount of receivables	Provision for impairment	Net amount of receivables
Not due			
less than 3 months	1,817	(13)	1,804
more than 3 months	108	(2)	106
	1,925	**(15)**	**1,910**
Overdue			
less than 3 months	168	(7)	161
more than 3 months	93	(47)	46
	261	**(54)**	**207**
TOTAL	**2,186**	**(69)**	**2,117**

For each of the 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 11 - OTHER CURRENT ASSETS

(EUR millions)	**2011**	**2010**	**2009**
Current available for sale financial assets	145	219	218
Market value of derivates	147	209	302
Tax accounts receivable, excluding income taxes	483	277	208
Advances and payments on account to vendors	169	147	117
Prepaid expenses	265	201	184
Other receivables, net	277	217	208
TOTAL	**1,486**	**1,270**	**1,237**

There is no difference between the present value of other current assets and their carrying amount.

Please also refer to Note 12 Current available for sale financial assets and Note 21 Financial instruments and market risk management.

NOTE 12 - CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	**2011**	**2010**	**2009**
Unlisted securities, shares in non-money market Sicav and funds	14	32	71
Listed securities	131	187	147
TOTAL	**145**	**219**	**218**
Of which: historical cost of current available for sale financial assets	161	280	336

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

(EUR millions)	**2011**	**2010**	**2009**
As of January 1	**219**	**218**	**590**
Acquisitions	256	55	15
Proceeds from disposal at net realized value	(285)	(106)	(343)
Changes in market value	21	74	50
Changes in impairment	(1)	(26)	(31)
Reclassifications (as)/from Non-current available for sale financial assets [(a)]	7	-	(59)
Net impact of changes in the scope of consolidation [(b)]	(72)	-	(1)
Translation adjustment	-	4	(3)
AS OF DECEMBER 31	**145**	**219**	**218**

(a) See Note 8.
(b) Impact related to the acquisition of Bulgari. See Note 2.

See also Note 1.13 for the method used to determine impairment losses on current available for sale financial assets.

NOTE 13 - CASH AND CASH EQUIVALENTS

(EUR millions)	2011	2010	2009
Fixed term deposits (less than 3 months)	422	579	153
Sicav and FCP money market funds	216	142	103
Ordinary bank accounts	1,790	1,687	2,277
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**2,428**	**2,408**	**2,533**

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)	2011	2010	2009
Cash and cash equivalents	2,428	2,408	2,533
Bank overdrafts	(384)	(412)	(298)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**2,044**	**1,996**	**2,235**

NOTE 14 - EQUITY

14.1. Share capital

As of December 31, 2011, issued and fully paid-up shares totaled 181,727,048 (181,727,048 shares as of December 31, 2010 and as of December 31, 2009), with a par value of 2 euros per share, including 122,945,656 shares with double voting rights. Double voting rights are granted to registered shares held for more than three years (124,912,488 as of December 31, 2010, 125,095,619 as of December 31, 2009).

14.2. 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)	2011	2010	2009
Christian Dior treasury shares	163	174	213
Share in derivates settled in LVMH shares attributable to Christian Dior (a)	11	16	52
TREASURY SHARES AND RELATED DERIVATIVES	**174**	**190**	**265**

(a) When LVMH-share settled derivatives are exercised and securities are provided in close succession, the settlement of these transactions has no impact on the percentage of ownership.

The portfolio of Christian Dior shares, and their allocation, is as follows:

	2011		2010	2009
(EUR millions)	Number	Value	Value	Value
Share purchase option plans (including expired options)	2,394,829	150	166	212
Bonus share plans	182,195	12	7	-
Other	19,532	1	1	1
CHRISTIAN DIOR SHARES	**2,596,556**	**163**	**174**	**213**

As of December 31, 2011, the stock market value of other Christian Dior shares held is 1.8 million euros.

The portfolio movements of Christian Dior shares in 2011 were as follows:

(EUR millions)	**Number of shares**	**Value**
As of December 31, 2010	**2,803,560**	**174**
Purchase of shares	-	-
Exercise of share purchase options	(207,004)	(11)
Proceeds from disposal at net realized value	-	-
Gain/(loss) on disposal	-	-
AS OF DECEMBER 31, 2011	**2,596,556**	**163**

14.3. 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 December 31, 2011, the amount available for distribution was 2,597 million euros; after taking into account the proposed dividend distribution in respect of the 2011 fiscal year, the amount available for distribution is 2,301 million euros.

(EUR millions, except for data per share in EUR)	**2011**	**2010**	**2009**
Interim dividend for the current year (2011: 0.98 euros; 2010: 0.88 euros; 2009: 0.44 euros)	178	160	80
Impact of treasury shares	(2)	(3)	(2)
	176	**157**	**78**
Final dividend for the previous year (2010: 1.23 euros; 2009: 1.22 euros; 2008: 1.17 euros)	223	222	213
Impact of treasury shares	(3)	(4)	(4)
	220	**218**	**209**
TOTAL GROSS AMOUNT DISBURSED DURING THE PERIOD [(a)]	**396**	**375**	**287**

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

The final dividend for 2011, as proposed to the Shareholders' Meeting of April 5, 2012 is 1.63 euros per share, representing a total amount of 296 million euros, excluding amount to be deducted in relation to treasury shares owned at date of payment.

14.4. 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)	2011	Change	2010	2009
US dollar	(27)	39	(66)	(212)
Swiss franc	179	14	165	41
Japanese yen	78	20	58	14
Hong Kong dollar	38	19	19	(7)
Pound sterling	(23)	10	(33)	(37)
Other currencies	31	10	21	(17)
Foreign currency net investment hedges	(102)	(27)	(75)	(1)
TOTAL, GROUP SHARE	**174**	**85**	**89**	**(219)**

14.5. 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 strong credit rating and providing adequate security to the Group's bondholders and bank creditors are regarded as objectives in their own right, which also permits substantial access to markets under favorable conditions.

The Group manages its financial structure so as to ensure real 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 17) to equity;
- net financial debt to cash from operations before changes in working capital;
- long term resources to fixed assets;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- 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.

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.

In particular, the Group's undrawn confirmed credit lines often largely exceed the outstanding portion of its commercial paper program.

NOTE 15 - STOCK OPTION AND SIMILAR PLANS

Share purchase option plans

The Shareholders' Meeting of May 14, 2009 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in July 2012, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 3% of the Company's share capital.

As of December 31, 2011, no subscription plan had been allocated by Christian Dior SA.

Each purchase option plan is valid for ten years and the options may be exercised after a three- or four-year period, depending on the plan.

Under certain circumstances, in particular in the event of retirement, the three- or four-year vesting period does not apply.

For all plans, one option gives the right to one share.

Bonus share plans

The Shareholders' Meeting of March 31, 2011 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in May 2014, to grant bonus shares to Company or Group company employees or directors, 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 the beneficiaries who are French residents for tax purposes is definitive after a two-year vesting period (three years for the 2011 allocations), which is followed by a two-year holding period during which the beneficiaries may not sell their shares.

Bonus shares allocated to beneficiaries who are not French residents for tax purposes shall be definitive after a vesting period of four years and shall be freely transferable 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.

15.1. Share purchase option plans

The main characteristics of share purchase option plans and changes having occurred during the year are as follows:

Plan commencement date	Number of options granted	Exercise price *(EUR)*	Vesting periods of rights	Number of options exercised in 2011	Number of options expired in 2011	Number of options to be exercised as of Dec. 31, 2011
February 21, 2001 [(a)]	437,500	45.95	3 years	40,000	-	-
February 18, 2002	504,000	33.53	3 years	35,002	-	30,000
February 18, 2003	527,000	29.04	3 years	46,002	-	64,000
February 17, 2004	527,000	49.79	3 years	-	-	303,500
May 12, 2005	493,000	52.21	3 years	25,000	-	330,000
February 15, 2006	475,000	72.85 [(b)]	3 years	33,000	-	353,000
September 6, 2006	20,000	74.93	3 years	-	-	20,000
January 31, 2007	480,000	85.00	4 years	28,000	20,000	395,000
May 15, 2008	484,000	73.24 [(c)]	4 years	-	25,000	457,000
May 14, 2009	332,000	52.10	4 years	-	25,000	305,000
TOTAL				**207,004**	**70,000**	**2,257,500**

(a) Plan expired on February 20, 2011.
(b) Exercise price for Italian residents: 77.16 euros.
(c) Exercise price for Italian residents: 73.47 euros.

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

	2011		2010		2009	
(EUR millions)	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share purchase options outstanding as of January 1	**2,534,504**	**63.39**	**3,434,004**	**60.33**	**3,229,504**	**60.81**
Allocations	-	-	-	-	332,000	52.10
Options expired	(70,000)	69.05	(12,000)	59.95	(30,000)	69.67
Options exercised	(207,004)	50.42	(887,500)	51.58	(97,500)	45.44
SHARE PURCHASE OPTIONS OUTSTANDING AS OF DECEMBER 31	**2,257,500**	**64.41**	**2,534,504**	**63.39**	**3,434,004**	**60.33**

Share purchase options granted under the plan dated May 14, 2009 may only be exercised if, in fiscal years 2009 and 2010, (or, for senior executive officers, in 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 2008. The performance condition, which was met in 2009, 2010 and 2011, was also considered to have been met for the future fiscal years, for the purpose of determining the expense for 2011.

15.2. Bonus share plan

The main characteristics of bonus share plans and changes having occurred during the year are as follows:

Plan commencement date	Number of shares allocated initially	Vesting periods of rights	Expired allocations in 2011	Shares vested in 2011	Non-vested shares as of Dec. 31, 2011
April 15, 2010	90,180	2 [a] or 4 years [b]	-	-	90,180
March 31, 2011	90,015	3 [a] or 4 years [b]	-	-	90,015
July 26, 2011	2,000	3 years [a]	-	-	2,000
TOTAL					**182,195**

(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)	2011	2010
Non-vested shares as of January 1	**90,180**	**-**
Non-vested shares during the period	92,015	90,180
Shares vested during the period	-	-
Expired allocations during the period	-	-
NON-VESTED SHARES AS OF DECEMBER 31	**182,195**	**90,180**

The schemes launched on April 15, 2010 and March 31, 2011 and July 26, 2011 combine the allocation of traditional bonus shares and the allocation of performance bonus shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Bonus shares subject to performance conditions 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. With respect to the plan set up on March 31, 2011, this condition was satisfied in 2011.

In the event of the vesting of their share allocations, the Chairman and Chief Executive Officer are required to retain possession of half of these shares in pure registered form until the conclusion of their term in office.

15.3. Expense for the period

(EUR millions)	2011	2010	2009
Share purchase option and bonus share plans - Christian Dior	9	9	6
Share subscription and purchase option plans, bonus share plans - LVMH	52	44	46
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	1	6	7
EXPENSE FOR THE PERIOD	**62**	**59**	**59**

The total expense recognized in 2011 for the Christian Dior share purchase plans and allocations of bonus share plans in 2011 was 9 million euros (9 million euros in 2010 and 6 million euros in 2009).

In the calculation presented above, the accounting expense is determined for each plan separately on the basis of the Black & Scholes method, as described in Note 1.25. The assumptions and criteria retained for this calculation are as follows:

LVMH

	2009 plans
LVMH share price on the grant date *(EUR)*	57.28
Average exercise price *(EUR)*	56.50
Volatility of LVMH shares	37.0%
Dividend distribution rate	2.8%
Risk-free investment rate	2.7%

The volatility of LVMH's shares is determined on the basis of their implicit volatility.

The LVMH share price on the grant date of the 2011 plan amounted to 111.65 euros for shares granted on March 31, 2011 and to 112.50 euros for shares granted on October 20, 2011.

The average unit value of non-vested bonus shares granted in 2011 was 105.35 euros for beneficiaries who are French residents for tax purposes and 102.57 euros for beneficiaries with tax residence outside France.

Christian Dior

	May 2009 plan
Christian Dior share price on the grant date *(EUR)*	49.67
Average exercise price *(EUR)*	52.10
Volatility of Christian Dior shares	45.6%
Dividend distribution rate	3.2%
Risk-free investment rate	3.0%

The volatility of Christian Dior's shares is determined on the basis of their implicit volatility.

The Christian Dior share price on the grant date of the 2011 bonus share plan amounted to 100.35 euros for the plan commencing on March 31, 2011 and 113.80 euros for the plan commencing on July 26, 2011.

The average unit value of non-vested bonus shares granted in 2011 was 93.67 euros for the plan commencing on March 31, 2011 (and 106.57 euros for the plan commencing on July 26, 2011) for beneficiaries with tax residence in France and 91.24 euros for beneficiaries with tax residence outside France.

NOTE 16 - MINORITY INTERESTS

(EUR millions)	2011	2010	2009
As of January 1	**11,867**	**9,857**	**9,281**
Minority interests' share of net profit	2,169	2,008	1,207
Dividends paid to minority interests	(803)	(698)	(603)
Effects of changes in control of consolidated entities:			
• effect of LVMH treasury shares	84	155	11
• consolidation of Bulgari	2,000	-	-
• consolidation of Heng Long	18	-	-
• other movements	-	(3)	11
Effects of acquisition and disposal of minority interests' shares:			
• acquisition of minority interests in the Samaritaine	-	(104)	-
• acquisition of minority interests in Bulgari	(771)	-	-
• other movements	(13)	17	(8)
Total effects of changes in the percentage of interests in consolidated entities	1,318	65	14
Capital increases subscribed by minority interests	4	12	29
Minority interests' share in gains and losses recognized in equity	980	712	(69)
Minority interests' share in stock option plan expenses	31	26	27
Effects of purchase commitments for minority interests	(257)	(115)	(29)
AS OF DECEMBER 31	**15,309**	**11,867**	**9,857**

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

(EUR millions)	Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Total share of minority interests
As of December 31, 2008	**(293)**	**76**	**42**	**474**	**299**
Changes for the year	(95)	43	5	(22)	(69)
As of December 31, 2009	**(388)**	**119**	**47**	**452**	**230**
Changes for the year	475	168	(23)	92	712
As of December 31, 2010	**87**	**287**	**24**	**544**	**942**
Changes for the year	159	849	(38)	10	980
Changes due to treasury shares and the Bulgari contribution	(1)	25	2	12	38
AS OF DECEMBER 31, 2011	**245**	**1,161**	**(12)**	**566**	**1,960**

NOTE 17 - BORROWINGS

17.1. Net financial debt

(EUR millions)	2011	2010	2009
Long term borrowings	5,263	4,268	5,163
Short term borrowings	3,561	2,578	2,164
Gross amount of borrowings	**8,824**	**6,846**	**7,327**
Interest rate risk derivatives	(159)	(82)	(87)
Other derivatives	1	5	6
Gross borrowings after derivatives	**8,666**	**6,769**	**7,246**
Current available for sale financial assets	(145)	(219)	(218)
Other financial assets	-	-	(35)
Cash and cash equivalents	(2,428)	(2,408)	(2,533)
NET FINANCIAL DEBT	**6,093**	**4,142**	**4,460**

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 19).

In 2011, Christian Dior completed a public offering of 300 million euro principal amount of bonds, issued at 99.481% of par. These bonds fall due in May 2016 and carry an effective interest rate of 4.22%.

LVMH issued a public bond in 2011, in two tranches of 500 million euros each. These tranches, issued at 99.617% and 99.484% of par value respectively, are redeemable at par on maturity in April 2015 and April 2018; effective interest rates upon issuance are 3.47% and 4.08% respectively.

Moreover, LVMH issued by means of a private placement US dollar-denominated floating-rate bonds, redeemable in 2013, for a total amount equivalent to 244 million euros.

17.2. Breakdown of gross financial debt by nature

(EUR millions)	2011	2010	2009
Bonds and Euro Medium Term Notes (EMTNs)	4,035	3,123	3,971
Finance and other long term leases	135	132	122
Bank borrowings	1,093	1,013	1,070
LONG TERM BORROWINGS	**5,263**	**4,268**	**5,163**
Bonds and Euro Medium Term Notes (EMTNs)	759	1,015	723
Finance and other long term leases	19	17	23
Bank borrowings	299	347	274
Commercial paper	1,603	272	200
Other borrowings and credit facilities	393	432	537
Bank overdrafts	384	412	298
Accrued interest	104	83	109
SHORT TERM BORROWINGS	**3,561**	**2,578**	**2,164**
TOTAL GROSS BORROWINGS	**8,824**	**6,846**	**7,327**
MARKET VALUE OF GROSS BORROWINGS	**8,990**	**7,013**	**7,528**

No amount of financial debt was recognized in accordance with the fair value option as of December 31, 2011, 2010 and 2009. See Note 1.18.

17.3. Bonds and EMTNs

Nominal amount *(currency)*	**Date of issuance**	**Maturity**	**Initial effective interest rate** [(a)] *(as %)*	**2011** *(EUR millions)*	**2010**	**2009**
EUR 500,000,000	2011	2018	4.08	524	-	-
EUR 500,000,000	2011	2015	3.47	522	-	-
EUR 300,000,000	2011	2016	4.22	297	-	-
EUR 1,000,000,000	2009	2014	4.52	1,033	1,021	998
EUR 350,000,000	2009	2014	4.02	348	347	347
CHF 200,000,000	2008	2015	4.04	165	161	135
CHF 200,000,000	2008	2011	3.69	-	161	135
EUR 50,000,000	2008	2011	6.12	-	50	50
EUR 760,000,000	2005 and 2008 [(b)]	2012	3.76	759	755	752
CHF 300,000,000	2007	2013	3.46	250	243	206
EUR 150,000,000	2006	2011	4.37	-	150	149
EUR 600,000,000	2004	2011	4.74	-	609	611
EUR 750,000,000	2003	2010	5.05	-	-	723 [(c)]
Public bond issues				**3,898**	**3,497**	**4,106**
EUR 250,000,000	2009	2015	4.59	263	257	251
EUR 150,000,000	2009	2017	4.81	161	153	149
Private placements in foreign currencies				472	231	188
Private placements (EMTN)				**896**	**641**	**588**
TOTAL BONDS AND EMTN				**4,794**	**4,138**	**4,694**

(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%.
(c) The nominal amount of this bond issue was reduced by 35 million euros thanks to buy-backs and subsequent cancellations performed in 2009.

17.4. Analysis of gross borrowings by payment date and by type of interest rate

	Gross amount of borrowings			Effects of derivatives			Gross borrowings after derivatives		
(EUR millions)	Fixed rate	Floating	Total	Fixed rate	Floating	Total	Fixed rate	Floating	Total
Maturity									
2012	2,967	594	3,561	(1,751)	1,747	(4)	1,216	2,341	3,557
2013	596	980	1,576	84	(84)	-	680	896	1,576
2014	1,462	161	1,623	(1,000)	936	(64)	462	1,097	1,559
2015	962	6	968	(750)	691	(59)	212	697	909
2016	304	3	307	100	(105)	(5)	404	(102)	302
Thereafter	788	1	789	(150)	124	(26)	638	125	763
TOTAL	**7,079**	**1,745**	**8,824**	**(3,467)**	**3,309**	**(158)**	**3,612**	**5,054**	**8,666**

See Note 21.4 regarding market value of interest rate risk derivatives.

The breakdown by quarter of the amount falling due in 2012 is as follows:

(EUR millions)	Falling due in 2012
First quarter	2,415
Second quarter	995
Third quarter	60
Fourth quarter	91
TOTAL	**3,561**

17.5. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2011	2010	2009
Euro	6,554	4,779	5,532
US dollar	348	352	294
Swiss franc	981	984	797
Japanese yen	410	329	340
Other currencies	373	325	283
TOTAL	**8,666**	**6,769**	**7,246**

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

17.6. Sensitivity

On the basis of debt as of December 31, 2011:

- 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 51 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 83 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 51 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 83 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2011, due to the absence of hedging of future interest payments.

17.7. 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 financing ratio in this regard.

In connection with certain long-term loan agreements, the Group has undertaken to comply with certain financial covenants (mainly based on a ratio of net financial debt to total equity; financial debt coverage by assets). The current level of these ratios ensures that the Group has genuine financial flexibility with regard to these commitments.

17.8. Undrawn confirmed credit lines

As of December 31, 2011, unused confirmed credit lines totaled 4.2 billion euros.

17.9. Guarantees and collateral

As of December 31, 2011, borrowings hedged by collateral were less than 200 million euros.

NOTE 18 - PROVISIONS

(EUR millions)	2011	2010	2009
Provisions for pensions, medical costs and similar commitments	290	267	245
Provisions for contingencies and losses	1,104	889	725
Provisions for reorganization	21	20	25
Non-current provisions	**1,415**	**1,176**	**995**
Provisions for pensions, medical costs and similar commitments	12	10	9
Provisions for contingencies and losses	302	279	261
Provisions for reorganization	44	57	84
Current provisions	**358**	**346**	**354**
TOTAL	**1,773**	**1,522**	**1,349**

In 2011, the changes in provisions were as follows:

(EUR millions)	2010	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustments)	2011
Provisions for pensions, medical costs and similar commitments	277	54	(56)	(2)	21	8	302
Provisions for contingencies and losses	1,168	315	(100)	(78)	58	43	1,406
Provisions for reorganization	77	22	(33)	(3)	2	-	65
TOTAL	**1,522**	**391**	**(189)**	**(83)**	**81**	**51**	**1,773**
o/w: profit from recurring operations		213	(151)	(50)			
net financial income (expense)		-	-	-			
other		178	(38)	(33)			

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, 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, medical costs and similar commitments are analyzed in Note 28.

NOTE 19 - OTHER NON-CURRENT LIABILITIES

(EUR millions)	2011	2010	2009
Purchase commitments for minority interests	4,196	3,687	2,843
Market value of derivates	4	2	22
Employee profit sharing [(a)]	88	89	81
Other liabilities	217	166	140
TOTAL	**4,505**	**3,944**	**3,086**

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

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

As of December 31, 2011, 2010 and 2009 purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-months' advance notice and for 80% of the fair value of Moët Hennessy at the exercise date of the commitment. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Benefit (20%), Ile de Beauté (35%), Heng Long (49%) 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.

NOTE 20 - OTHER CURRENT LIABILITIES

(EUR millions)	2011	2010	2009
Market value of derivates	267	146	95
Employees and social institutions	906	725	608
Employee profit sharing [(a)]	86	72	67
Taxes other than income taxes	393	323	258
Advances and payments on account from customers	188	209	234
Deferred payment for tangible and financial non-current assets	290	184	190
Deferred income	111	76	61
Other liabilities	625	526	454
TOTAL	**2,866**	**2,261**	**1,967**

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

The present value of the other current liabilities is identical to their carrying amount.

Derivatives are analyzed in Note 21.

NOTE 21 - FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

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

The management of foreign exchange, interest rate and equity market risks in addition to transactions involving financial instruments is centralized.

The Group has implemented a stringent policy, as well as rigorous management guidelines 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 financial control.

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

Hedging decisions are made according to a clearly established process that includes regular presentations to the Group's management bodies and detailed supporting documentation.

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

21.2. Presentation of financial instruments in the balance sheet

Breakdown and fair value of financial assets and liabilities according to the measurement categories defined by IAS 39

		2011		2010		2009	
(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	*8*	5,982	5,982	3,891	3,891	540	540
Current available for sale financial assets	*12*	145	145	219	219	218	218
Available for sale financial assets (see Note 1.13)		**6,127**	**6,127**	**4,110**	**4,110**	**758**	**758**
Other non-current assets, excluding derivatives		360	360	276	276	640	640
Trade accounts receivable	*10*	1,952	1,952	1,629	1,629	1,515	1,515
Other current assets [(a)]	*11*	929	929	641	641	533	533
Loans and receivables (see Note 1.15)		**3,241**	**3,241**	**2,546**	**2,546**	**2,688**	**2,688**
Cash and cash equivalents (see Note 1.16)	*13*	2,428	2,428	2,408	2,408	2,533	2,533
Financial assets, excluding derivatives		**11,796**	**11,796**	**9,064**	**9,064**	**5,979**	**5,979**
Long term borrowings	*17*	5,263	5,420	4,268	4,425	5,163	5,362
Short term borrowings	*17*	3,561	3,570	2,578	2,588	2,164	2,166
Trade accounts payable		3,012	3,012	2,349	2,349	1,956	1,956
Other non-current liabilities [(b)]	*19*	305	305	255	255	221	221
Other current liabilities [(c)]	*20*	2,488	2,488	2,039	2,039	1,811	1,811
Financial liabilities, excluding derivatives (see Note 1.18)		**14,629**	**14,795**	**11,489**	**11,656**	**11,315**	**11,516**
Derivatives (see Note 1.19)	*21.3*	**19**	**19**	**123**	**123**	**311**	**311**

(a) Excluding derivatives, current 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

	2011			2010			2009		
(EUR millions)	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 based on:									
Published price quotations	5,738	-	2,428	3,750	-	2,408	356	-	2,533
Formula based on market data	112	290	-	119	271	-	191	428	-
Private quotations	277	-	-	241	-	-	211	-	-
ASSETS	**6,127**	**290**	**2,428**	**4,110**	**271**	**2,408**	**758**	**428**	**2,533**
Valuation based on:									
Published price quotations		-			-				-
Formula based on market data		271			148				117
Private quotations		-			-				-
LIABILITIES		**271**			**148**				**117**

The valuation methods used correspond to the following levels in the IFRS 7 fair value measurement hierarchy:

Quoted prices	Level 1
Formula 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 2011:

(EUR millions)	2011
As of January 1	**241**
Acquisitions	37
Proceeds from disposals (at net realized value)	(17)
Gains and losses recognized in income statement	2
Gains and losses recognized in equity	14
AS OF DECEMBER 31	**277**

21.3. Summary of derivatives

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

(EUR millions)		*Notes*	2011	2010	2009
Interest rate risk					
Assets:	non-current		113	41	46
	current		57	66	90
Liabilities:	non-current		(1)	(1)	(21)
	current		(10)	(24)	(28)
		21.4	**159**	**82**	**87**
Foreign exchange risk					
Assets:	non-current		2	9	6
	current		83	139	211
Liabilities:	non-current		(3)	(1)	(1)
	current		(257)	(122)	(57)
		21.5	**(175)**	**25**	**159**
Other risks					
Assets:	non-current		28	12	74
	current		7	4	1
Liabilities:	non-current		-	-	-
	current		-	-	(10)
			35	**16**	**65**
TOTAL					
Assets:	non-current		143	62	126
	current	*11*	147	209	302
Liabilities:	non-current	*19*	(4)	(2)	(22)
	current	*20*	(267)	(146)	(95)
			19	**123**	**311**

21.4. 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 (caps and floors).

Derivatives used to manage interest rate risk outstanding as of December 31, 2011 break down as follows:

	Nominal amounts by maturity				Market value [(a)]		
(EUR millions)	2012	2013 to 2016	Beyond 2016	Total	Fair value hedges	Not allocated	Total
Interest rate swaps in euros:							
- fixed rate payer	-	269	-	269	-	(8)	(8)
- floating rate payer	1,752	1,841	150	3,743	164	4	168
- floating rate/floating rate	-	152	-	152	-	-	-
Foreign currency swaps	-	386	-	386	-	(1)	(1)
TOTAL					**164**	**(5)**	**159**

(a) Gain/(Loss).

21.5. 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, under certain conditions, 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 December 31, 2011 break down as follows:

	Nominal amounts by fiscal year of allocation				Market value (a)				
(EUR millions)	2011	2012	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	2	47	-	49	-	-	-	-	-
Put GBP	10	-	-	10	-	-	-	-	-
	12	**47**	**-**	**59**	**-**	**-**	**-**	**-**	**-**
Ranges									
Written USD	420	2,866	169	3,455	(2)	(20)	-	(5)	(27)
Written JPY	13	176	-	189	(1)	(4)	-	-	(5)
	433	**3,042**	**169**	**3,644**	**(3)**	**(24)**	**-**	**(5)**	**(32)**
Forward exchange contracts (b)									
USD	327	68	-	395	(12)	(2)	-	(1)	(15)
JPY	143	472	141	756	(5)	(38)	-	(3)	(46)
GBP	32	17	-	49	(1)	(1)	-	-	(2)
Other	88	73	-	161	(3)	-	-	1	(2)
	590	**629**	**141**	**1,361**	**(21)**	**(41)**	**-**	**(3)**	**(65)**
Foreign exchange swaps (b)									
USD	2,450	-	-	2,450	-	-	(63)	(23)	(86)
CHF	456	-	-	456	-	-	(9)	3	(6)
GBP	322	-	-	322	-	-	-	(10)	(10)
JPY	(143)	-	-	(143)	-	-	(3)	38	35
Other	167	-	-	167	-	-	(48)	37	(11)
	3,252	**-**	**-**	**3,252**	**-**	**-**	**(123)**	**45**	**(78)**
TOTAL					**(24)**	**(65)**	**(123)**	**37**	**(175)**

(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 by these instruments will be recognized in 2012; the amount will depend on exchange rates at this date.

The impacts on the net profit for fiscal year 2011, equity (excluding net profit for the fiscal year) and the market value of derivatives as of December 31, 2011, of a variation of 10% in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar with respect to the euro, including the impact of foreign currency hedges outstanding during the period, would have been as follows:

	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Net profit	47	(47)	(20)	12	20	(21)	48	(47)
Equity, excluding net profit	178	(201)	68	(70)	121	(134)	104	(115)
Market value of derivatives	(116)	95	(8)	7	(71)	58	(60)	49

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2011, mainly comprising ranges and futures contracts.

As of December 31, 2011, at Group level, forecast cash collections for 2012 are hedged in the proportion of 84% in US dollars and 82% in Japanese yen.

21.6. 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 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 balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of December 31, 2011, derivatives used to manage equity risk with an impact on the Group's net profit have a positive market value of 28 million euros. Considering nominal values of 24 million euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2011 would induce a net impact on the Group's profit for an amount of 0.3 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 is purchased from banks, or future and/or options contracts are taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2011 have a market value of 7 million euros. Considering nominal values of 94 million euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2011 would induce a net impact on the Group's consolidated reserves for an amount inferior to 1 million euros. These instruments mature in 2012.

21.7. 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 (1.6 billion euros) or (b) by comparing the amount of the short term portion of its net financial debt before hedging (3.6 billion euros) to the amount of cash and cash equivalents (2.4 billion euros), thus 1.2 billion euros as of December 31, 2011. Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.2 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 (bonds and short term paper), and the quality of its banking relationships, whether evidenced or not by confirmed lines of credit.

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2011, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2012	2013	2014	2015	2016	Over 5 years	Total
Bonds and EMTNs	916	611	1,709	966	339	679	5,220
Bank borrowings	327	852	234	11	5	10	1,439
Other borrowings and credit facilities	398	-	-	-	-	-	398
Finance and other long term leases	25	24	21	18	16	354	459
Commercial paper	1,603	-	-	-	-	-	1,603
Bank overdrafts	384	-	-	-	-	-	384
Gross amount of borrowings	**3,654**	**1,487**	**1,964**	**995**	**360**	**1,043**	**9,503**
Other financial liabilities, current and non-current [(a)]	2,793	-	-	-	-	-	2,793
Trade accounts payable	3,012	-	-	-	-	-	3,012
Other financial liabilities	**5,805**	**-**	**-**	**-**	**-**	**-**	**5,805**
TOTAL FINANCIAL LIABILITIES	**9,459**	**1,487**	**1,964**	**995**	**360**	**1,043**	**15,308**

(a) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 2,488 million euros and to Other non-current liabilities (excluding derivatives and purchase commitments for minority interests) for 305 million euros, see Note 21.2.

See Note 29.3 regarding contractual maturity dates of collateral and other guarantees. See Notes 21.4 and 21.5 regarding foreign exchange derivatives and Notes 17.4 and 21.4 regarding interest rate risk derivatives.

NOTE 22 - 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.

22.1. Information by business group

Fiscal year 2011

(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	987	3,511	8,671	2,850	1,900	6,413	296	-	24,628
Sales between business groups	13	13	41	345	49	23	19	(503)	-
TOTAL REVENUE	**1,000**	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**315**	**(503)**	**24,628**
Profit from recurring operations	85	1,101	3,075	348	265	716	(229)	(38)	5,323
Other operating income and expenses	(12)	(16)	(56)	(2)	(6)	(26)	(2)	-	(120)
Purchase of tangible and intangible fixed assets [b]	89	170	496	145	169	235	655	-	1,959
Depreciation and amortization expense	59	92	359	105	82	209	35	-	941
Impairment expense	10	-	20	-	-	5	14	-	49
Brands, trade names, licenses and goodwill [c]	67	5,072	4,776	1,645	5,426	2,905	1,249	-	21,140
Inventories	171	3,905	1,030	337	1,118	1,181	67	(128)	7,681
Other operating assets	538	2,828	2,304	799	1,043	1,610	3,273	9,991 [d]	22,386
TOTAL ASSETS	**776**	**11,805**	**8,110**	**2,781**	**7,587**	**5,696**	**4,589**	**9,863**	**51,207**
Equity	-	-	-	-	-	-	-	24,942	24,942
Operating liabilities	243	1,259	1,708	1,019	672	1,496	478	19,390 [e]	26,265
TOTAL LIABILITIES AND EQUITY	**243**	**1,259**	**1,708**	**1,019**	**672**	**1,496**	**478**	**44,332**	**51,207**

Data for fiscal year 2011 integrate data for Bulgari, which has been fully consolidated since June 30, 2011. Given the unique profile of the Bulgari's management and the Bulgari brand, and the fact that most of the business involves manufacturing and distributing watches and jewelry, all of Bulgari's activities, including perfumes and cosmetics, have been included in the Watches and Jewelry business group.

As of December 31, 2011 and with respect to the period of Bulgari's consolidation within the LVMH group, its perfumes and cosmetics business accounted for consolidated revenue of 142 million euros.

Fiscal year 2010

(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	813	3,252	7,549	2,805	964	5,359	381	-	21,123
Sales between business groups	13	9	32	271	21	19	29	(394)	-
TOTAL REVENUE	**826**	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,123**
Profit from recurring operations	35	930	2,555	332	128	536	(159)	(19)	4,338
Other operating income and expenses	(14)	(21)	(30)	(39)	(3)	(26)	(33)	-	(166)
Purchase of tangible and intangible fixed assets [(b)]	98	97	351	112	47	194	188	-	1,087
Depreciation and amortization expense	54	97	314	106	29	201	36	-	837
Impairment expense	-	-	21	-	-	17	16	-	54
Brands, trade names, licenses and goodwill [(c)]	75	4,878	4,746	1,630	1,715	2,729	1,246	-	17,019
Inventories	148	3,626	770	275	403	935	70	(88)	6,139
Other operating assets	473	2,700	2,034	686	336	1,485	2,517	7,808 [(d)]	18,039
TOTAL ASSETS	**696**	**11,204**	**7,550**	**2,591**	**2,454**	**5,149**	**3,833**	**7,720**	**41,197**
Equity	-	-	-	-	-	-	-	19,570	19,570
Operating liabilities	190	1,069	1,334	971	221	1,188	506	16,148 [(e)]	21,627
TOTAL LIABILITIES AND EQUITY	**190**	**1,069**	**1,334**	**971**	**221**	**1,188**	**506**	**35,718**	**41,197**

Fiscal year 2009

(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	701	2,732	6,273	2,519	747	4,517	256	-	17,745
Sales between business groups	16	8	29	222	17	16	22	(330)	-
TOTAL REVENUE	**717**	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,745**
Profit from recurring operations	13	760	1,986	291	63	388	(144)	(1)	3,356
Other operating income and expenses	(11)	(41)	(71)	(17)	(32)	(19)	(3)	2	(192)
Purchase of tangible and intangible fixed assets [(b)]	34	96	284	96	26	182	91	-	809
Depreciation and amortization expense	45	90	268	99	27	175	42	-	746
Impairment expense	-	-	20	20	-	5	11	-	56
Brands, trade names, licenses and goodwill [(c)]	74	4,278	4,683	1,637	1,450	2,522	1,277	-	15,921
Inventories	158	3,548	701	226	369	738	128	(66)	5,802
Other operating assets	410	2,540	1,855	644	257	1,342	2,243	5,039 [(d)]	14,330
TOTAL ASSETS	**642**	**10,366**	**7,239**	**2,507**	**2,076**	**4,602**	**3,648**	**4,973**	**36,053**
Equity	-	-	-	-	-	-	-	16,121	16,121
Operating liabilities	171	1,013	1,137	805	176	1,001	497	15,132 [(e)]	19,932
TOTAL LIABILITIES AND EQUITY	**171**	**1,013**	**1,137**	**805**	**176**	**1,001**	**497**	**31,253**	**36,053**

(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) Purchases of tangible and intangible fixed assets correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.
(c) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(d) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.
As of December 31, 2011, they include the 22.4% shareholding in Hermès International, representing an amount of 5,438 million euros, see Note 8 (3,345 million euros as of December 31, 2010 and 487 million euros as of December 31, 2009, of which 419 classified under "Other non-current assets" and 68 classified under "Non-current available for sale financial assets").
(e) Liabilities not allocated include borrowings and both current and deferred tax liabilities.

22.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2011	2010	2009
France	3,012	2,847	2,597
Europe (excluding France)	5,131	4,541	3,918
United States	5,323	4,693	3,913
Japan	2,035	1,851	1,752
Asia (excluding Japan)	6,757	5,207	4,012
Other	2,370	1,984	1,553
REVENUE	**24,628**	**21,123**	**17,745**

Purchases of tangible and intangible fixed assets by geographic region are as follows:

(EUR millions)	2011	2010	2009
France	718	401	325
Europe (excluding France)	687	246	143
United States	166	144	106
Japan	61	32	18
Asia (excluding Japan)	252	216	165
Other	75	48	52
PURCHASE OF TANGIBLE AND INTANGIBLE FIXED ASSETS	**1,959**	**1,087**	**809**

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.

Purchases of tangible and intangible fixed assets correspond to the amounts capitalized during the fiscal year rather than payments made during the fiscal year.

22.3. Quarterly information

Quarterly 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
First quarter	221	762	2,029	803	261	1,421	75	(108)	5,464
Second quarter	224	673	1,942	715	315	1,410	83	(105)	5,257
Third quarter	260	871	2,218	793	636	1,547	74	(135)	6,264
Fourth quarter	295	1,218	2,523	884	737	2,058	83	(155)	7,643
TOTAL 2011	**1,000**	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**315**	**(503)**	**24,628**
First quarter	180	635	1,729	736	204	1,181	78	(95)	4,648
Second quarter	193	667	1,787	705	239	1,238	73	(89)	4,813
Third quarter	221	846	1,948	805	244	1,294	68	(99)	5,327
Fourth quarter	232	1,113	2,117	830	298	1,665	191	(111)	6,335
TOTAL 2010	**826**	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,123**
First quarter	169	540	1,598	663	154	1,085	62	(89)	4,182
Second quarter	171	539	1,390	622	192	1,042	68	(69)	3,955
Third quarter	178	682	1,549	686	187	1,040	68	(81)	4,309
Fourth quarter	199	979	1,765	770	231	1,366	80	(91)	5,299
TOTAL 2009	**717**	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,745**

NOTE 23 - REVENUE AND EXPENSES BY NATURE

23.1. Analysis of revenue

Revenue consists of the following:

(EUR millions)	2011	2010	2009
Revenue generated by brands and trade names	24,208	20,725	17,394
Royalties and license revenue	168	154	124
Income from investment property	34	81	75
Other revenue	218	163	152
TOTAL	**24,628**	**21,123**	**17,745**

23.2. Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2011	2010	2009
Advertising and promotion expenses	2,854	2,376	1,885
Commercial lease expenses	1,684	1,354	1,145
Personnel costs	4,282	3,768	3,318
Research and development expenses	63	46	45

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2011, a total of 3,250 stores were operated by the Group worldwide (2,779 in 2010, 2,660 in 2009), particularly by 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)	2011	2010	2009
Fixed or minimum lease payments	716	597	551
Variable portion of indexed leases	424	273	202
Airport concession fees - fixed portion or minimum amount	227	281	246
Airport concession fees - variable portion	317	203	146
COMMERCIAL LEASE EXPENSES	**1,684**	**1,354**	**1,145**

Personnel costs consist of the following elements:

(EUR millions)	2011	2010	2009
Salaries and social charges	4,152	3,642	3,195
Pensions, medical costs and similar expenses in respect of defined benefit plans	68	67	64
Stock option plan and related expenses	62	59	59
PERSONNEL COSTS	**4,282**	**3,768**	**3,318**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2011	2010	2009
Net gains (losses) on disposals of fixed assets	(4)	(36)	12
Restructuring costs	(41)	(39)	(100)
Remeasurement of shares purchased prior to their initial consolidation	22	-	-
Transaction costs relating to the acquisition of consolidated companies	(17)	-	-
Impairment or amortization of brands, trade names, goodwill and other	(83)	(87)	(91)
Other items – net	3	(4)	(13)
OTHER OPERATING INCOME AND EXPENSE	**(120)**	**(166)**	**(192)**

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

In 2010, net losses on disposals mainly related to the disposals of La Brosse et Dupont and of Montaudon. See Note 2 Changes in the percentage interest of consolidated entities.

In 2009, restructuring costs comprised the cost of various industrial and commercial restructuring plans, relating mainly to the Fashion and Leather Goods and Watches and Jewelry business groups.

NOTE 25 - NET FINANCIAL INCOME (EXPENSE)

(EUR millions)	2011	2010	2009
Borrowing costs	(243)	(214)	(264)
Income from cash, cash equivalents and current available for sale financial assets	42	18	21
Effects of revaluation of financial debt and rate instruments	(3)	(1)	1
Cost of net financial debt	**(204)**	**(197)**	**(242)**
Dividends received from non-current available for sale financial assets	54	14	11
Ineffective portion of foreign currency hedges	(110)	(96)	(46)
Net gain/(loss) related to available for sale financial assets and other financial instruments	(11)	865	(94)
Other items – net	(29)	(20)	(26)
Other financial income and expenses	**(96)**	**763**	**(155)**
NET FINANCIAL INCOME (EXPENSE)	**(300)**	**566**	**(397)**

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

(EUR millions)	2011	2010	2009
Income from cash and cash equivalents	33	12	11
Interest from current available for sale financial assets	9	6	10
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**42**	**18**	**21**

The revaluation effects of financial debt and interest rate derivatives are attributable to the following items:

(EUR millions)	2011	2010	2009
Hedged financial debt	(65)	(17)	(20)
Hedging instruments	63	15	20
Unallocated derivatives	(1)	1	1
EFFECTS OF REVALUATION OF FINANCIAL DEBT AND RATE INSTRUMENTS	**(3)**	**(1)**	**1**

The ineffective portion of exchange rate derivatives breaks down as follows:

(EUR millions)	2011	2010	2009
Financial cost of commercial foreign exchange hedges	(145)	(124)	(55)
Financial cost of foreign-currency denominated net investment hedges	29	1	13
Change in the fair value of unallocated derivatives	6	27	(4)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(110)**	**(96)**	**(46)**

The increase in dividends received in 2011 results from the increase in the equity stake in Hermès in 2010 (see Note 8).

In 2010, the net gain related to available for sale financial assets and other financial instruments included an amount of 1,004 million euros related to the Hermès transactions which corresponds to the gain, net of transaction costs, recorded on the settlement of equity linked swaps; this gain amounts to the difference between the market value of the securities acquired at the settlement date of the contracts and their value based on the Hermès share price as of December 31, 2009.

In 2011, excluding the Hermès transactions, as well as in 2010 and 2009, the net gain/loss related to available for sale financial assets and other financial instruments is due to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets.

NOTE 26 - INCOME TAXES

26.1. Analysis of the income tax expense

(EUR millions)	2011	2010	2009
Current income taxes for the fiscal year	(1,691)	(1,507)	(789)
Current income taxes relating to previous fiscal years	(2)	(6)	3
Current income taxes	**(1,693)**	**(1,513)**	**(786)**
Change in deferred income taxes	172	35	(81)
Impact of changes in tax rates on deferred taxes	59	2	-
Deferred income taxes	**231**	**37**	**(81)**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(1,462)**	**(1,476)**	**(867)**
Tax on items recognized in equity	**(61)**	**(3)**	**(30)**

The effective tax rate is as follows:

(EUR millions)	2011	2010	2009
Profit before tax	4,903	4,738	2,767
Total income tax expense	(1,462)	(1,476)	(867)
EFFECTIVE TAX RATE	**29.8%**	**31.2%**	**31.4%**

Total tax expense for fiscal year 2011 includes, for an amount of 10 million euros, the impact of the exceptional contribution applicable in France for 2011 and 2012.

26.2. Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2011	2010	2009
Deferred tax assets	762	699	555
Deferred tax liabilities	(4,826)	(4,254)	(4,023)
NET DEFERRED TAX ASSETS	**(4,064)**	**(3,555)**	**(3,468)**

26.3. 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)	2011	2010	2009
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates	(1.3)	(0.1)	-
Differences in tax rates for foreign companies	(6.0)	(5.6)	(6.6)
Tax losses and tax loss carry forwards	-	0.1	0.3
Difference between consolidated and taxable income, and income taxable at reduced rates	2.4	1.9	2.8
Withholding taxes	0.3	0.5	0.5
EFFECTIVE TAX RATE OF THE GROUP	**29.8**	**31.2**	**31.4**

Since 2000, French companies have been subject to additional income tax, at a rate of 3.3% for 2009, 2010 and 2011, bringing the theoretical tax rate to 34.4% in each fiscal year.

26.4. Sources of deferred taxes

In the income statement

(EUR millions)	2011	2010	2009
Valuation of brands	42	(65)	(9)
Other revaluation adjustments	(4)	4	(11)
Gains and losses on available for sale financial assets	(5)	3	(5)
Gains and losses on hedges of future foreign currency cash flows	16	8	(4)
Provisions for contingencies and losses [(a)]	10	26	10
Intercompany margin included in inventories	105	40	(23)
Other consolidation adjustments [(a)]	85	31	3
Losses carried forward	(18)	(10)	(42)
TOTAL	**231**	**37**	**(81)**

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance lease.

In equity

(EUR millions)	2011	2010	2009
Fair value adjustment of vineyard land	(11)	(71)	18
Gains and losses on available for sale financial assets	(91)	(22)	-
Gains and losses on hedges of future foreign currency cash flows	21	14	(2)
TOTAL	**(81)**	**(79)**	**16**

In the balance sheet

(EUR millions)	2011 [(b)]	2010 [(b)]	2009
Valuation of brands	(4,115)	(3,215)	(3,298)
Fair value adjustment of vineyard land	(579)	(568)	(496)
Other revaluation adjustments	(365)	(361)	(321)
Gains and losses on available for sale financial assets	(145)	(48)	(21)
Gains and losses on hedges of future foreign currency cash flows	31	(1)	(22)
Provisions for contingencies and losses [(a)]	207	185	153
Intercompany margin included in inventories	430	323	275
Other consolidation adjustments [(a)]	392	57	183
Losses carried forward	80	73	79
TOTAL	**(4,064)**	**(3,555)**	**(3,468)**

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance lease.
(b) Asset/(Liability).

26.5. Losses carried forward

As of December 31, 2011, for LVMH SA, unused tax loss carry forwards and tax credits, for which no deferred tax assets were recognized, had a potential positive impact on the future tax expense of 301 million euros (290 million euros in 2010, 321 million euros in 2009).

As of December 31, 2011, for Christian Dior, unused tax loss carry forwards were 264 million euros (217 million euros in 2010, 196 million euros in 2009).

On the basis of the prospects for the use of these tax loss carry forwards, deferred tax assets were recognized in the amount of 29 million euros as of December 31, 2011 (compared to 29 million euros as of both December 31, 2010 and December 31, 2009). Unused tax loss carry forwards for which no deferred tax assets were recognized had a potential impact on the future tax expense of 62 million euros.

26.6. 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 generated for the Group a decrease in the current tax expense of 142 million euros in 2011, of which 136 million euros were for LVMH and 6 million euros for Christian Dior (115 million euros in 2010, 106 million euros in 2009 for the Group).

- The application of other tax consolidation agreements, notably in the United States and Italy, generated current tax savings of 52 million euros in 2011 (82 million euros in 2010, 96 million euros in 2009).

NOTE 27 - EARNINGS PER SHARE

	2011	2010	2009
Net profit, Group share *(EUR millions)*	**1,279**	**1,261**	**695**
Impact of dilutive instruments on subsidiaries	(4)	(2)	(1)
NET PROFIT, GROUP SHARE AFTER DILUTION	**1,275**	**1,259**	**694**
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	(2,700,058)	(3,202,220)	(3,483,630)
Average number of shares on which the calculation before dilution is based	**179,026,990**	**178,524,828**	**178,243,418**
BASIC GROUP SHARE OF EARNINGS PER SHARE *(EUR)*	**7.14**	**7.06**	**3.90**
Average number of shares on which the above calculation is based	179,026,990	178,524,828	178,243,418
Dilution effect of stock option plans	887,102	636,983	232,374
AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION	**179,914,092**	**179,161,811**	**178,475,792**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE AFTER DILUTION *(EUR)*	**7.09**	**7.03**	**3.89**

As of December 31, 2011, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding purchase and subscription options are considered to be available to be exercised at that date, since the Christian Dior share price is higher than the exercise price of these options.

No events occurred between December 31, 2011 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

NOTE 28 - PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

28.1. Expense for the period

(EUR millions)	**2011**	**2010**	**2009**
Service cost	57	47	44
Interest cost	33	31	30
Expected return on plan assets	(24)	(19)	(16)
Amortization of actuarial gains and losses	5	6	4
Past service cost	2	2	2
Changes in regimes	(5)	-	-
TOTAL EXPENSE FOR THE PERIOD FOR DEFINED BENEFIT PLANS	**68**	**67**	**64**
Effective return on/(cost of) plan assets	(10)	24	46

28.2. Net recognized commitment

(EUR millions)	**2011**	**2010**	**2009**
Benefits covered by plan assets	816	686	573
Benefits not covered by plan assets	156	146	148
Defined benefit obligation	**972**	**832**	**721**
Market value of plan assets	**(570)**	**(489)**	**(420)**
Actuarial gains and losses not recognized in the balance sheet	(122)	(78)	(58)
Past service cost not yet recognized in the balance sheet	(4)	(6)	(8)
Unrecognized amounts	**(126)**	**(84)**	**(66)**
NET RECOGNIZED COMMITMENT	**276**	**259**	**235**
Of which:			
Non-current provisions	290	267	245
Current provisions	12	10	9
Other assets	(26)	(18)	(19)
TOTAL	**276**	**259**	**235**

28.3. Breakdown of the change in net recognized commitment

(EUR millions)	Defined benefit obligation	Market value of plan assets	Unrecognized amounts	Net recognized commitment
As of December 31, 2010	832	(489)	(84)	259
Expense for the period	91	(24)	1	68
Payments to beneficiaries	(45)	33	-	(12)
Contributions to plan assets	-	(61)	-	(61)
Contributions of employees	6	(6)	-	-
Changes in scope and reclassifications	63	(42)	-	21
Changes in regimes	(5)	-	5	-
Actuarial gains and losses: experience adjustments	9	34	(43)	-
Actuarial gains and losses: changes in assumptions	-	-	-	-
Translation adjustment	21	(15)	(5)	1
AS OF DECEMBER 31, 2011	**972**	**(570)**	**(126)**	**276**

Actuarial gains and losses resulting from experience adjustments related to the fiscal years 2007 to 2010 amounted to:

(EUR millions)	2007	2008	2009	2010
Experience adjustments on the defined benefit obligation	(1)	(2)	(16)	(14)
Experience adjustments on the fair value of plan assets	-	96	(29)	(4)
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS	**(1)**	**94**	**(45)**	**(18)**

The actuarial assumptions applied to estimate commitments as of December 31, 2011 in the main countries where such commitments have been undertaken, were as follows:

	2011				2010				2009			
(as %)	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan
Discount rate [(a)]	4.65	4.9	4.7	1.75	4.5	5.1	5.4	1.75	5.25	5.5	5.75	2.25
Average expected return on investments	4.0	7.75	5.0	4.0	4.0	7.75	6.0	4.0	4.0	7.75	5.75	4.0
Future rate of increase of salaries	3.0	4.0	3.8	2.0	3.0	4.0	4.2	2.0	3.0	4.0	4.25	2.0

(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 average expected rate of return on investments by type of asset, based on which 2011 net expense was determined, is as follows by type of investment:

(as %)	**2011**
Shares	6.6
Bonds	
- private issues	4.5
- public issues	2.6
Real estate, cash and other assets	2.6

The assumed rate of increase in medical expenses in the United States is 7.6% for 2011, then it is assumed to decline progressively as of 2012 to reach a rate of 4.5% in 2030.

A rise of 0.5% in the discount rate would result in a reduction of 55 million euros in the amount of the defined benefit obligation as of December 31, 2011; a decrease of 0.5% in the discount rate would result in a rise of 53 million euros.

28.4. Analysis of benefits

The breakdown of the defined benefit obligation by type of benefit plan is as follows:

(EUR millions)	**2011**	**2010**	**2009**
Retirement and other indemnities	157	134	120
Medical costs of retirees	45	46	54
Jubilee awards	12	11	11
Supplementary pensions	741	617	517
Early retirement indemnities	2	3	4
Other	15	21	15
DEFINED BENEFIT OBLIGATION	**972**	**832**	**721**

The geographic breakdown of the defined benefit obligation is as follows:

(EUR millions)	**2011**	**2010**	**2009**
France	314	312	281
Europe (excluding France)	370	268	220
United States	175	147	144
Japan	103	93	65
Asia (excluding Japan)	10	12	11
DEFINED BENEFIT OBLIGATION	**972**	**832**	**721**

The main components of the Group's net commitment for retirement and other benefit obligations as of December 31, 2011 are as follows:

- in France, these commitments include the commitment to the Group's management bodies who are covered by a supplementary pension plan after a certain number of years' service, the amount of which is linked to their last remunerations; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively after upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension schemes, set up in the United Kingdom by certain Group companies, in Switzerland, participation by Group companies in the mandatory Swiss occupational pension scheme, 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 schemes for the reimbursement of medical expenses of retirees set up by certain Group companies.

28.5. Analysis of related plan assets

The breakdown of market value of plan assets by type of investment is as follows:

(as %)	2011	2010	2009
Shares	39	45	42
Bonds			
- private issues	27	23	27
- public issues	15	18	19
Real estate, cash and other assets	19	14	12
FAIR VALUE OF RELATED PLAN ASSETS	**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 2012 are estimated at 71 million euros.

NOTE 29 - OFF BALANCE SHEET COMMITMENTS

29.1. Purchase commitments

(EUR millions)	2011	2010	2009
Grapes, wines and distilled alcohol	1,019	1,139	1,336
Other purchase commitments for raw materials	84	67	68
Industrial and commercial fixed assets	154	168	109
Investments in joint venture shares and non-current available for sale financial assets	90	96	56

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and distilled alcohol. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known year-end prices and estimated production yields.

As of December 31, 2011, 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 distilled alcohol	540	414	65	1,019
Other purchase commitments for raw materials	81	3	-	84
Industrial and commercial fixed assets	85	38	31	154
Investments in joint venture shares and non-current available for sale financial assets	40	16	34	90

29.2. Lease and similar commitments

In addition to leasing its stores, the Group finances some of its equipment through long term operating leases. Some fixed assets and equipment were also purchased or refinanced under finance leases.

Operating leases and concession fees

The fixed or minimum portion of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2011:

(EUR millions)	2011	2010	2009
Less than one year	1,158	943	907
One to five years	2,977	2,338	2,162
More than five years	1,300	1,049	967
COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSION FEES	**5,435**	**4,330**	**4,036**
Less than one year	19	20	20
One to five years	30	42	32
More than five years	1	5	6
COMMITMENTS RECEIVED FOR SUB-LEASES	**50**	**67**	**58**

Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2011 breaks down as follows:

	2011		2010		2009	
(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	26	24	24	24	29	31
One to five years	78	56	78	56	72	51
More than five years	354	73	354	69	336	63
Total future minimum payments	**458**		**456**		**437**	
Of which: financial interest	(305)		(307)		(292)	
PRESENT VALUE OF MINIMUM FUTURE PAYMENTS	**153**	**153**	**149**	**149**	**145**	**145**

29.3. Collateral and other guarantees

As of December 31, 2011, these commitments break down as follows:

(EUR millions)	2011	2010	2009
Securities and deposits	49	46	69
Other guarantees	142	78	66
GUARANTEES GIVEN	**191**	**124**	**135**
GUARANTEES RECEIVED	**28**	**25**	**33**

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	10	27	12	49
Other guarantees	80	51	11	142
GUARANTEES GIVEN	**90**	**78**	**23**	**191**
GUARANTEES RECEIVED	**17**	**5**	**6**	**28**

29.4. 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 year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

29.5. Other commitments

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

NOTE 30 - RELATED PARTY TRANSACTIONS

30.1. 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 SA, 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)	2011	2010	2009
• Purchases by Christian Dior group from Groupe Arnault	(10)	(10)	(10)
Amount payable outstanding as of December 31	(2)	(2)	(2)
• Sales by Christian Dior group to Groupe Arnault	2	2	2
Amount receivable outstanding as of December 31	-	-	-

Relations of the Christian Dior group with the Financière Agache group

In 2011, transactions between the Christian Dior group and the Financière Agache group were not significant.

30.2. 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 19% of shared expenses in 2011 (20% in 2010 and in 2009) representing an amount of 20 million euros in 2011 (9 million euros in 2010 and 17 million in 2009).

30.3. 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)	2011	2010	2009
Gross compensation, employers' charges and benefits in kind	19	17	14
Post-employment benefits	2	2	2
Other long term benefits	6	-	-
End of contract indemnities	-	-	-
Stock option and similar plans	15	13	12
TOTAL	**42**	**32**	**28**

The commitment recognized as of December 31, 2011 for post-employment benefits, net of related financial assets was 3 million euros (3 million euros as of December 31, 2010 and 1 million euros as of December 31, 2009).

NOTE 31 - SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2011 and February 2, 2012, the date on which the accounts were approved for publication by the Board of Directors.

Consolidated companies

Companies	Registered office	Method of consolidation	% interest
Christian Dior	Paris, France	Parent company	
Financière Jean Goujon	Paris, France	FC	100%
Sadifa	Paris, France	FC	100%
Lakenbleker	Amsterdam, Netherlands	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	Dusseldorf, Germany	FC	100%
Christian Dior Inc.	New York, USA	FC	100%
Christian Dior UK Ltd	London, United Kingdom	FC	100%
Christian Dior Suisse S.A.	Geneva, Switzerland	FC	100%
Mardi Spa	Badia a Settimo-Scandicci, Italy	FC	75%
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 Espanola S.L.	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 S.A.	Brussels, Belgium	FC	100%
Bopel Srl	Lugagnano Val d'Arda, Italy	FC	70%
Christian Dior Puerto Banus S.L.	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, Macao	FC	100%
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%
Christian Dior S. de R.L. de C.V.	Lomas, Mexico	FC	100%
Christian Dior Commercial (Shanghai) Co.Ltd	Shanghai, China	FC	100%
Ateliers Modèles S.A.S.	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 S.A.	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	80%
John Galliano SA	Paris, France	FC	91%
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 S.A.R.L.	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	Manama, Bahrain	(b)	(b)
COU.BO. S.R.L.	Arzano, Italy	FC	70%

Companies	Registered office	Method of consolidation	% interest
WINES AND SPIRITS			
MHCS SCS	Epernay, France	FC	28%
Champagne Des Moutiers SA	Epernay, France	FC	28%
Société Viticole de Reims SA	Epernay, France	FC	28%
Cie Française du Champagne et du Luxe SA	Epernay, France	FC	28%
Chamfipar SA	Epernay, France	FC	28%
STM Vignes SAS	Epernay, France	FC	26%
GIE MHIS	Epernay, France	FC	28%
Moët Hennessy Entreprise Adaptée	Epernay, France	FC	28%
Champagne Bernard Breuzon SAS	Colombe le Sec, France	FC	28%
Champagne de Mansin SAS	Gye sur Seine, France	FC	28%
SARL Philippe Montaudon	Reims, France	FC	28%
Société Civile des Crus de Champagne SA	Reims, France	FC	28%
Moët Hennessy Italia Spa	Milan, Italy	FC	28%
Moët Hennessy UK Ltd	London, United Kingdom	FC	28%
Moët Hennessy España SA	Barcelona, Spain	FC	28%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	FC	28%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	28%
Moët Hennessy de Mexico, SA de C.V.	Mexico City, Mexico	FC	28%
Moët Hennessy Belux SA	Brussels, Belgium	FC	28%
Moët Hennessy Osterreich GmbH	Vienna, Austria	FC	28%
Moët Hennessy Suomi OY	Helsinki, Finland	FC	28%
Moët Hennessy Polska SP Z.O.O.	Warsaw, Poland	FC	28%
Moët Hennessy Czech Republic Sro	Prague, Czech Republic	FC	28%
Moët Hennessy Sverige AB	Stockholm, Sweden	FC	28%
Moët Hennessy România Srl	Bucharest, Romania	FC	28%
Moët Hennessy Norge AS	Hoevik, Norway	FC	28%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	FC	28%
Moët Hennessy Nederland BV	Baarn, Netherlands	FC	28%
Moët Hennessy USA Inc	New York, USA	FC	28%
MHD Moët Hennessy Diageo SAS	Courbevoie, France (a)	FC	28%
Clicquot Inc	New York, USA (*)	FC	28%
Cheval des Andes SA	Buenos Aires, Argentina	PC	14%
Domaine Chandon Inc	Yountville (California), USA	FC	28%
Cape Mentelle Vineyards Ltd	Margaret River, Australia	FC	28%
Veuve Clicquot Properties, Pty Ltd	Margaret River, Australia	FC	28%
Moët Hennessy do Brasil – Vinhos E Destilados Ltda	Sao Paulo, Brazil	FC	28%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	FC	28%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	FC	28%
Domaine Chandon Australia Pty Ltd	Coldstream Victoria, Australia	FC	28%
Newton Vineyards LLC	St Helena (California), USA	FC	25%
Domaine Chandon (Ningxia) Moët Hennessy Co, Ltd	Yinchuan, China	FC	28%
Moët Hennessy Chandon (Ningxia) Vineyards Co, Ltd	Yinchuan, China	FC	17%
Château d'Yquem SA	Sauternes, France	FC	27%
Château d'Yquem SC	Sauternes, France	FC	27%
Société Civile Cheval Blanc (SCCB)	Saint Emilion, France	PC	21%
La Tour du Pin SAS	Saint Emilion, France	PC	21%
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	28%
Hennessy Dublin Ltd	Dublin, Ireland	FC	28%
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	28%
Moët Hennessy Diageo Macau Ltd	Macao, China (a)	FC	28%
Riche Monde (China) Ltd	Hong Kong, China (a)	FC	28%
Moët Hennessy Diageo Singapore Pte Ltd	Singapore (a)	FC	28%
Moët Hennessy Diageo Malaysia SDN BHD	Kuala Lumpur, Malaysia (a)	FC	28%
Diageo Moët Hennessy Thailand Ltd	Bangkok, Thailand (a)	FC	28%
MH Champagnes and Wines Korea Ltd	Seoul, South Korea	FC	28%
Moët Hennessy Shanghai Ltd	Shanghai, China	FC	28%
Moët Hennessy India Pvt. Ltd	New Delhi, India	FC	28%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	FC	27%
MHD Chine Co Ltd	Shanghai, China (a)	FC	28%
MHWH Limited	Limassol, Cyprus	FC	28%
Moët Hennessy Whitehall Russia SA	Moscow, Russia	FC	28%

Companies	Registered office	Method of consolidation	% interest
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	28%
Moët Hennessy Diageo KK	Tokyo, Japan [a]	FC	28%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	FC	27%
Moët Hennessy Australia Ltd	Rosebury, Australia	FC	27%
Millennium Import LLC	Minneapolis, Minnesota, USA	FC	28%
Polmos Zyrardow LLC	Zyrardow, Poland	FC	28%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	FC	28%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	28%
The Scotch Malt Whisky Society Ltd	Edinburgh, United Kingdom	FC	28%
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 Barthélémy 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 W.L.L	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%
La Fabrique du Temps SA	Vernier, Switzerland	FC	42%
La Minute & ses Complications SA	Le Sentier, Switzerland	FC	42%
LVMH W&J Services (Suisse) SA	La Chaux-de-Fonds, Switzerland	FC	42%
Operadora Louis Vuitton Mexico SRLCV	Mexico City, Mexico	FC	42%
Louis Vuitton Monaco SA	Monte Carlo, 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%
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%
Atepeli – Ateliers de Ponte de Lima SA	Ponte de Lima, 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%
Louis Vuitton Suisse SA	Geneva, Switzerland	FC	42%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	FC	42%
Louis Vuitton Osterreich GmbH	Vienna, Austria	FC	42%
LV US Manufacturing, Inc	New York, USA	FC	42%
Somarest SARL	Sibiu, Romania	FC	42%
Louis Vuitton Hawaii Inc	Honolulu (Hawaii), 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 Liban retail SAL	Beirut, Lebanon	FC	42%
Louis Vuiton 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 C.V.	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	21%
Heng Long International Ltd	Singapore	FC	21%
Heng Long Leather Co (Pte) Ltd	Singapore	FC	21%
Heng Long Leather (Guangzhou) Co Ltd	Guangzhou, China	FC	21%
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 Taïwan 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	Ulaanbaatar, 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 FZCO	Dubai, United Arab Emirates	FC	27%
Louis Vuitton – Jordan PCLS	Amman, Jordan	FC	42%
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 North America Inc	New York, USA [*]	FC	42%
Louis Vuitton Canada Inc	Toronto, Canada	FC	42%
Louis Vuitton (Barbados) Ltd	Saint Michael, Barbados	FC	42%
Marc Jacobs International LLC	New York, USA [*]	FC	40%
Marc Jacobs International (UK) Ltd	London, United Kingdom	FC	42%
Marc Jacobs Trademark LLC	New York, USA [*]	FC	14%
Marc Jacobs Japon KK	Tokyo, Japan	FC	20%
Marc Jacobs international Italia Srl	Milan, Italy	FC	40%
Marc Jacobs International France SAS	Paris, France	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 Saïpan Inc	Saipan, Mariana Islands	FC	42%
Loewe Guam Inc	Guam	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	Kuala Lumpur, Malaysia	FC	42%
Loewe Taïwan Ltd	Taipei, Taiwan	FC	41%
Loewe Korea Ltd	Seoul, South Korea	FC	42%
Loewe Macao Ltd	Macao, China	FC	42%
Berluti SA	Paris, France	FC	42%
Manufattura Ferrarese Srl	Ferrara, Italy	FC	42%

Companies	Registered office	Method of consolidation	% interest
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%
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%
Celine SA	Paris, France	FC	42%
Avenue M International SCA	Paris, France	FC	42%
Enilec Gestion SARL	Paris, France	FC	42%
Celine Montaigne SA	Paris, France	FC	42%
Celine Monte-Carlo SA	Monte-Carlo, Monaco	FC	42%
Celine Production Srl	Florence, Italy	FC	42%
Celine Suisse SA	Geneva, Switzerland	FC	42%
Celine UK Ltd	London, United Kingdom	FC	42%
Celine Inc	New York, USA (*)	FC	42%
Celine Hong Kong Ltd	Hong Kong, China	FC	42%
Celine Commercial & Trading (Shanghai) Co Ltd	Shanghai, China	FC	42%
Celine Korea Ltd	Seoul, South Korea	FC	42%
Celine Taïwan 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	21%
Givenchy SA	Paris, France	FC	42%
Givenchy Corporation	New York, USA	FC	42%
Givenchy China Co Ltd	Hong Kong, China	FC	42%
Givenchy Shanghai Commercial and Trading Co Ltd	Shanghai, China	FC	42%
GCCL Macau Co Ltd	Macao, China	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 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 HK Ltd	Hong Kong, China	FC	42%
Donna Karan (Italy) Srl	Milan, Italy	FC	42%
Donna Karan (Italy) Production Services Srl	Milan, Italy	FC	42%
Fendi International BV	Baarn, Netherlands	FC	42%
Fun Fashion Bari	Bari, Italy	FC	42%
Fen Fashion Hellas SA	Athens, Greece	FC	21%
Fendi Prague S.r.o.	Prague, Czech Republic	FC	42%
Luxury Kuwait for Ready Wear Company WLL	Kuwait City, Kuwait	FC	42%
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, 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	Tumon, Guam	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%

Companies	Registered office	Method of consolidation	% interest
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	25%
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%
Fun Fashion Napoli Srl	Rome, Italy	FC	21%
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 C.V.	Mexico City, Mexico	FC	42%
Maxelle SA	Neuchatel, Switzerland	FC	21%
Taramax USA Inc	New Jersey, USA	FC	21%
Primetime Inc	New Jersey, USA	FC	21%
Taramax SA	Neuchatel, Switzerland	FC	21%
Taramax Japan KK	Tokyo, Japan	FC	21%
Support Retail Mexico, S. de RL de C.V.	Mexico City, Mexico	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%
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 Belgium SA	Brussels, Belgium	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.	Wilmington (Delaware), USA	EM	20%
Nowness LLC	New York, USA (*)	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	EM	20%
LVMH Parfums & Cosmétiques do Brasil Ltda	Sao Paulo, Brazil	FC	42%
France Argentine Cosmetics SA	Buenos Aires, Argentina	FC	42%
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 SP ZOO	Warsaw, Poland	EM	8%
LVMH Cosmetics KK	Tokyo, Japan	FC	42%
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 S.A.B.	Brussels, Belgium	FC	42%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	FC	42%
Parfums Christian Dior Hellas S.A.	Athens, Greece	FC	42%
Parfums Christian Dior A.G.	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 K.K.	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%
Fa Hua Fragrance & Cosmetic Co 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%

Companies	Registered office	Method of consolidation	% interest
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%
Cosmetic of France Inc	Miami (Florida), 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 SARL	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 Saoudi	Paris, France	FC	42%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	FC	42%
Montecristo Elysées 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 GmbH	Dusseldorf, Germany	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%
BeneFit Cosmetics LLC	San Francisco (California), USA	FC	33%
BeneFit Cosmetics Ireland Ltd	Dublin, Ireland	FC	33%
BeneFit Cosmetics UK Ltd	London, United Kingdom	FC	33%
BeneFit Cosmetics Services Canada Inc.	Vancouver, Canada	FC	33%
BeneFit Cosmetics Korea	Seoul, South Korea	FC	33%
BeneFit Cosmetics SAS	Boulogne-Billancourt, France	FC	33%
BeneFit Cosmetics Hong Kong Limited	Hong Kong, China	FC	33%
Fresh Inc	Boston (Massachusetts), USA	FC	33%
Fresh Cosmetics Ltd	London, United Kingdom	FC	33%
Fresh Hong Kong Ltd	Hong Kong, China	FC	33%

WATCHES AND JEWELRY

Companies	Registered office	Method of consolidation	% interest
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	Springfield (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	Hong Kong, China	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%
ArteCard 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 (California), 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%
MDM Conseil et Gestion SA	Nyon, Switzerland	FC	42%
Hublot of America, Inc	Fort Lauderdale, USA	FC	42%
Hublot Japan KK Ltd	Tokyo, Japan	FC	42%
Profusion SARL	Gland, Switzerland	FC	42%
De Beers LV Ltd	London, United Kingdom	PC	21%
Bulgari SpA	Rome, Italy	FC	42%
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	Neuchatel, 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 Espana S.A. Unipersonal	Madrid, Spain	FC	42%
Bulgari Parfums SA	Neuchatel, Switzerland	FC	42%
Bulgari South Asian Operations Pte Ltd.	Singapore, 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	Neuchatel, Switzerland	FC	42%
Bulgari Asia Pacific Ltd.	Hong Kong, Hong Kong	FC	42%
Bulgari (Taiwan) Ltd.	Taipei, Taiwan	FC	42%
Bulgari Korea Ltd.	Seoul, South Korea	FC	42%
Bulgari Collection Internationale SA	Neuchatel, Switzerland	FC	42%
Bulgari Saint Barth SAS	St. Barth, France	FC	42%
Bulgari Gioielli SpA	Valenza (Alessandria), Italy	FC	42%
Bulgari Accessori Srl	Florence, Italy	FC	42%
Bulgari Austria GmbH	Vienna, Austria	FC	42%
Bulgari Holdings (Thailand) Ltd.	Bangkok, Thailand	FC	42%
Bulgari (Thailand) Ltd.	Bangkok, Thailand	FC	42%
Bulgari Commercial (Shangai) 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, United Arab Emirates	[b]	[b]
Bulgari Kuwait Wll	Kuwait City, Kuwait	[b]	[b]
Bulgari Hotels & Resorts BV	Amsterdam, Netherlands [a]	PC	27%
Bulgari Hotels and Resorts Milano Srl	Milan, Italy [a]	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	PC	21%
Sephora Marinopulos Romania SA	Bucharest, Romania	PC	21%
Sephora S.R.O.	Prague, Czech Republic	FC	42%

Companies	Registered office	Method of consolidation	% interest
Sephora Monaco SAM	Monaco	FC	41%
Sephora Cosmeticos España	Madrid, Spain	PC	21%
S+	Boulogne-Billancourt, France	FC	42%
Sephora Marinopoulos Bulgaria EOOD	Sofia, Bulgaria	PC	21%
Sephora Marinopoulos Cyprus Ltd	Nicosia, Cyprus	PC	21%
Sephora Unitim Kozmetik AS	Istanbul, Turkey	FC	42%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain	PC	19%
Sephora Marinopoulos D.O.O.	Zagreb, Croatia	PC	21%
Sephora Marinopoulos Cosmetics D.O.O.	Belgrade, Serbia	PC	21%
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 Singapore Pte Ltd	Singapore	FC	42%
Sephora USA Inc	San Francisco (California), USA (*)	FC	42%
Sephora Beauty Canada, Inc	San Francisco (California), USA	FC	42%
Sephora Puerto Rico LLC	San Francisco (California), USA	FC	42%
Sephora Mexico, SRLCV	Lomas de Chapultepec, Mexico	FC	21%
Sephora Do Brasil Participacoes SA	Rio de Janeiro, Brazil	FC	42%
Dotcom group Comercio de Presentes SA	Rio de Janeiro, Brazil	FC	29%
Kendo Holdings Inc	San Francisco (California), USA	FC	42%
Ole Henriksen of Denmark Inc.	Los Angeles, USA	FC	42%
Galonta Holdings Limited	Nicosia, Cyprus	FC	27%
United Europe - Securities OJSC	Moscow, Russia	FC	27%
Beauty in Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	25%
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%
Travel Retail Shops Pte Ltd	Sydney, Australia	EM	12%
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 K.K.	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 Merchandising Ltd	Delaware, USA	FC	25%
DFS New Caledonia Sarl	Noumea, 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	25%
DFS Saipan Ltd	Saipan, Mariana Islands	FC	25%
Kinkaï Saipan L.P.	Saipan, Mariana Islands	FC	25%
Saipan International Boutique Partners	Saipan, Mariana Islands	EM	13%
DFS Palau Ltd	Koror, Palau	FC	25%
DFS Business consulting (Shanghai) Co. Ltd	Shanghai, China	FC	25%
Hainan DFS Retail Company Limited	Hainan, China	FC	25%
DFS Galleria Taiwan Ltd	Taipei, Taiwan	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 L.P.	Delaware, USA	FC	25%
LAX Duty Free Joint Venture 2000	Los Angeles (California), USA	FC	20%
Royal Hawaiian Insurance Company Ltd	Hawaii, USA	FC	25%
Hawaii International Boutique Partners	Honolulu (Hawaii), USA	EM	13%
JFK Terminal 4 Joint Venture 2001	New York, USA	FC	20%
DFS Guam L.P.	Tamuring, Guam	FC	25%
Guam International Boutique Partners	Tamuring, Guam	EM	13%
DFS Liquor Retailing Ltd	Delaware, USA	FC	25%
Twenty Seven - Twenty Eight Corp.	Delaware, USA	FC	25%
TRS Hawaii LLC	Honolulu (Hawaii), 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%
Y.E.S. Your Extended Services LLC	Delaware, USA	PC	14%

OTHER ACTIVITIES

Companies	Registered office	Method of consolidation	% interest
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	31%
Les Echos SAS	Paris, France	FC	42%
Les Echos Formation SAS	Paris, France	FC	42%
Hera SAS	Paris, France	FC	42%
Les Echos Médias SNC	Paris, France	FC	42%
Percier Publications SNC	Paris, France	FC	42%
EUROSTAF - Europe Stratégie Analyse Financière SAS	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%
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	Boulogne-Billancourt, France	FC	42%
Ufipar SAS	Boulogne-Billancourt, France	FC	42%
L Capital Management SAS	Paris, France	FC	42%
Sofidiv SAS	Boulogne-Billancourt, France	FC	42%
GIE LVMH Services	Boulogne-Billancourt, France	FC	35%
Moët Hennessy SNC	Boulogne-Billancourt, France	FC	28%
LVMH Services Ltd	London, United Kingdom	FC	42%
UFIP (Ireland) PRU	Dublin, Ireland	FC	42%
Moët Hennessy Investissements SA	Boulogne-Billancourt, France	FC	28%
LVMH Fashion Group SA	Paris, France	FC	42%
Moët Hennessy International SAS	Boulogne-Billancourt, France	FC	28%
Creare SA	Luxembourg, Luxembourg	FC	36%
Creare Pte Ltd	Singapore	FC	36%
Société Montaigne Jean Goujon SAS	Paris, France	FC	42%
Delphine SAS	Boulogne-Billancourt, France	FC	42%
LVMH Finance SA	Boulogne-Billancourt, France	FC	42%
Primae SAS	Boulogne-Billancourt, France	FC	42%
Eutrope SAS	Boulogne-Billancourt, France	FC	42%

Companies	Registered office	Method of consolidation	% interest
Flavius Investissements SA	Paris, France	FC	42%
LBD HOLDING SA	Boulogne-Billancourt, France	FC	42%
Eley Finance SA	Boulogne-Billancourt, France	FC	42%
Ashbury Finance SA	Boulogne-Billancourt, France	FC	42%
Ivelford Business SA	Boulogne-Billancourt, France	FC	42%
Bratton Service SA	Boulogne-Billancourt, France	FC	42%
LVMH Hotel Management SAS	Boulogne-Billancourt, France	FC	42%
Altair Holding LLC	New York, USA [*]	FC	42%
Moët Hennessy Inc	New York, USA [*]	FC	28%
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	42%
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%
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%

Companies	Registered office	Method of consolidation	% interest
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 compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011, 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 consolidated 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 as at December 31, 2011, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 and goodwill has been tested under the method described in Note 1.12 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.
- The accounting treatment related to the acquisition of controlling and minority interests of Bulgari is described in Note 2.1.2 to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied and the disclosed information.

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 presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Olivier Breillot

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not.

This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

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

Parent company financial statements

1. **Balance sheet** 154

2. **Income statement** 156

3. **Cash flow statement** 157

4. **Notes to the parent company financial statements** 158

5. **Subsidiaries and investments** 167

6. **Investment portfolio, other investment securities and short term investments** 167

7. **Company results over the last five fiscal years** 168

8. **Statutory Auditors' reports** 169

Statutory Auditors' report on the parent company financial statements 169
Statutory Auditors' special report on related party agreements and commitments 171

1. Balance sheet

Assets

(EUR thousands)	Notes	2011 Gross	2011 Depreciation, amortization and impairment	2011 Net	2010 Net	2009 Net
Intangible assets	2.1/2.2	**37**	**37**	**-**	**-**	**-**
Property, plant and equipment	2.1/2.2	**284**	**284**	**-**	**-**	**-**
Investments	2.9	3,981,750	-	3,981,750	3,981,750	3,981,750
Other investment securities		-	-	-	-	-
Loans		5	-	5	5	5
Other non-current financial assets		-	-	-	3	3
Non-current financial assets	2.1/2.2/2.9	**3,981,755**	**-**	**3,981,755**	**3,981,758**	**3,981,758**
NON-CURRENT ASSETS		**3,982,076**	**321**	**3,981,755**	**3,981,758**	**3,981,758**
Trade accounts receivable		33	-	33	14	13
Financial accounts receivable		15,085	-	15,085	13,137	8,357
Other receivables		1,279	-	1,279	7,390	890
Short term investments		163,264	-	163,264	173,575	203,551
Cash and cash equivalents		27	-	27	1,452	1,082
CURRENT ASSETS	2.3/2.8/2.9	**179,689**	**-**	**179,689**	**195,568**	**213,894**
Prepaid expenses	2.3	705	-	705	814	956
Bond redemption premiums	2.3	2,713	-	2,713	1,943	2,547
TOTAL ASSETS		**4,165,183**	**321**	**4,164,862**	**4,180,083**	**4,199,155**

Liabilities and equity

(EUR thousands)	*Notes*	2011 Prior to appropriation	2010 Prior to appropriation	2009 Prior to appropriation
Share capital (fully paid up)		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)]		99,343	97,957	51,364
Profit for the year		**390,560**	**379,021**	**342,584**
Interim dividends	*1.6*	(178,093)	(159,920)	(79,960)
EQUITY	*2.4*	**2,996,878**	**3,002,126**	**2,999,056**
PROVISIONS FOR CONTIGENCIES AND LOSSES	*2.5*	**15,490**	**9,384**	**2,539**
Other bonds	*2.7*	661,258	554,770	554,770
Bank loans and borrowings		484,757	609,522	638,128
Miscellaneous loans and borrowings		-	-	-
Borrowings		**1,146,015**	**1,164,292**	**1,192,898**
Trade accounts payable		743	541	623
Tax and social security liabilities		167	102	269
Other operating liabilities [(a)]		2,568	2,620	1,624
Operating liabilities		**3,478**	**3,263**	**2,516**
Other liabilities		3,001	1,018	2,146
LIABILITIES	*2.6/2.7/2.8/2.9*	**1,152,494**	**1,168,573**	**1,197,560**
Prepaid income		-	-	-
TOTAL LIABILITIES AND EQUITY		**4,164,862**	**4,180,083**	**4,199,155**

(a) Dividends attributable to treasury shares were reclassified under retained earnings in 2009, 2010 and 2011.

2. Income statement

(EUR thousands)	*Notes*	**2011**	**2010**	**2009**
Services provided		52	57	27
Net revenue		**52**	**57**	**27**
Reversals of impairment, depreciation and amortization		1,950	-	-
Other income and expense transfers		4,022	2,791	2,154
Operating income		**6,024**	**2,848**	**2,181**
Other purchases and external expenses		5,779	5,285	5,735
Taxes, duties and similar levies		315	42	41
Wages and salaries		7,109	6,666	2,154
Social security expenses		456	234	132
Depreciation and amortization		-	-	-
Provisions for contingencies and losses		6,142	1,950	-
Other expenses		131	133	148
Operating expenses		**19,932**	**14,310**	**8,210**
OPERATING PROFIT (LOSS)		**(13,908)**	**(11,462)**	**(6,029)**
NET FINANCIAL INCOME (EXPENSE)	*2.10*	**395,926**	**385,111**	**346,833**
PROFIT FROM RECURRING OPERATIONS		**382,018**	**373,649**	**340,804**
EXCEPTIONAL INCOME (EXPENSE)	*2.11*	**2,234**	**(2,713)**	**(100)**
Income taxes	*2.12/2.13*	6,308	8,085	1,880
NET PROFIT		**390,560**	**379,021**	**342,584**

3. Cash flow statement

(EUR millions)		2011	2010	2009
I - OPERATING ACTIVITIES				
Net profit		391	379	343
Net depreciation, amortization and provisions		6	7	-
Gain (loss) on sale of fixed assets		-	-	-
Cash from operations before changes in working capital		**397**	**386**	**343**
Change in current assets		3	(11)	(3)
Change in current liabilities		2	-	(6)
Changes in working capital		**5**	**(11)**	**(9)**
Net cash from operating activities	**I**	**402**	**375**	**334**
II - INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets		-	-	-
Purchase of equity investments		-	-	-
Purchase of other non-current investments		-	-	-
Proceeds from sale of non-current financial assets		-	-	-
Net cash from (used in) investing activities	**II**	**-**	**-**	**-**
III - FINANCING ACTIVITIES				
Capital increase		-	-	-
Changes in other equity		-	-	-
Proceeds from financial debt		350	100	343
Repayments in respect of financial debt		(370)	(129)	(312)
Change in inter-company current accounts		-	-	-
Net cash from (used in) financing activities	**III**	**(20)**	**(29)**	**31**
IV - DIVIDENDS PAID DURING THE YEAR	**IV**	**(396)**	**(375)**	**(287)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I + II + III + IV**	**(14)**	**(29)**	**77**
Cash and cash equivalents at beginning of year		**175**	**204**	**127**
Cash and cash equivalents at end of year		**161**	**175**	**204**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(14)**	**(29)**	**77**

The net increase in cash and cash equivalents analyzes the changes in cash from one 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 EUR thousands unless otherwise indicated.

The balance sheet total as of December 31, 2011 was 4,164,862 thousand euros. These parent company financial statements were approved for publication on February 2, 2012 by the Board of Directors.

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 lives:

- furniture: 10 years.

1.3. Non-current financial assets

Equity investments as well as other non-current financial assets 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.

1.4. Accounts receivable and liabilities

Accounts receivable and liabilities are recorded at their face value. An impairment provision 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. An impairment provision 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 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".

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.

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 financial period, observing the principle of prudence.

1.8. Foreign currency transactions

During the period, foreign currency transactions are recorded at the rates of exchange prevailing on the date of transactions.

Liabilities, accounts receivable and liquid funds in foreign currencies are revalued on the balance sheet at 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 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 01/01/2011	Acquisitions, creations, contributions, transfers	Disposals	Gross value as of 12/31/2011
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**
Investments	3,981,750	-	-	3,981,750
Loans	5	-	-	5
Other non-current financial assets	3	-	3	0
Non-current financial assets	**3,981,758**	**-**	**3**	**3,981,755**
TOTAL	**3,982,079**	**-**	**3**	**3,982,076**

2.2. Depreciation, amortization and impairment of fixed assets

	Position and changes in the period			
(EUR thousands)	Depreciation, amortization and impairment as of 01/01/2011	Appropriation Increases	Decreases	Depreciation and amortization as of 12/31/2011
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. Analysis of accounts receivables by payment date

(EUR thousands)	Gross amount	Up to 1 year	More than 1 year
Current assets			
Trade accounts receivable	33	33	-
Financial accounts receivable	15,085	15,085	-
State and other public authorities:			
• income taxes	200	200	-
Other receivables	1,079	1,079	-
Prepaid expenses	705	705	-
Bond redemption premiums [(a)]	2,713	808	1,905
TOTAL	**19,815**	**17,910**	**1,905**

(a) Bond redemption premiums are amortized on a straight-line basis over the life of the bonds.

2.4. Equity

2.4.1. Share capital

The share capital comprises 181,727,048 shares, each with a par value of 2 euros, of which 122,945,656 shares carry double voting rights.

2.4.2. Changes in equity

(EUR thousands)	
Equity as of 12/31/2010 (prior to appropriation of net profit)	**3,002,126**
Net profit for 2011	390,560
Dividends paid (balance for fiscal year 2010)	(217,715)
Interim dividends for fiscal year 2011	(178,093)
Equity as of 12/31/2011 (prior to appropriation of net profit)	**2,996,878**

Acquisition of treasury shares

Year	**2011**	**2010**	**2009**
Number of shares purchased	-	100,000	332,000
Number of shares sold	(207,004)	(897,320)	(97,500)

a) Purchase options, traditional bonus shares and performance bonus shares granted by the Board of Directors to managers of the Company and its direct and indirect subsidiaries

Purchase option plans

Authorization from Shareholders' Meeting	Plan commencement date	Number of beneficiaries	Number of options granted			Exercise price (EUR)	Number of options exercised in 2011	Number of options outstanding as of 12/31/2011
			Total	Of which company officers	Of which first ten employees			
05/30/1996	02/21/2001 (a)	17	437,500	308,000	121,000	45.95	40,000	-
05/14/2001	02/18/2002	24	504,000	310,000	153,000	33.53	35,002	30,000
05/14/2001	02/18/2003	25	527,000	350,000	143,000	29.04	46,002	64,000
05/14/2001	02/17/2004	26	527,000	355,000	128,000	49.79	-	303,500
05/14/2001	05/12/2005	27	493,000	315,000	124,000	52.21	25,000	330,000
05/14/2001	02/15/2006	24	475,000	305,000	144,000	72.85 (b)	33,000	353,000
05/11/2006	09/06/2006	1	20,000	-	20,000	74.93	-	20,000
05/11/2006	01/31/2007	28	480,000	285,000	133,000	85.00	28,000	395,000
05/11/2006	05/15/2008 (d)	25	484,000	320,000	147,000	73.24 (c)	-	457,000
05/11/2006	05/14/2009 (e)	26	332,000	150,000	159,000	52.10	-	305,000

(a) Plan expired on February 20, 2011.
(b) Exercise price for Italian residents: €77.16.
(c) Exercise price for Italian residents: €73.47.
(d) The value serving as the basis for the calculation of the mandatory 10% social security contribution, for the plan commencing on May 15, 2008, was €19.025 per share, equivalent to 25% of the opening price of the Christian Dior share on May 15, 2008, the grant date for the options (€76.10).
(e) The value serving as the basis for the calculation of the mandatory 10% social security contribution, for the plan commencing on May 14, 2009, was €12.55 per share, equivalent to 25% of the opening price of the Christian Dior share on May 14, 2009, the grant date for the options (€50.20).

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

Nine share purchase option plans set up by Christian Dior were in force as of December 31, 2011.

Each plan has a term of ten years; options may be exercised, depending on the plan, after the end of a period of three to four years from the plan's commencement date. The exercise price of the options is calculated in accordance with legal provisions.

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. Options granted to executive company officers may only be exercised if, in 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 2008. The performance condition was met with respect to the 2009, 2010 and 2011 fiscal years.

Company officers, whether executives or employees, must also comply with operating restrictions relating to the exercise period for their options.

In relation to options granted under plans set up since 2008, if the Chairman of the Board of Directors or the Chief Executive Officer 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 corresponding to a percentage of his total gross compensation.

Allocation of bonus shares and performance bonus shares

Date of Shareholders' Meeting	05/15/2008		05/15/2008		03/31/2011		
Date of Board of Directors' meeting	**04/15/2010**		**03/31/2011**		**07/26/2011**		
	Bonus shares	**Performance bonus shares**	**Bonus shares**	**Performance bonus shares**	**Bonus shares**	**Performance bonus shares**	**Total**
Number of shares allocated provisionally	**22,761**	**67,419**	**25,394**	**64,621**	**1,000**	**1,000**	**182,195**
o/w Company officers [(a)]	-	40,500	-	38,175	-	-	**78,675**
Bernard Arnault [(b)]	-	27,000	-	25,450	-	-	**52,450**
Sidney Toledano [(b)]	-	13,500	-	12,725	-	-	**26,225**
o/w First ten employees [(a)]	14,322	21,048	15,200	24,220	1,000	1000	**76,790**
Number of beneficiaries	26	28	32	34	1	1	
Vesting date	04/15/2012 [(c)]	04/15/2012 [(c)]	03/31/2014 [(d)]	03/31/2014 [(d)]	07/26/2014	07/26/2014	
Date as of which the shares may be sold	04/15/2014	04/15/2014	03/31/2016 [(d)]	03/31/2016 [(d)]	07/26/2016	07/26/2016	
Number of share allocations vested in 2011	-	-	-	-	-	-	**-**
Number of share allocations expired in 2011	-	-	-	-	-	-	**-**
Total number of share allocations vested as of 12/31/2011	-	-	-	-	-	-	**-**
Total number of share allocations expired as of 12/31/2011	-	-	-	-	-	-	**-**
REMAINING BONUS SHARE ALLOCATIONS AS OF DECEMBER 31, 2011	**22,761**	**67,419**	**25,394**	**64,621**	**1,000**	**1,000**	**182,195**

(a) Bonus shares allocated to active company officers/employees as of the provisional allocation date.
(b) Active company officers as of December 31, 2011.
(c) April 15, 2014 for beneficiaries who are not French residents for tax purposes.
(d) Definitive allocation of shares on March 31, 2015, which then become transferable for beneficiaries who are not French residents for tax purposes.

Beneficiaries of bonus shares are selected among the employees of the Group's subsidiaries 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. Shares are also subject to an additional two-year holding period, prior to any sale or transfer. Bonus shares allocated to beneficiaries who are not French residents for tax purposes are definitive after a vesting period of four years and are freely transferable at that time.

Plans commencing on April 15, 2010, March 31, 2011, and July 26, 2011 combine the allocation of traditional bonus shares and the allocation of bonus shares subject to performance conditions, known as "performance bonus shares", in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance bonus shares are only definitively allocated 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, or the Group's current operating margin expressed as a percentage of revenue. With respect to the plan set up on April 15, 2010, this performance condition was satisfied in 2010 and 2011. With respect to the plans set up on March 31, 2011 and July 26, 2011, the condition was satisfied in 2011.

In the event of the vesting of their share allocations, the Chairman of the Board of Directors and the Chief Executive Officer are required to retain possession of half of these shares in pure registered form until the conclusion of their term in office.

b) Breakdown of treasury shares

(EUR thousands)	As of December 31, 2011			
	Number of securities	Gross carrying amount	Impairment	Net book value
502-1 Shares available to be granted to employees and allocated to specific plans	2,439,695	151,806	-	151,806
502-2 Shares available to be granted to employees	156,861	11,458	-	11,458
TOTAL TREASURY SHARES	**2,596,556**	**163,264**	**-**	**163,264**

2.5. Provisions for contingencies and losses

(EUR thousands)	Amount as of 01/01/2011	Provisions of period	Reversals of period	Amount as of 12/31/2011
Provision for specific contingencies	2,108	-	2,108	-
Provision for losses [(a)]	7,276	10,710	2,496	15,490
TOTAL	**9,384**	**10,710**	**4,604**	**15,490**

(a) Includes provision for losses with respect to share purchase option plans presumed to be exercisable as of December 31, 2011 (market value of the Christian Dior share greater than the exercise price of the option and the bonus share allocation plans), corresponding to the amount of the difference between the purchase price of shares and the exercise price of options for the beneficiaries (see Note 1.5 "Accounting policies").

2.6. Breakdown of other liabilities

(EUR thousands)	Gross amount	Up to 1 year	From 1 to 5 years	More than 5 years
Other bonds	661,258	11,258	650,000	-
Bank loans and borrowings	484,757	3,757	481,000	-
Trade payables	743	743	-	-
Tax and social liabilities	167	167	-	-
Other operating liabilities	2,568	2,568	-	-
Other liabilities	3,001	3,001	-	-
TOTAL	**1,152,494**	**21,494**	**1,131,000**	**-**

2.7. Bonds

(EUR thousands)	Nominal interest rate	Issuance rate *(as % of par value)*	Maturity	Nominal value as of 12/31/2011	Accrued interest	Total
EUR 350,000,000 - 2009	3.750%	99.290%	2014	350,000	3,586	353,586
EUR 300,000,000 - 2011	4.000%	99.481%	2016	300,000	7,672	307,672
TOTAL				**650,000**	**11,258**	**661,258**

2.8. Accrued expenses and deferred income

(EUR thousands)	Accrued expenses	Deferred income
Accounts receivable		
Tax and social security receivables	-	-
Liabilities		
Other bonds	11,258	-
Bank loans and borrowings	1,895	-
Trade accounts payable	733	-
Tax and social security liabilities	115	-

2.9. Items involving related companies

Balance sheet items

	Items involving the companies	
(EUR thousands)	related [(a)]	connected to equity investments [(b)]
Fixed assets		
Investments	3,981,750	-
Current assets		
Trade accounts receivable	33	-
Financial accounts receivable	15,085	-
Other receivables	1,079	-
Liabilities		
Trade accounts payable	586	-
Other liabilities	2,889	-

(a) Companies that can be fully consolidated into one consolidated unit (e.g., parent company, subsidiary, affiliate in consolidated group).
(b) Percentage control between 10% and 50%.

Income statement items

(EUR thousands)	Income	Expense
Dividends received	441,073	-
Interest and similar expenses	286	-

2.10. Financial income and expenses

(EUR thousands)	2011	2010	2009
Income from subsidiaries	441,073	413,427	329,862
Other interest and similar income	436	16	(292)
Reversals and expenses transferred	546	9,139	63,912
Foreign exchange gains	4	-	-
Net gains on sales of short term investments	-	7	3
Financial income	**442,059**	**422,589**	**393,485**
Allowances to amortization and provisions	5,355	3,391	2,398
Interest and similar expenses	40,777	34,084	44,255
Foreign exchange losses	1	1	-
Net losses on sales of short term investments	-	2	-
Financial expenses	**46,133**	**37,478**	**46,652**
NET FINANCIAL INCOME (EXPENSE)	**395,926**	**385,111**	**346,833**

2.11. Exceptional income and expenses

(EUR thousands)	2011	2010	2009
Income from management transactions	**-**	**-**	**-**
Other exceptional capital transactions	484	1,212	78
Income from capital transactions	**484**	**1,212**	**78**
Reversals and expenses transferred	**2,108**	**-**	**227**
Exceptional income	**2,592**	**1,212**	**305**
Exceptional expenses on management transactions	-	87	227
Expenses from management transactions	**-**	**87**	**227**
Other exceptional expenses on capital transactions	357	1,730	178
Expenses from capital transactions	**357**	**1,730**	**178**
Depreciation, amortization and provisions	**-**	**2,108**	**-**
Exceptional expenses	**358**	**3,925**	**405**
EXCEPTIONAL INCOME (EXPENSE)	**2,234**	**(2,713)**	**(100)**

2.12. Income tax

	2011			2010			2009		
(EUR thousands)	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from recurring operations	382,018	-	382,018	373,649	-	373,649	340,804	-	340,804
Exceptional income (expense)	2,234	6,308 [(a)]	8,542	(2,713)	8,085	5,372	(100)	1,880	1,780
	384,252	**6,308**	**390,560**	**370,936**	**8,085**	**379,021**	**340,704**	**1,880**	**342,584**

(a) Of which, income from subsidiaries under the tax consolidation agreement: 6,308 thousand euros.

2.13. Tax position

Christian Dior is the parent company of a tax consolidation group comprising certain of its subsidiaries.

For 2011, the tax consolidation group included Christian Dior, Christian Dior Couture, Financière Jean Goujon, Sadifa, CD Investissements and Ateliers Modèles.

The tax consolidation agreement currently in force 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.

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 SA.

The tax savings made in 2011 amounted to 6,308 thousand euros; the amount of the savings in 2010 came to 8,085 thousand euros.

As of December 31, 2011, the ordinary loss of the Group amounted to 264,437 thousand euros, and can be carried forward indefinitely.

NOTE 3 - OTHER INFORMATION

3.1. Financial commitments

Hedging instruments

Christian Dior SA no longer uses 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.

Direct and indirect subsidiaries

In 2009, Christian Dior provided guarantees in respect of:

- the renewal of a credit line set up in favor of Christian Dior Hong Kong for 80 million Hong Kong dollars. This credit line was terminated in 2011.
- two credit lines set up in favor of Christian Dior Commercial Shanghai for 50 million and 134 million Yuan renminbi. The credit line in the amount of 134 million Yuan renminbi was terminated in 2011.

3.2. Lease commitments

The Company has not made any commitments in the area of leasing transactions.

3.3. Compensation of management bodies

The gross amount of compensation paid to members of the management bodies in January 2012 in respect of the 2011 fiscal year was 131 thousand euros.

3.4. Statutory Auditors' fees

	2011		2010		2009	
(EUR thousands)	Ernst & Young et Autres	Mazars	Ernst & Young et Autres	Mazars	Ernst & Young et Autres	Mazars
Statutory Audit	86	86	85	85	86	82
Other services relating directly to the Statutory Audit assignment	4	4	-	-	8	8
TOTAL	**90**	**90**	**85**	**85**	**94**	**90**

3.5. Identity of the companies consolidating the accounts of Christian Dior

Company name	Registered office
Financière Agache	11, rue François 1er F-75008 Paris
Groupe Arnault	41, avenue Montaigne F-75008 Paris

5. Subsidiaries and investments

(EUR thousands)	Share capital	Equity other than share capital and excluding net profit	Percentage share held	Carrying amount of share held: Gross	Carrying amount of share 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 in 2011
A. Details involving the subsidiaries and investments below										
Subsidiaries										
• Financière Jean Goujon	1,005,294	1,862,949	100.00%	3,478,680	3,478,680	15,085	-	-	448,125	441,073
• Sadifa	81	1,401	99.66%	836	836	-	-	68	181	-
• Christian Dior Couture	160,056	327,617	99.99%	502,159	502,159	-	-	560,037	(15,110)	-
• CD Investissements	50	(11)	100.00%	75	75	-	-	-	(3)	-
B. General information involving the other subsidiaries and investments										
None										

6. Investment portfolio, other investment securities and short term investments

(EUR thousands)	As of December 31, 2011: Number of securities	As of December 31, 2011: Net book value
French investments		
Financière Jean Goujon shares	62,830,900	3,478,680
Christian Dior Couture shares	10,003,482	502,159
Sadifa shares	5,019	836
CD Investissements shares	5,000	75
Equity investments (shares and partnership shares)		**3,981,750**

(EUR thousands)	As of December 31, 2011: Number of securities	As of December 31, 2011: Net book value
Treasury shares	2,596,556	163,264
Short term investments	**2,596,556**	**163,264**
TOTAL EQUITY INVESTMENTS AND SHORT TERM INVESTMENTS		**4,145,014**

Number of treasury shares	At beginning of period	Increase	Decrease	At end of period
	2,803,560	-	207,004	2,596,556
TOTAL	**2,803,560**	**-**	**207,004**	**2,596,556**

7. Company results over the last five fiscal years

(EUR thousands)	2007	2008	2009	2010	2011
1. Share capital					
Share capital at 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 year					
Revenue	14	5	27	57	52
Profit before taxes, depreciation, amortization and movements in provisions	321,833	357,925	278,963	369,247	391,145
Income tax (income)/expense	(18,175)	(4,246)	(1,880)	(8,085)	(6,308)
Profit after taxes, depreciation, amortization and movements in provisions	337,626	309,976	342,584	379,021	390,560
Profit distributed as dividends [(a)]	292,581	292,581	301,667	383,444	474,308
3. Earnings per share *(EUR)*					
Earnings per share after taxes but before depreciation, amortization and movements in provisions	1.87	1.99	1.55	2.08	2.19
Earnings per share after taxes, depreciation, amortization and movements in provisions	1.86	1.71	1.89	2.09	2.15
Gross dividend distributed per share [(b)]	**1.61**	**1.61**	**1.66**	**2.11**	**2.61**
4. Employees					
Average number of employees	-	-	-	-	-
Total payroll [(c)]	-	384	2,154	5,787	6,522
Amount paid in respect of social security	6	387	132	1,113	1,043

(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. For fiscal year 2011, amount proposed at the Shareholders' Meeting of April 5, 2012.
(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, 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 year ended December 31, 2011 on:

- the audit of the accompanying financial statements of Christian Dior;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

These 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 data we have collected is sufficient and appropriate to be used as a 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 December 31, 2011 and of the results of its operations for the 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 hereby report on the following matter:

Note 1.3 to the financial statements describes the accounting principles and methods applicable to long-term investments. 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.

The assessments on these matters were made in the context 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

In accordance with professional standards applicable in France, we have also performed the specific procedures required by law.

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 as well as the remuneration and benefits paid or incurred by your Company or the companies that 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 and votes held by shareholders.

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Olivier Breillot

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing 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 and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

However, we are required, if any, to inform you in accordance with Article R. 225-31 of the French Commercial Code of the implementation during the year of related party agreements and commitments already approved by the Shareholder's Meeting.

We conducted all of the work that we considered to be necessary having regard to the professional doctrine of the *Compagnie nationale des Commissaires aux Comptes*. This work involved verifying the consistency of the information that we were given with the source documents from which they were 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 subject to the approval of the Shareholders' Meeting subject to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments authorized by the Shareholders' Meeting

Agreements and commitments authorized in prior years that remained current during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments which were already approved by the Shareholders' Meeting in prior years remained current during the year.

1. Agreement entered into with Groupe Arnault SAS

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 paid a total of 3,724,615.12 euros including taxes to Groupe Arnault SAS for the fiscal year ended December 31, 2011.

2. Agreement entered into with LVMH SA

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 Christian Dior's Securities Department, was maintained in 2011. Under this agreement, the compensation paid by your Company in 2011 was 54,717 euros including taxes.

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Olivier Breillot

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.

Resolutions for the approval of the Combined Shareholders' Meeting of April 5, 2012

Ordinary resolutions 174

Extraordinary resolutions 176

Statutory Auditors' report on the proposed decrease in share capital 178

Statutory Auditors' report on the proposal to authorize the granting of options to subscribe to or purchase shares 179

Resolutions for the approval of the Combined Shareholders' Meeting of April 5, 2012

ORDINARY RESOLUTIONS

First resolution
(Approval of the parent company financial statements)

The Shareholders' Meeting, after examining the report of the Board of Directors, the report of the Chairman of the Board and the report of the Statutory Auditors, hereby approves the parent company financial statements for the fiscal year ended December 31, 2011, 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 report of the Board of Directors and the report of the Statutory Auditors, hereby approves the consolidated financial statements for the fiscal year ended December 31, 2011, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Third resolution
(Approval of related party agreements)

The Shareholders' Meeting, after examining the special report of the Statutory Auditors on the related party agreements described in Article L. 225-38 of the French Commercial Code, hereby declares that it approves said agreements.

Fourth resolution
(Allocation of net profit – determination of dividend)

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2011 as follows:

Amount available for distribution *(EUR)*	
Net profit	390,559,834.52
Retained earnings before appropriation	99,342,658.48
DISTRIBUTABLE EARNINGS	**489,902,493.00**
Proposed appropriation	
Gross dividend distribution of 2.61 euros per share	474,307,595.28
Allocation to retained earnings	15,594,897.72
TOTAL	489,902,493.00

Should this appropriation be approved, the gross dividend distributed would be 2.61 euros per share. As an interim dividend of 0.98 euros per share was paid on December 2, 2011, the balance of 1.63 euros will be paid out on April 25, 2012.

With respect to this dividend, individuals whose tax residence is in France will be entitled to the 40% tax deduction provided under Article 158 of the French Tax Code.

As of the final dividend payment, 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)
2010	Interim	December 2, 2010	0.88	0.352
	Final	May 25, 2011	1.23	0.492
	TOTAL		**2.11**	**0.844**
2009	Interim	December 2, 2009	0.44	0.176
	Final	May 25, 2010	1.22	0.488
	TOTAL		**1.66**	**0.664**
2008	Interim	December 2, 2008	0.44	0.176
	Final	May 25, 2009	1.17	0.468
	TOTAL		**1.61**	**0.644**

(a) Excludes the impact of tax regulations applicable to the beneficiaries.
(b) For individuals with tax residence in France.

Fifth resolution
(Appointment of Mr. Denis Dalibot as Director)

The Shareholders' Meeting decides to appoint Mr. Denis Dalibot as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Sixth resolution
(Appointment of Mr. Jaime de Marichalar y Sáenz de Tejada as Director)

The Shareholders' Meeting decides to appoint Mr. Jaime de Marichalar y Sáenz de Tejada as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Seventh resolution
(Appointment of Mrs. Delphine Arnault as Director)

The Shareholders' Meeting decides to appoint Mrs. Delphine Arnault as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Eighth resolution
(Appointment of Mrs. Hélène Desmarais as Director)

The Shareholders' Meeting decides to appoint Mrs. Hélène Desmarais as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Ninth resolution
(Authorization to be given to the Board of Directors to trade in the Company's shares)

The Shareholders' Meeting, having examined the Report of the Board of Directors, authorizes the latter to acquire Company shares, pursuant to the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and of Commission Regulation (EC) 2273/2003 of December 22, 2003.

In particular, the shares may be acquired in order (i) to provide market liquidity services (purchases/sales) under a liquidity contract set up by the Company, (ii) to cover stock option plans, the allotment of bonus shares or any other form of share allocation or share-based payment, in favor of employees or company officers, either of the Company or of any affiliated companies pursuant to the French Commercial Code, in particular as provided for in its Articles L. 225-180 and L. 225-197-2, (iii) to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange, (iv) to be retired subject to the approval of the tenth resolution, or (v) to be held so as to be exchanged or presented as consideration at a later date for external growth operations.

The purchase price at which the Company may buy its own shares may not exceed 200 euros. In the event of a capital increase through the capitalization of reserves and the allotment of bonus shares as well as in cases of a stock split or reverse stock split, the purchase price indicated above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before and after the operation.

The maximum number of shares that may be purchased shall not exceed 10% of the share capital, adjusted to reflect operations affecting the share capital occurring after this Meeting, with the understanding that (i) if this authorization is used, the number of treasury shares in the Company's possession will need to be taken into consideration so that the Company remains at all times within the limit for the number of treasury shares held, which must not exceed 10% of the share capital and that (ii) the number of treasury shares provided as consideration or exchanged in the context of a merger, spin-off or contribution

operation may not exceed 5% of the share capital as of the date of the operation.

As of December 31, 2011, this limit of 10% of the share capital corresponded to 18,172,704 shares. The maximum total amount dedicated to these purchases may not exceed 3.7 billion euros.

The share acquisition transactions described above, as well as any sale or transfer of these shares, may be carried out by any method in compliance with applicable laws and regulations, including through the use of derivatives and through block purchases or sales.

All powers are granted to the Board of Directors to implement this authorization. The Board may delegate to the Chief Executive Officer or, if deemed necessary and with the latter's consent, to a Group Managing Director, such powers in order to place any and all stock market orders, enter into any and all agreements, sign any document, file all declarations, carry out all formalities and generally take any and all other actions required in the implementation of this authorization.

This authorization, which replaces the authorization conferred by the Combined Shareholders' Meeting of March 31, 2011, is hereby given for a period of eighteen months from the date of this Meeting.

EXTRAORDINARY RESOLUTIONS

Tenth resolution

(Authorization to be given to the Board of Directors to reduce the share capital through the cancellation of shares)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby:

1. authorizes the Board of Directors to reduce the share capital of the Company, on one or more occasions, by canceling the shares acquired pursuant to the provisions of Article L. 225-209 of the French Commercial Code;
2. confers this authorization for a period of eighteen months from the date of this Meeting;
3. sets the maximum amount of the capital reduction that may be performed under this authorization over a 24-month month period to 10% of the Company's current share capital;
4. grants all powers to the Board of Directors to perform and record the capital reduction transactions, carry out all required acts and formalities, amend the Bylaws accordingly, and generally take any and all other actions required in the implementation of this authorization;
5. decides that this authorization shall replace that given by the Combined Shareholders' Meeting of March 31, 2011.

Eleventh resolution

(Authorization to be given to the Board of Directors to grant options to subscribe to or purchase shares to Group employees and senior executives)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby:

1. authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-117 et seq. of the French Commercial Code, to grant options to subscribe to or purchase shares, giving access either to newly issued shares of the Company to be issued in the framework of a capital increase or to existing shares from share repurchases by the Company, on one or more occasions, to employees or executive company officers of the Company or of any affiliated entities within the meaning of Article L. 225-180 of the French Commercial Code, or to certain categories of employees or senior executive officers with the understanding that the total amount of options granted in accordance with this authorization may not give access to a number of shares exceeding 1% of the Company's share capital as of the date of this Meeting, it being specified that the amount of such a share capital increase shall be applied against the overall ceiling for capital increases as defined in the nineteenth resolution approved by the Shareholders' Meeting of March 31, 2011;
2. takes note that this authorization entails the automatic waiver by shareholders, in favor of the beneficiaries of options to subscribe to shares, of their preferential right to subscribe to the shares to be issued as these options are exercised and that it will be executed in accordance with the legal and regulatory provisions applicable as of the date on which the options are made available;
3. takes note that the granting of options to the Chairman of the Company's Board of Directors, its Chief Executive Officer, or its Group Managing Director(s) to subscribe to or purchase shares may only occur subject to the conditions set forth in Article L. 225-186-1 of the French Commercial Code;
4. decides that the subscription or purchase price of shares shall be determined by the Board of Directors on the date when the option is granted in accordance with the provisions in force on such date, with the understanding that this price may not be lower than the average share price over the twenty trading days preceding this date. In addition, it shall be understood that, in the case of options to purchase shares, this price may not be lower than the average purchase price of the shares to be allocated upon the exercise of these options.

   The subscription or purchase price of shares under option may not be modified except under the circumstances set forth by law, on the occasion of securities transactions or other financial operations, in which case the Board of Directors shall apply an adjustment, pursuant to regulations, to the number and price of shares under option in order to take into account the impact of these operations;
5. decides that, subject to the provisions of Article L. 225-185 of the French Commercial Code with respect to senior executive officers, options must be exercised within a maximum period of ten years following their grant date;

6. grants full powers to the Board of Directors under the limits set forth above in order to:
   - determine the terms of the plan(s) and the conditions under which options shall be granted, conditions which may include clauses prohibiting the immediate resale of all or a portion of the shares, although the compulsory holding period may not exceed three years from the exercise of options, with the understanding that, in any event, the Board of Directors shall be responsible, with respect to options granted to senior executive officers as set forth in Article L. 225-185, paragraph 4 of the French Commercial Code, either to decide that the options may not be exercised by the parties concerned prior to the conclusion of their term in office or to set the proportion of shares issued as a result of the exercise of options that they shall be required to hold in registered form until the conclusion of their term in office,
   - decide upon the grant date or dates,
   - where applicable, make the exercise of any portion or all of the options subject to one or more performance conditions that it shall determine,
   - draw up the list of option beneficiaries,
   - complete, either directly or through an intermediary, all acts and formalities required to finalize any capital increase decided under this resolution,
   - amend the Bylaws accordingly and generally take any and all necessary steps in the implementation of this authorization;
7. takes note that the Board of Directors shall inform the Ordinary Shareholders' Meeting of any operations carried out under this resolution, indicating the number and price of options granted and their beneficiaries, as well as the number of shares subscribed to or purchased;
8. confers this authorization for a period of thirty-eight months from the date of this Meeting;
9. decides that this authorization shall replace that given by the Combined Shareholders' Meeting of May 14, 2009.

Twelfth resolution
(Amendment of the Bylaws)

The Shareholders' Meeting, having examined the report presented by the Board of Directors, hereby decides to amend Articles 9, 17 and 24 of the Company's Bylaws in order to:

- increase the maximum number of Directors from twelve to eighteen (Article 9);
- simplify the wording of the section of Article 17 *Convening notices*, by referring to applicable legal provisions;
- ensure compliance with the requirements enacted by the Decree dated June 23, 2010 and the Ministerial Order dated December 9, 2010 (Article 17);
- modify the dates on which the fiscal year begins and ends, respectively, to the first day of May and the thirtieth day of April of the following civil year (Article 24); exceptionally, the fiscal year in progress commenced on January 1, 2012 and will end on April 30, 2012.

Therefore, point 1 of Article 9, the points covering *Convening notices* and *Attendance* of Article 17 and Article 24 of the Bylaws are as indicated below:

Article 9 – Composition of the Board of Directors

"Subject to the exceptions provided by law, the Company is governed 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."

The rest of the article remains unchanged.

Article 17 – Shareholders' Meetings

Convening notices

Third paragraph: Amendment to the time period for sending the notice of a reconvened Shareholders' Meeting, extending this period from six to ten days, together with revised wording, as follows:

"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

Fifth paragraph: Amendment to the provision on the right to proxy representation at Shareholders' Meetings, to read as follows:

"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."

The rest of the article remains unchanged.

Article 24 – Fiscal year

Each fiscal year has a duration of twelve months, commencing on the first day of May and ending on the thirtieth day of April of the following civil year.

STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL (TENTH RESOLUTION)

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures provided for in Article L. 225-209 of the French Commercial Code (*Code de commerce*) on the decrease in share capital by way of the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of eighteen months starting from the date of this Meeting, to cancel up to a maximum of 10% of its share capital by 24-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares under the provisions of the above-mentioned Article.

This purchase authorization is also submitted for approval to your Shareholders' Meeting (ninth resolution).

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, which does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Olivier Breillot

This is a free translation of the original French text for information purposes only.

STATUTORY AUDITORS' REPORT ON THE PROPOSAL TO AUTHORIZE THE GRANTING OF OPTIONS TO SUBSCRIBE TO OR PURCHASE SHARES (ELEVENTH RESOLUTION)

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures provided for in Articles L.225-177 and R 225-144 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed granting of stock subscription or purchase options to employees or to corporate officers of your Company or of affiliated companies as defined in Article L. 225-180 of the French Commercial Code, or to certain categories of employees or corporate officers, a transaction on which you are being asked to vote.

Based on its report, the Board of Directors recommends that you confer on it the authority, for a period of thirty-eight months as from the date of this Meeting, to grant, on one or several occasions, stock subscription or purchase options. The total amount of options granted pursuant to this authorization cannot give the right to buy or subscribe to a number of shares representing more than 1% of the Company's share capital as of the date of this Meeting, it being specified that this capital increase shall be applied to the overall ceiling for capital increases as set forth in the nineteenth resolution approved by the Shareholders' Meeting of March 31, 2011.

The Board of Directors is responsible for preparing a report on the reasons for granting stock subscription or purchase options and the proposed terms and conditions governing the determination of the subscription or purchase price. Our role is to express an opinion on the proposed terms and conditions governing the determination of the subscription or purchase price for shares.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Our work consisted in verifying more specifically that the proposed procedures and data presented in the Board of Directors' report comply with legal provisions and regulations.

We have no comments on the proposed terms and conditions for determining the stock subscription or purchase price.

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Olivier Breillot

This is a free translation of the original French text for information purposes only.

Other information

GOVERNANCE

1. List of positions or offices exercised in all companies by company officers 182

1.1. Current offices of Directors 182
1.2. Terms of office up for renewal - appointments 187

2. Statutory Auditors 190

2.1. Principal statutory auditors 190
2.2. Alternate statutory auditors 190
2.3. Fees paid in 2011 190

3. Charter of the Board of Directors 191

3.1. Structure of the Board of Directors 191
3.2. Missions of the Board of Directors 191
3.3. Operations of the Board of Directors 191
3.4. Responsibilities 192
3.5. Compensation 192
3.6. Scope of application 192

4. Internal rules of the Performance Audit Committee 193

4.1. Structure of the Committee 193
4.2. Role of the Committee 193
4.3. Operating procedures of the Committee 193
4.4. Prerogatives of Committee members 194
4.5. Compensation of Committee members 194

5. Internal rules of the Nominations and Compensation Committee 195

5.1. Structure of the Committee 195
5.2. Role of the Committee 195
5.3. Operating procedures of the Committee 196
5.4. Prerogatives of the Committee 196
5.5. Compensation of Committee members 196

6. Bylaws 197

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 January 1, 2007.

1.1. CURRENT OFFICES OF DIRECTORS

Mr. Bernard ARNAULT, Chairman of the Board of Directors

Date of birth: March 5, 1949. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: March 20, 1985.
Expiration of term: Annual General Meeting held in 2014.
Number of Christian Dior shares held in a personal capacity: 42,997 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 of the Board of Directors
	Christian Dior Couture SA	Director
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	Groupe Arnault SAS	Chairman
	LVMH Moët Hennessy - Louis Vuitton SA [(a)]	Chairman and Chief Executive Officer
	Société Civile du Cheval Blanc	Chairman of the Board of Directors
	Louis Vuitton pour la Création, Fondation d'Entreprise	Chairman of the Board of Directors
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
	Lagardère SCA [(a)]	Member of the Supervisory Board

Positions and offices that have terminated after January 1, 2007

France	Métropole Télévision "M6" SA	Member of the Supervisory Board
	Raspail Investissements SA	Director

(a) Listed French company.

Mr. Sidney TOLEDANO, Chief Executive Officer

Date of birth: July 25, 1951. French.
Business address: Christian Dior Couture – 11, rue François 1er – 75008 Paris (France).
Date of first appointment: September 11, 2002.
Expiration of term: Annual General Meeting held in 2014.
Number of Christian Dior shares held in a personal capacity: 29,936 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)	Chief Executive Officer and Director
	Christian Dior Couture SA	Chairman and Chief Executive Officer
	Fendi International SA	Chairman of the Board of Directors
	John Galliano SA	Chairman of the Board of Directors
International	Bopel Srl (Italy)	Chairman
	CDCH SA (Luxembourg)	Director
	Christian Dior (Fashion) Malaysia Sdn Bhd (Malaysia)	Director
	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 Korea Ltd (South Korea)	Director
	Christian Dior Couture Maroc SA (Morocco)	Chairman of the Board of Directors
	Christian Dior Couture CZ (Czech Republic)	Manager
	Christian Dior Far East Ltd (Hong Kong)	Director
	Christian Dior GmbH (Germany)	Manager
	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 Taïwan Ltd (Taiwan)	Director
	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 SA (Luxembourg)	Director
	Fendi Srl (Italy)	Director
	Les Ateliers Horlogers Dior SA (Switzerland)	Director
	Lucilla Srl (Italy)	Chairman
	Mardi SpA (Italy)	Chairman and Managing Director

Positions and offices that have terminated after January 1, 2007

France	Fendi France SAS	Chairman
International	Calto Srl (Italy)	Chairman of the Board of Directors
	Christian Dior Couture Maroc SARL (Morocco)	Manager
	Christian Dior Couture Rus LLC (Russia)	Chief Executive Officer

(a) Listed French company.

	Christian Dior Couture Stoleshnikov LLC (Russia)	Chief Executive Officer
	Christian Dior Couture Ukraine SARL (Ukraine)	Chairman
	Christian Dior Espanola SL (Spain)	Manager
	Christian Dior Puerto Banus SL (Spain)	Manager
	Christian Dior Saipan Ltd (Saipan)	Chairman
	Christian Dior UK Ltd (United Kingdom)	Chairman
	Fendi Immobili Industriali Srl (Italy)	Director
	Les Jardins d'Avron SAS	Permanent Representative of Christian Dior Couture SA, Chairman
	Les Jardins d'Avron LLC (United States)	Chairman
	Manifatturauno Srl (Italy)	Chairman 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 General Meeting held in 2013.
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.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SA [(a)]	Director
	Louis Vuitton pour la Création, Fondation d'Entreprise	Director

Other

France	Atout France GIE	Chairman of the Board of Directors
	RDDV Partner SAS	Chairman

Positions and offices that have terminated after January 1, 2007

Other

France	Groupe Allard	Advisor for Strategy, Development and Culture to Mr. Alexandre Allard
	La Royale SAS	Chief Executive Officer
		Ambassador for Culture during the French presidency of the European Union Minister of Culture and Communication

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 General Meeting held in 2013.
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 Communication Director 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

(a) Listed French company.

	Stichting AdministratieKantoor Peupleraie (Netherlands)	Chairman of the Board of Directors
Christian Dior group/Groupe Arnault group		
France	Christian Dior SA [(a)]	Director
	Société Civile du Cheval Blanc	Director
Other		
International	Pargesa Holding SA (Switzerland)	Director

Positions and offices that have terminated after January 1, 2007

Other		
France	Compagnie Nationale à Portefeuille SA (Belgium)	Director
	Taittinger SA	Director

Mr. Pierre GODÉ, Vice-Chairman of LVMH

Date of birth: December 4, 1944. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: May 14, 2001.
Expiration of term: Annual General 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 Managing Director of Groupe Arnault since 1986.

Current positions and offices

Christian Dior group/Groupe Arnault group		
France	Christian Dior SA [(a)]	Director
	Christian Dior Couture SA	Director
	Financière Agache SA	Chairman and Chief Executive Officer
	Financière Jean Goujon SAS	Chairman
	Groupe Arnault SAS	Managing Director
	Les Echos SAS	Member of the Supervisory Board
	Louis Vuitton Malletier SA	Director
	LVMH Moët Hennessy-Louis Vuitton SA [(a)]	Vice-Chairman and Director
	Raspail Investissements SAS	Chairman
	SA du Château d'Yquem	Director
	Semyrhamis SAS	Member of the Supervisory Committee
	Sevrilux SNC	Legal Representative of Financière Agache, Manager
	Sofidiv SAS	Member of the Management Committee
	Société Civile du Cheval Blanc	Director
International	LVMH International SA (Belgium)	Director
	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Director
	LVMH Publica (Belgium)	Director
	Sofidiv UK Limited (United Kingdom)	Director
Other		
Franc	Havas SA [(a)]	Director
	Redeg SARL	Manager
	Fondation Maeght	Director

Positions and offices that have terminated after January 1, 2007

International	LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan)	Director

(a) Listed French company.

Mr. Eric GUERLAIN, Vice-Chairman

Date of birth: May 2, 1940. French.
Correspondence address: c/o Christian Dior – 30, avenue Montaigne – 75008 Paris (France).
Date of first appointment: June 29, 1994.
Expiration of term: Annual General Meeting held in 2013.
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.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SA [(a)]	Vice-Chairman and Director;
	Guerlain SA	Permanent Representative of LVMH Fashion Group, Director

Other

France	Société Hydroélectrique d'Énergie SAS	Chairman
	MAAT Société Civile	Manager

Positions and offices that have terminated after January 1, 2007

None.

Mr. Christian de LABRIFFE

Date of birth: March 13, 1947. French.
Business address: Rothschild et Compagnie Banque – 29, avenue de Messine – 75008 Paris (France).
Date of first appointment: May 14, 1986.
Expiration of term: Annual General Meeting held in 2013.

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. Since 1994, he has been Managing Partner of Rothschild & Cie Banque.

Current positions and offices

Rothschild group

France	Financière Rabelais SAS	Company Chairman
	Montaigne Rabelais SAS	Legal Representative of Rothschild & Compagnie Banque,Chairman
	Parc Monceau SARL	Manager
	Rothschild & Cie SCS	Managing Partner
	Rothschild & Cie Banque SCS	Managing Partner
	Transaction R SAS	Chairman and Chairman of the Management Board

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
	Paris Orléans SA	Member of the Supervisory Board
	TCA Partnership SAS	Chairman

(a) Listed French company.

Positions and offices that have terminated after January 1, 2007

France	Holding Financier Jean Goujon SAS	Director
	Nexity France SA	Director
	Rothschild Conseil International SCS	Director
International	Delahaye Passion Société Civile	Manager
	Investec Asset Management Inc. (United Kingdom)	Director

1.2. TERMS OF OFFICE UP FOR RENEWAL - APPOINTMENTS

Mr. Denis DALIBOT

Date of birth: November 15, 1945. French.
Personal address: Avenue Mercure, 9 "Le Chéridreux" 1180 – Brussels (Belgium).
Date of first appointment: May 17, 2000.
Number of Christian Dior shares held in a personal capacity: 15,000 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.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SA [(a)]	Director
	Agache Développement SA	Director
	Ateliers AS SA	Permanent Representative of Christian Dior Couture 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 (Luxembourg)	Chairman
	Cervinia SA (Belgium)	Director
	Courtinvest SA (Belgium)	Director
	Giminvest SA (Belgium)	Director
	GMPI SA (Belgium)	Director
	Le Peigné Invest SA (Belgium)	Director
	Le Peigné SA (Belgium)	Director

Other

None.

Positions and offices that have terminated after January 1, 2007

France	Agache Développement SA	Chairman and Chief Executive Officer
	Europatweb SA	Chairman and Chief Executive Officer
	Europatweb Placements SAS	Legal Representative of Europatweb, Chairman
	Financière Agache SA	Managing Director
	Fusac Finances Société Civile	Manager
	GA Placements SA	Permanent Representative of Europatweb, Director
	Groupement Foncier Agricole Dalibot	Manager
	Kléber Participations SARL	Manager

(a) Listed French company.

	Lyparis SAS	Member of the Supervisory Committee
	Montaigne Finance SAS	Chairman
	Montaigne Investissements SCI	Manager
	Montaigne Services SNC	Manager
	Raspail Investissements SA	Permanent Representative of Financière Agache, Director
	Sevrilux SNC	Legal Representative of Financière Agache, Manager
	Société d'Exploitation de l'Hôtel Cheval Blanc SAS	Member of the Supervisory Committee
International	GO Invest SA (Belgium)	Chairman

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.
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 Crédit Suisse and worked for the Investment Bank and in Private Banking. In January 1998, he was appointed Chief Executive Officer of Crédit Suisse in Madrid.

Current positions and offices

Crédit Suisse

International	Crédit Suisse (Spain)	Chief Executive Officer and Advisor

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
	Sociedad General Immobiliaria de España SA (Spain)	Director
	Waste Recycling Group (United Kingdom)	Director

Positions and offices that have terminated after January 1, 2007

International	Portland Valderrivas (Spain)	Director

Mrs. Delphine ARNAULT

Date of birth: April 4, 1975. French.
Business address: Christian Dior - 30, avenue Montaigne - 75008 Paris (France).

Mrs. Delphine Arnault began her career at the international strategy consultancy firm McKinsey, where she worked as a consultant for two years.

In 2000, she took part in the development of John Galliano SA, where she acquired extensive practical experience in the fashion business. In 2001, she was appointed to the Executive Committee of Christian Dior Couture, where she currently serves as Deputy Managing Director. She is also a Director of Loewe, where she serves as Senior Vice President for Product Strategy.

(a) Listed French company.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Céline SA	Director
	Les Echos SAS	Member of the Supervisory Board
	LVMH Moët Hennessy - Louis Vuitton SA [(a)]	Director
	Société Civile du Cheval Blanc	Director
International	Emilio Pucci International BV (Netherlands)	Director
	Emilio Pucci Srl (Italy)	Director
	Loewe SA (Spain)	Director

Autres

France	Établissement Public de Sèvres - Cité de la Céramique	Director
	Métropole Télévision "M6" SA [(a)]	Member of the Supervisory Board

Positions and offices that have terminated after January 1, 2007

International	Calto Srl (Italy)	Chairman of the Board of Directors
	Manifatturauno Srl (Italy)	Chairman of the Board of Directors

Mrs. Hélène DESMARAIS

Date of birth: June 7, 1955. Canadian.
Business address: Centre d'Entreprises et d'Innovation de Montréal (CEIM) - 751 square Victoria - Montreal (Quebec) H3Y 2J3 (Canada).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Since it was founded in 1996, Mrs. Hélène Desmarais has been Chair of the Board of Directors and chief executive 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 Montreal (Hautes Études Commerciales 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

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 Governors
	Institut sur la Gouvernance d'Organisations privées et publiques	Director
	Société de développement économique Ville-Marie (SDÉVM)	Founder and Chairman of the Board of Directors

Positions and offices that have terminated after January 1, 2007

Canada	Montreal Metropolitan Chamber of Commerce	Chairman of the Board of Directors
	HEC/Polytechnique/University of Montreal Centre for Entrepreneurship	Director
	Société de Valorisation des Recherches du CHUM (VAL-CHUM)	Member of the Board of Directors

(a) Listed French company.

2. Statutory Auditors

2.1. PRINCIPAL STATUTORY AUDITORS

	Start date of first term	Current term	
		Date appointment/ renewal	End of term
ERNST & YOUNG et Autres 1-2, place des Saisons, F-92400 Courbevoie - Paris la Défense 1 represented by Mr. Olivier Breillot	May 14, 2009	May 14, 2009	Fiscal year 2014
MAZARS Tour Exaltis 61, rue Henri Regnault, F-92400 Courbevoie represented by Mr. Simon Beillevaire	May 15, 2003	May 14, 2009	Fiscal year 2014

2.2. ALTERNATE STATUTORY AUDITORS

AUDITEX 1-2, place des Saisons, F-92400 Courbevoie - Paris la Défense 1	May 14, 2009	May 14, 2009	Fiscal year 2014
Mr. Guillaume POTEL Tour Exaltis 61, rue Henri Regnault, F-92400 Courbevoie	May 15, 2003	May 14, 2009	Fiscal year 2014

2.3. FEES PAID IN 2011

	Ernst & Young et Autres				Mazars			
	2011		2010		2011		2010	
(EUR thousand, excluding VAT)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, audit of the individual company and consolidated financial statements:								
• Christian Dior	86	1	85	1	86	4	85	12
• Fully consolidated subsidiaries	9,338	64	8,689	70	2,267	96	595	80
Other services relating directly to the statutory audit assignment:								
• Christian Dior	4	-	-	-	4	-	-	-
• Fully consolidated subsidiaries	1,616 [(a)]	11	515	4	-	-	-	-
Subtotal	**11,044**	**76**	**9,289**	**75**	**2,357**	**100**	**680**	**92**
Other services provided by the firms to fully consolidated subsidiaries:								
• Legal, tax, employee-related [(b)]	2,817	19	2,811	23	-	-	3	-
• Other	738	5	277	2	-	-	57	8
Subtotal	**3,555**	**24**	**3,088**	**25**	**-**	**-**	**60**	**8**
TOTAL	**14,599**	**100**	**12,377**	**100**	**2,357**	**100**	**740**	**100**

(a) Increase in 2011 resulting from post-acquisition audits of Bulgari and Ile de Beauté as well as residual IT support services.
(b) Mainly tax advisory services performed outside France, to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.

3. Charter of the Board of Directors

The Board of Directors is the strategy body of Christian Dior SA. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by Christian Dior's Board of Directors are enterprise value creation and the defense of the Company's interests.

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

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to preserving the level of enterprise performance and transparency required to retain the confidence of shareholders and partners in the Group.

3.1. STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors shall have a maximum of 12 members, a third of whom at least are appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered as independent, the Board of Directors refers among others to the criteria set forth in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors or permanent representatives of legal entities from outside 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. OPERATIONS 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.

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 interim 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 shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

3.6. SCOPE OF APPLICATION

This Charter shall apply to all members of the Board of Directors and the Advisory Board. It must be given to each candidate for the position of Director and to each permanent representative of a legal entity before they take 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 shall imply that he will devote the necessary time and attention 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 and 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 COMMITTEE MEMBERS

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 by the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

5.4. PREROGATIVES OF THE COMMITTEE

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

Members of the Committee may request any and all available information that they deem necessary for the purposes of carrying out their responsibilities.

Any unfavorable opinion issued by the Committee on any proposal must be substantiated.

5.5. COMPENSATION OF COMMITTEE MEMBERS

The members and Chairman of the Committee may receive a special director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

6. Bylaws

The Bylaws as presented below take into account the modifications proposed to the Shareholders' Meeting of April 5, 2012.

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 Spécial 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 "S.A.", 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 S.A. 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, as defined in 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. This 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 - Operation 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 the 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 sixty-five 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. 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 Managing Director, for whom it shall set the compensation.

The number of Managing Directors may not exceed five.

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 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 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 Managing Director is sixty-five years. Should a 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 interim 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 event of increase of the capital through the capitalization of reserves, or unappropriated retained earnings, or issue premiums, by virtue of this shareholder's entitlement to benefit from this right in respect of existing shares.

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 videoconference or through the use of any telecommunications media allowing the identification of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his 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 May and ending on the thirtieth day of April 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 balance sheet date 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 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 shall 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

1.	**History of the Group**	**206**
2.	**Information regarding the parent company**	**208**
2.1.	Role of the parent company within the Group	208
2.2.	General information	208
2.3.	Additional information	208
3.	**Information regarding the capital**	**209**
3.1.	Share capital	209
3.2.	Authorized share capital	209
3.3.	Status of delegations and authorizations granted to the Board of Directors	209
3.4.	Shareholders' identification	209
3.5.	Non-capital shares	209
3.6.	Securities giving access to the Company's capital	209
3.7.	Three-year summary of changes in the Company's share capital	209
4.	**Analysis of share capital and voting rights**	**210**
4.1.	Share ownership of the company	210
4.2.	Changes in share ownership during the last three fiscal years	211
4.3.	Pledges of pure registered shares by main shareholders	211
4.4.	Natural persons or legal entities that may exercise control over the Company	211
5.	**Market for financial instruments issued by Christian Dior**	**212**
5.1.	Market for Christian Dior shares	212
5.2.	Bonds issued by Christian Dior	213
5.3.	Dividend	213
5.4.	Change in share capital	214
5.5.	Performance per share	214
6.	**Main locations and properties**	**215**
6.1.	Production	215
6.2.	Distribution	216
6.3.	Administrative sites and investment property	217
7.	**Supply sources and subcontracting**	**218**
7.1.	Champagnes and Wines	218
7.2.	Cognac and Spirits	218
7.3.	Fashion and Leather Goods	219
7.4.	Perfumes and Cosmetics	219
7.5.	Watches and Jewelry	219
7.6.	Christian Dior Couture	220

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 models of his first collection on six mannequins. 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*" 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 while convalescing at Montecatini 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 2001, 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.

2. Information regarding the parent company

2.1. ROLE OF THE PARENT COMPANY WITHIN THE GROUP

Christian Dior SA is a holding company whose assets consist primarily of investments in Christian Dior Couture (wholly and directly owned) and in LVMH (40.92% ownership interest) via Financière Jean Goujon SAS, a wholly owned subsidiary of Christian Dior.

2.2. GENERAL INFORMATION

The complete text of the Bylaws is presented in "Other information – Governance" of the Annual Report.

Corporate 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): 7010Z.

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" of the Annual Report.

Corporate purpose (Article 2 of the Bylaws): the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

Fiscal year (Article 24 of the Bylaws): from January 1 until December 31.

Statutory distribution of profits (Article 26 of the Bylaws): the Shareholders' Meeting then has the authority to deduct 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 will 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 Extraordinary 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. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Necessary action to modify the rights of shareholders: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

Provisions governing changes in the share capital: the Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

3. Information regarding the capital

3.1. SHARE CAPITAL

As of December 31, 2011, 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. Among these 181,727,048 shares, 122,945,656 conferred double voting rights as of December 31, 2011.

3.2. AUTHORIZED SHARE CAPITAL

As of December 31, 2011, the Company's authorized share capital was 457,988,258 euros, consisting of 228,994,129 shares of 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 8.1 "Status of current delegations and authorizations" in the "Management Report of the Board of Directors" 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 are outstanding as of December 31, 2011.

3.7. THREE-YEAR SUMMARY OF CHANGES IN THE COMPANY'S SHARE CAPITAL

Type of operation		Par value issued *(EUR)*	Issuance premium *(EUR)*	Successive amounts of share capital *(EUR)*	Cumulative number of company shares	Par value per share *(EUR)*
2009	No shares created	-	-	363,454,096	181,727,048	2.00
2010	No shares created	-	-	363,454,096	181,727,048	2.00
2011	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 December 31, 2011, the Company's share capital comprised 181,727,048 shares:

- 113,538,199 pure registered shares;
- 15,365,820 administered registered shares;
- 52,823,029 bearer shares.

Taking into consideration treasury shares, 179,130,492 shares carried voting rights, of which 122,945,656 shares carried double voting rights.

As of December 31, 2011, a total of 221 registered shareholders held at least 100 shares.

Shareholders	Number of shares	Number of voting rights (b)	% of capital	% of voting rights (b)
Arnault family group (a)	127,840,292	250,469,302	70.35	82.92
Other shareholders	53,886,756	51,606,846	29.65	17.08
TOTAL AS OF DECEMBER 31, 2011	**181,727,048**	**302,076,148**	**100.00**	**100.00**

(a) Excluding the 2,500,000 options to purchase shares deemed to be equivalent to shares held as provided under item 4 of Article L. 233-9-1 of the French Commercial Code.
(b) Voting rights exercisable in Shareholders' Meetings.

Save for the information set out in §4.4 below, to the best of the Company's knowledge:

- no shareholder held at least 5% of the share capital and voting rights as of December 31, 2011;
- no shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2011, 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.

During the 2011 fiscal year, *Caisse des Dépôts et Consignations* informed the Company that it had fallen below statutory shareholding thresholds of the Company's voting rights on one occasion by less than 1%. Financière Agache SA informed the Company that it had exceeded the threshold of 10% of the Company's share capital, by entering into an agreement granting it options to purchase 2,500,000 Christian Dior shares.

During the fiscal year ended December 31, 2011 and as of March 1, 2012, 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

	December 31, 2011			December 31, 2010			December 31, 2009		
Shareholders	**Number of shares**	**% of capital**	**% of voting rights [(a)]**	**Number of shares**	**% of capital**	**% of voting rights [(a)]**	**Number of shares**	**% of capital**	**% of voting rights [(a)]**
Arnault family group, of which	127,840,292 [(b)]	70.35	82.92	127,840,292	70.35	83.09	127,426,682	70.12	83.13
- Semyrhamis	*107,985,125*	*59.42*	*71.49*	*107,985,125*	*59.42*	*71.08*	*107,985,125*	*59.42*	*71.22*
- Arnault family and other controlled companies	*19,855,167*	*10.93*	*11.43*	*19,855,167*	*10.93*	*12.01*	*19,441,557*	*10.70*	*11.91*
Treasury shares	2,596,556	1.43	-	2,803,560	1.54	-	3,600,880	1.98	-
Free float – registered shares	497,395	0.27	0.27	420,058	0.23	0.23	537,489	0.30	0.33
Free float – bearer shares	50,792,805	27.95	16.81	50,663,138	27.88	16.68	50,161,997	27.60	16.54
TOTAL	**181,727,048**	**100.00**	**100.00**	**181,727,048**	**100.00**	**100.00**	**181,727,048**	**100.00**	**100.00**

(a) Voting rights exercisable in Shareholders' Meetings.
(b) Excluding the 2,500,000 options to purchase shares deemed to be equivalent to shares held as provided under item 4 of Article L. 233-9-1 of the French Commercial Code.

4.3. PLEDGES OF PURE REGISTERED SHARES BY MAIN SHAREHOLDERS

The Company is not aware of any pledge of pure registered shares by the main shareholders.

4.4. NATURAL PERSONS OR LEGAL ENTITIES THAT MAY EXERCISE CONTROL OVER THE COMPANY

As indicated in the statements published by the AMF on December 9, 2011, 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 as of said date, directly and indirectly, 71.72% of the Company's share capital and 83.03% 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 December 31, 2011, Semyrhamis held 107,985,125 shares in the Company, representing 59,42% of its share capital and 71,49% of its voting rights. The main purpose of Semyrhamis is to hold Christian Dior shares.

The Arnault family group indirectly holds 99.78% of Semyrhamis' share capital.

As of December 31, 2011, the Arnault family group held, directly and indirectly, 70.35% of the share capital of Christian Dior SA.

5. Market for financial instruments issued by Christian Dior

5.1. MARKET FOR CHRISTIAN DIOR SHARES

In a context of elevated uncertainty, especially with regard to the Euro zone, equity markets had a turbulent year in 2011.

Following a first half lacking clear direction but nevertheless marked by episodes of significant volatility, due to events in the Middle East and the Fukushima catastrophe in Japan, global stock markets continued their sharp downward trend during the summer months. Difficulties in reaching an agreement in Europe on the restructuring of Greek public debt caused markets to slide, amid fears that this crisis might spread to other countries. At the same time, congressional debates over raising the federal debt ceiling in the United States took months before an agreement was reached, followed by the downgrading of the country's credit rating by Standard & Poor's. In this environment, with continuing signs of a downturn in the US economy late in the summer, investor wariness held sway.

Over the remaining months of the year, buffeted by political decisions and successive announcements, most markets failed to get back on a positive track. US stock market indices were generally flat in 2011, but the world's other major stock markets closed the year lower.

Against the backdrop of this volatile and bearish economic climate in Europe, Christian Dior's business activities managed to turn in strong results. The Christian Dior share price, after rising by 79% in 2009 and 49% in 2010, held up well in 2011, closing the year 14.3% lower, a decline to be set against losses of 17.1% and 14.2% for the DJ Euro StoXX 50 and Euronext 100 indices, respectively.

Christian Dior's closing share price on December 30, 2011 was 91.61 euros. As of the same date, Christian Dior's market capitalization was 16.6 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).

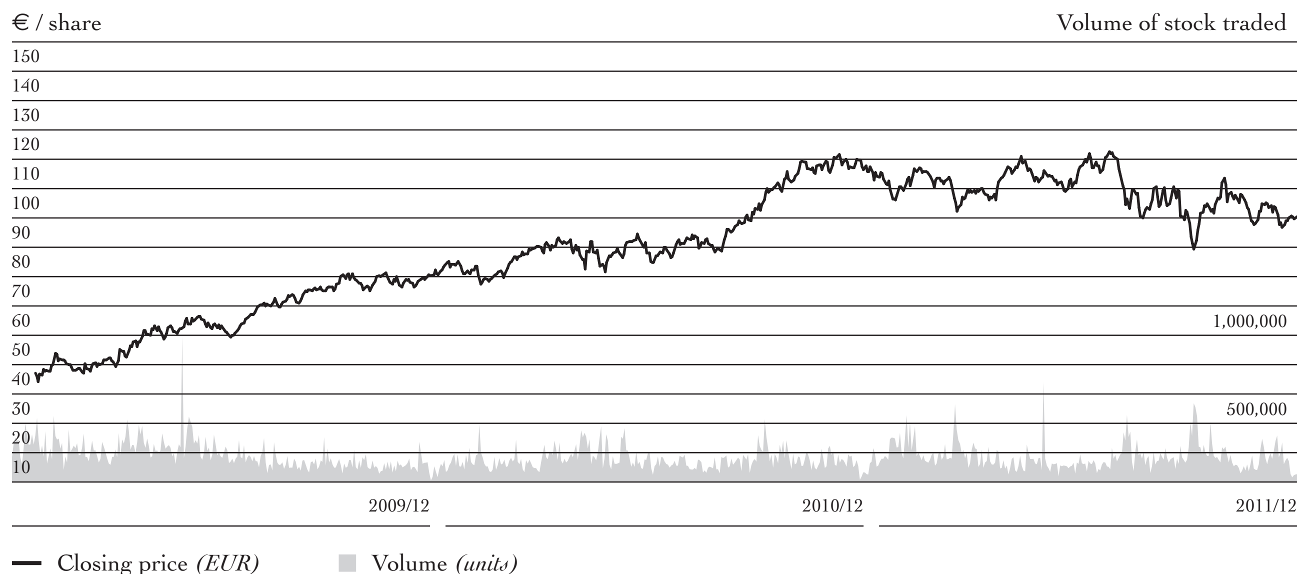
In addition, negotiable options based on the Christian Dior share are traded on Euronext-Liffe.

Trading volumes and amounts on the Paris bourse, and price trend over the last 12 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)*
January 2011	106.70	100.35	109.05	96.38	4,040,897	480
February 2011	100.65	104.45	109.250	100.45	4,173,609	441
March 2011	105.35	99.33	106.550	89.90	4,882,853	491
April 2011	99.95	108.35	108.550	96.46	2,640,363	268
May 2011	108.70	107.30	112.300	103.20	3,285,028	512
June 2011	107.35	108.50	109.200	98.98	2,360,651	246
July 2011	108.10	111.50	116.300	103.90	2,493,242	284
August 2011	112.60	101.10	114.850	89.60	4,493,161	442
September 2011	101.50	84.55	102.300	83.51	3,645,998	351
October 2011	83.00	102.30	104.750	79.10	5,220,616	491
November 2011	100.00	95.85	101.300	87.68	2,668,554	254
December 2011	95.89	91.61	97.550	86.40	3,162,911	302

Source: Euronext.
(a) Share price during market trading.

Price trend of the Christian Dior share and volume of stock traded in Paris



Stock market capitalization

As of December 31 *(EUR millions)*	
2009	13,041
2010	19,427
2011	16,648

5.2. BONDS ISSUED BY CHRISTIAN DIOR

Bonds issued by Christian Dior that were outstanding on December 31, 2011 are listed for trading as shown below:

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issues	Year of maturity	Interest rate *(as %)*
EUR	350,000,000	2009	2014	3.75
EUR	300,000,000	2011	2016	4.00

5.3. DIVIDEND

A gross dividend of 2.61 euros per share is being proposed for fiscal year 2011, an increase of 0.50 euros, or 23.7%, compared to the dividend paid for fiscal year 2010.

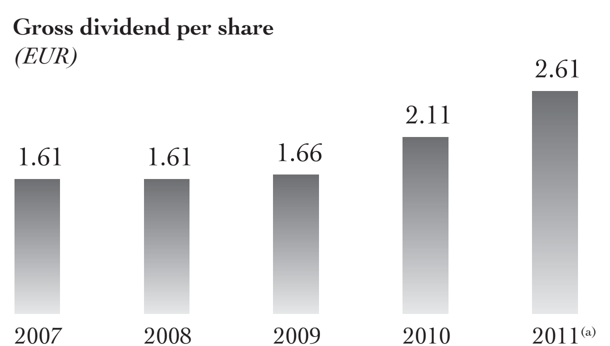
The total Christian Dior distribution will amount to 474 million euros for fiscal year 2011, before the effect of treasury shares.

Dividend distribution in respect of fiscal years 2007 to 2011

Year	Gross dividend [a] per share *(EUR)*	Dividend distribution *(EUR millions)*
2011 [b]	2.61	474
2010	2.11	383
2009	1.66	302
2008	1.61	293
2007	1.61	293

(a) Excludes the impact of tax regulations applicable to the beneficiaries.
(b) Proposed to the Shareholders' Meeting of April 5, 2012.

Gross dividend per share
(EUR)



(a) Proposed to the Shareholders' Meeting of April 5, 2012.

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 December 31, 2011, 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 fiscal year 2011.

5.5. PERFORMANCE PER SHARE

(EUR)	2011	2010	2009
Diluted group share of net earnings	7.09	7.03	3.89
Dividend	2.61	2.11	1.66
Change compared to previous year	*+24%*	*+27%*	*+3%*
Highest share price *(during market trading)*	116.30	114.90	73.22
Lowest share price *(during market trading)*	79.10	67.64	34.60
Share price as of December 31 *(closing share price)*	91.61	106.90	71.76
Change compared to previous year	*-14%*	*+49%*	*+78%*

6. Main locations and properties

6.1. PRODUCTION

6.1.1. Wines and Spirits

The vineyards owned by the Group in France and internationally are as follows:

	2011		2010	
(in hectares)	Total	Of which under production	Total	Of which under production
France				
Champagne appellation	1,833	1,697	1,816	1,679
Cognac appellation	245	177	245	180
Vineyards in Bordeaux	253	159	252	159
International				
California (United States)	475	345	470	341
Argentina	1,397	878	1,388	879
Australia, New Zealand	525	481	569	530
Brazil	232	75	232	67
Spain	55	49	55	50

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, Italy.

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 owns its two manufacturing centers in Chartres and Orphin (France), for a total surface area of approximately 27,000 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of both Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, United Kingdom.

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, De Beers and Montres Dior, are leased.

6.1.5. Christian Dior Couture

In association with its Italian partners, Christian Dior Couture operates five 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, reacquired by the Group in 2006, operates 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, Sydney, Genoa, Cannes, Saint-Tropez, for a total surface area of approximately 10,000 square meters.

Céline and Loewe also own the buildings housing some of their stores in Paris and Spain.

With the exception of Avenue Montaigne, the Madrid boutique, a boutique in Saint-Tropez, and a boutique in Tokyo (Omotesando district), the stores wholly operated by Christian Dior Couture are leased. In 2011, Christian Dior Couture acquired a building in Seoul (South Korea) intended to house a boutique, with the opening planned for 2013. Christian Dior 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 December 31, 2011 the Group's store network breaks down as follows:

(in number of stores)	2011	2010	2009
France	410	387	376
Europe (excluding France)	923	691	665
United States	653	606	569
Japan	390	340	346
Asia (excluding Japan)	686	585	536
Other	188	168	168
TOTAL	**3,250**	**2,777**	**2,660**

(in number of stores)		2011	2010	2009
Christian Dior Couture		**210**	**232**	**237**
Fashion and Leather Goods		**1,246**	**1,188**	**1,164**
Perfumes and Cosmetics		**85**	**75**	**65**
Watches and Jewelry		**327**	**122**	**114**
Selective Retailing:	*- Sephora*	*1,300*	*1,070*	*986*
	- Other, including DFS	*68*	*76*	*89*
	- Sub-total Selective Retailing	**1,368**	**1,146**	**1,075**
Other		**14**	**14**	**5**
TOTAL		**3,250**	**2,777**	**2,660**

In 2011, 170 Bulgari stores, in Watches and Jewelry, and 125 Ile de Beauté stores, in Selective Retailing, joined the Group's retail network.

6.3. ADMINISTRATIVE SITES AND INVESTMENT PROPERTY

The Group owns buildings located at 11-17 rue François 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 (total surface area of about 26,000 square meters) and a building in Osaka (about 5,000 square meters) that house the offices of 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 group of properties previously used for the business operations of the Samaritaine department store in Paris are the focus of a redevelopment project, which will transform it into a complex comprising offices, shops and a luxury hotel.

7. Supply sources and subcontracting

7.1. CHAMPAGNES AND WINES

The Group owns 1,697 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, the 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 15% 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. Following the signing of an initial four-year agreement in 1996, another industry agreement had been signed in the spring of 2000 covering the four harvests from 2000 to 2003, which had confirmed the aim of limiting upward or downward fluctuations in grape prices. A new industry agreement was then concluded in the spring of 2004 between the Champagne producers and the region's grape suppliers covering the five harvests from 2004 to 2009. This agreement was renewed in 2009 before its expiry date, 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 2011 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 10,500 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 called "*plafond limite de classement* (PLC)", the highest permitted yield-per-hectare. This ceiling is determined every year within the limits of the maximum total yield now set at 13,600 kg/ha for the 2011 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 2011 harvest ranged between 5.00 euros and 5.90 euros depending on the vineyard, a 4% increase compared to 2010.

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 16 million euros.

7.2. COGNAC AND SPIRITS

Hennessy owns 177 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* that 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* are established between the company and each producer based on supply and demand. In 2011, the price of wines from the harvest increased by 5% compared to the 2010 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.

7.3. 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 uses third parties only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Fendi and Loewe also 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 45% of the cost of sales in 2011.

Louis Vuitton Malletier depends on outside suppliers for most of the leather and raw materials used in manufacturing its products. Even though a significant percentage of the raw materials is purchased from a fairly small number of suppliers, Louis Vuitton believes that these supplies could be obtained from other sources, if necessary. In 2004, recourse to a balanced portfolio of suppliers also limited dependence on specific suppliers. After a diversification program launched in 1998 to Norway and Spain, the portfolio of suppliers was expanded to include Italy in 2000. In 2009, as part of a continued effort to bolster this strategic supply source, Louis Vuitton formed a joint venture with Tannerie Masure, which has been providing the company with premium-quality leathers for many years. This partnership resulted in the creation of Tanneries de la Comète, where hides are tanned exclusively for Louis Vuitton using vegetal extracts. The acquisition of Heng Long, a top-tier exotic leather tannery in 2011 also contributes to the securitization of access to strategic supplies. For Louis Vuitton, the leading supplier of hides and leathers represents about 23% of its total supplies of these products.

Fendi is in a similar situation, except for some exotic leathers for which suppliers are rare.

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.

7.4. PERFUMES AND COSMETICS

The five French production centers of Guerlain, Givenchy and Parfums Christian Dior 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 2011, manufacturing subcontracting represented overall about 9% of the cost of sales for this activity, plus approximately 8 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.

7.5. 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, le *Calibre 1887* from TAG Heuer, l'*UNICO* from Hublot and the Grand Complications from Bulgari. In its watchmaking shop, in 2009, Hublot celebrated the opening of its new site in Nyon while TAG Heuer inaugurated a new workshop for the manufacture of watch movements in La Chaux-de-Fonds. 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.

In this business, subcontracting represented 10% of the cost of sales in 2011.

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

7.6. 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.

Overall for this business, subcontracting represented about 38% of the cost of sales in 2011.

In the ready-to-wear and fine jewelry sectors, the Company is supplied solely through outside companies.

Statement of the Company Officer responsible for the annual financial report

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report presented on page 7 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, March 14, 2012

Under delegation from the Chief Executive Officer

Florian OLLIVIER

Chief Financial Officer

For further information:

Tel.: +33 1 44 13 24 98 / Fax: +33 1 44 13 27 86

Website: www.dior-finance.com

Design and production: Agence Marc Praquin
Photo credit: Karl Lagerfeld

Christian Dior

30, avenue Montaigne – Paris 8^e^