FINANCIERE AGACHE

2011 Annual financial report

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

Contents

Management report of the Board of Directors

This report highlights significant events affecting the Financière Agache group in 2011.

1. Consolidated results

Consolidated revenue for the Financière Agache group for the year ended December 31, 2011 was 24,615 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 5,314 million euros, up 23% compared to 2010. The current operating margin as a percentage of revenue increased by 2 points from the previous year to 22%.

Operating profit, after other operating income and expenses (a net expense of 84 million euros in 2011 compared with a net expense of 134 million euros in 2010), was 5,230 million euros, representing an increase of 25% from its level in 2010.

The Group posted a net financial expense for the year of 323 million euros. The Group had posted net financial income of 515 million euros the previous year, mainly as a result of net proceeds 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 nearly stable, at 230 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 30.1% in 2011, compared to 31.5% in 2010.

Income from investments in associates was 10 million euros in 2011, down from 41 million euros in 2010.

Consolidated net profit amounted to 3,441 million euros, compared to 3,265 million euros in 2010. The Group share of consolidated net profit was 912 million euros, compared with 907 million euros in 2010.

The main financial items were as follows:

(EUR millions)	**2011**	**2010**	**2009**
Revenue	24,615	21,112	17,744
Profit from recurring operations	5,314	4,327	3,353
Operating profit	5,230	4,193	3,191
Net profit	3,441	3,265	1,925
Of which: Group share	912	907	521

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 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	3,511	3,250	2,739	1,092	919	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)	(148)
TOTAL	**24,615**	**21,112**	**17,744**	**5,314**	**4,327**	**3,353**

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%.

Investments

The net balance from investing activities (purchases and sales) was a disbursement of 3,091 million euros. This includes, on the one hand, net operating investments totaling 1,816 million euros, and on the other hand, net financial investments totaling 1,275 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.

Workforce

As of December 31, 2011, the Group had a total workforce of 101,155 employees, up from 86,819 employees a year earlier.

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 the Group'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 totaling 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 continuing 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 3,511 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 1,092 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. Production capacity was 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 dedicated 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, increasing the use 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 Perfumes 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 improving 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 the *"Haute Couture"* will further enhance the brand's appeal.

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 of its markets, with particularly remarkable results 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 watchmaking capacities for the production of 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. Profit from recurring operations for this business group 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 has reinforced its market-leading position 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 North America was strong once again in 2011. 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. Operational risk factors and insurance policy

3.1 STRATEGIC AND OPERATIONAL RISKS

3.1.1 Image and reputation of the Group

Around the world, the Group is known for its brands, unrivalled 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 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 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.

3.1.1 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 ammunition 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 Moët Hennessy and DFS, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit.

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, 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, on the one hand, and Christian Dior Couture on the other, for which the proportions are 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 subcontracting, please also refer to the "Other information" section 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, 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 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 against 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.

3.3.2 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 risk

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 36% of 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.

Banking counterparty risk is monitored on a regular and comprehensive basis at all Group levels, 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 the euro (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full through the use of borrowings or financial futures denominated in the same currency as the underlying asset. 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 8.6 billion euros as of December 31, 2011. After hedging, 37.8% of gross debt was subject to a fixed rate of interest and 62.2% 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 its ownership interest in Christian Dior and 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. Financière Agache treasury shares, as well as call options on 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 products, or directly by purchasing hedges from top-ranking banks. In the latter case gold is purchased from banks, or futures and/or options contracts are taken out with a physical delivery of the gold.

3.3.7 Liquidity risk

Apart from the Group's local liquidity risks, which are generally not significant, its remaining exposure to liquidity risk can be assessed with regard to (a) outstanding amounts in respect of its commercial paper program (2.1 billion euros) or (b) the amount of the short term portion of its net financial debt before hedging (5.2 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 6.1 billion euros.

Therefore, the Group's liquidity is based on the large amount of its investments and long term borrowings, the diversity of its investor base (bonds and short term 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 the ratios of net financial debt to equity and 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 drawdowns had been performed under these facilities. 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 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 financial control.

The backbone of this organization is an information system that allows hedging transactions to be monitored in real time.

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 26% to 24.8 billion euros as of December 31, 2011, compared to 19.7 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 6.5 billion euros as of December 31, 2010 to 8.6 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 to Group 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 high 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 6.1 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. It 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 and long term investment policy.

- The virtual stability of the cost of net financial debt, which amounted to 230 million euros as of December 31, 2011, as against 241 million euros a year earlier.

  Achieved despite the increase in gross financial debt, this stability results in particular from the substantial proportion of variable-rate borrowings in a context of low rates, but also better yields on cash equivalents.

- Pursuing a dynamic policy of dividend payouts to shareholders, to enable them to benefit from the company's very strong performance over the year: proposal of a dividend payment of 125.00 euros per share in respect of the 2011 fiscal year. As an interim dividend of 125.00 euros per share was paid in December 2011, total dividend payments to Financière Agache shareholders came to 396 million euros, corresponding to the full amount of the dividend in respect of 2011, after taking into account the impact attributable to 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	**6,256**	**4,928**	**1,328**
Cost of net financial debt: interest paid	(222)	(227)	5
Income taxes paid	(1,568)	(908)	(660)
Net cash from operating activities before changes in working capital	**4,466**	**3,793**	**673**
Total change in working capital	(552)	270	(822)
Operating investments	(1,816)	(1,072)	(744)
Free cash flow	**2,098**	**2,991**	**(893)**
Financial investments	(1,275)	(1,483)	208
Transactions relating to equity	(2,698)	(921)	(1,777)
Change in cash before financing activity	**(1,875)**	**587**	**(2,462)**

Cash from operations before changes in working capital totaled 6,256 million euros as of December 31, 2011, compared to 4,928 million euros the previous year, an increase of 27%.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 4,466 million euros, up 18% compared to 2010.

Interest paid, amounting to 222 million euros, was nearly stable compared to 227 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 1,568 million euros, a significant increase from 908 million euros paid in 2010, 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 552 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 784 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 1,816 million euros, up from 1,072 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 1,275 million euro outflow in 2011, compared to 1,483 million euros in 2010. This amount consisted of 772 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 503 million euros, including 447 million euros relating to the increase of the investment in Hermès International.

Transactions relating to equity generated an outflow of 2,698 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 475 million euros in dividends, after taking into account the impact attributable to treasury shares, was paid during the year by Financière Agache, corresponding to an initial distribution in July of 79 million euros in dividends in respect of the final dividend on 2010 profit, with the remaining amount of 396 million euros distributed in December in respect of the interim dividend for the 2011 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 908 million euros in dividends. These mainly relate to minority interests in Christian Dior SA, 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 1,875 million euros, close to the amount of cash obtained from financing activities, 1,580 million euros. Cash and cash equivalents at the end of the period decreased by 240 million euros compared to the position as of December 31, 2010.

4.2 COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	2011	2010	Change	*(EUR billions)*	2011	2010	Change
Tangible and intangible fixed assets	30.0	24.3	5.7	Equity	24.8	19.7	5.1
Other non-current assets	9.1	7.2	1.9	Non-current liabilities	17.6	15.9	1.7
Non-current assets	**39.1**	**31.5**	**7.6**	**Equity and non-current liabilities**	**42.4**	**35.6**	**6.8**
Inventories	7.8	6.3	1.5	Short term borrowings	5.2	3.8	1.4
Other current assets	7.3	7.1	0.2	Other current liabilities	6.6	5.6	1.0
Current assets	**15.1**	**13.4**	1.7	**Current liabilities**	**11.8**	**9.4**	**2.4**
ASSETS	**54.2**	**45.0**	**9.2**	**LIABILITIES AND EQUITY**	**54.2**	**45.0**	**9.2**

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 72% of total assets as of December 31, 2011, compared to 70% at year-end 2010.

Tangible and intangible fixed assets increased by 5.7 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 1.9 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 1.5 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.

Other non-current liabilities increased from 15.9 billion euros at year-end 2010 to 17.6 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 (0.3 billion euros), and an increase in commitments to purchase minority interests (0.5 billion euros).

Other current liabilities increased by 2.4 billion euros compared to year-end 2010, reflecting growth in the Group's businesses.

(EUR billions)	2011	2010	Change
Long term borrowings	6.4	6.1	0.3
Short term borrowings and derivatives	5.1	3.6	1.5
Gross borrowings after derivatives	**11.5**	**9.7**	**1.8**
Cash and cash equivalents and current available for sale financial assets	(2.9)	(3.2)	0.3
Net financial debt	**8.6**	**6.5**	**2.1**
Equity	**24.8**	**19.7**	**5.1**
Net financial debt/Total equity ratio	**34.8%**	**33.2%**	**1.6**

The ratio of net financial debt to equity rose by 1.6 points to 34.8% as of December 31, 2011. This increase was the result of a 2.1 billion euro increase in net financial debt and a 5.1 billion euro increase in equity.

Total equity amounted to 24.8 billion euros at year-end 2011, representing an increase of 26.0%. 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 46% of the balance sheet total; this represents an increase of 2 points compared to 2010.

Gross borrowings after derivatives totaled 11.5 billion euros at year-end 2011. Bond issues and new borrowings generated 3.2 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 1.2 billion euros in 2011. Conversely, borrowings of 1.8 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 2.9 billion euros at the end of the period, representing a decrease of 0.2 billion euros compared to the position as of December 31, 2010.

At year-end 2011, the Group's undrawn confirmed credit lines amounted to 6.1 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 2.1 billion euros as of December 31, 2011.

5. Results of Financière Agache

Financière Agache maintained its direct and indirect ownership interests in its subsidiaries Christian Dior and LVMH.

In 2011, the total amount of dividends received from equity investments was 509.1 million euros.

The net financial income was 476.3 million euros compared to 196.1 million euros in 2010. This increase of 280.2 million euros is primarily attributable to the increase in income from equity investments.

Net profit was 469.6 million euros.

Management proposes that the Shareholders' Meeting appropriate the earnings for the year ended December 31, 2011 as follows:

Amount available for distribution *(EUR)*	
Net profit	469,617,964.79
Retained earnings	2,388,320,222.52
DISTRIBUTABLE EARNINGS	**2,857,938,187.31**
Proposed appropriation	
Gross dividend distribution of 125 euros per share	396,669,000.00
Allocation to retained earnings	2,461,269,187.31
FOR A TOTAL OF:	2,857,938,187.31

Should this appropriation be approved, the gross dividend would be 125.00 euros per share. As an interim dividend of 125.00 euros per share was paid on December 21, 2011, there is no further balance due in respect of the 2011 fiscal year.

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 any treasury shares at the time of the payment of this balance, the amount corresponding to the dividend not paid on these shares will be allocated to retained earnings.

Distribution of dividends

As required by law, we remind you of the gross dividends per share allocated for distribution over the past three fiscal years:

(EUR)	**Gross dividend** (a)	**Tax deduction** (b)
2010	25.00	10.00
2009	20.00	8.00
2008	7.12	2.85

(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 332 thousand euros (374 thousand euros as of December 31, 2010). They comprise accrued expenses in the amount of 255 thousand euros (226 thousand euros as of December 31, 2010) and outstanding invoices in the amount of 78 thousand euros (nil as of December 31, 2010).

6. Information regarding the Company's share capital

As of December 31, 2011, the share capital was 50,773,632 euros, consisting of 3,173,352 shares with a par value of 16 euros each. As of this same date, 3,619 of these shares (0.11% of the share capital) were held by the Company, with a total market value of 448,396 euros.

Since 1996, the Company's shares have not been traded on a regulated market. As required by law, they therefore have the mandatory status of registered shares.

Financière Agache will be happy to assist its shareholders with the procedures and formalities involved in the event they wish to trade their shares and, where applicable, to help them find a suitable counterparty.

Pursuant to the provisions of Article L. 225-102 of the Commercial Code, we hereby inform you that no employee of the Company, or of any affiliated company, holds shares in your Company through the types of mutual funds referred to in this legislation.

7. Administrative matters

7.1 LIST OF POSITIONS AND OFFICES HELD BY DIRECTORS

The list of all positions and offices held by each Director is provided in §9 below.

7.2 MEMBERSHIP OF THE BOARD OF DIRECTORS

It is proposed that the Shareholders' Meeting

- ratify the appointment by co-optation of GA Placements as Director, effective as of November 28, 2011;
- renew the appointments of Messrs. Denis Dalibot and Pierre Godé, as well as Lord Powell of Bayswater, as Directors.

7.3 AMENDMENT OF THE BYLAWS

We propose that you:

- extend the Company's corporate purpose (Article III) to include transactions in securities and assistance services;
- eliminate the requirement for Directors to hold shares (Article XI).

8. Financial authorizations

8.1 STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

8.1.1 Authorizations to increase the share capital (L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2011
Through incorporation of reserves (L. 225-130)	June 22, 2011 (7th resolution)	August 21, 2013 26 months	32 million euros 2,000,000 shares [(a)]	Not applicable	None
With preferential subscription rights: ordinary shares, investment securities giving access to the share capital	June 22, 2011 (8th resolution)	August 21, 2013 (26 months)	32 million euros 2,000,000 shares [(a)]	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.

8.1.2 Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2011
Capital increase reserved for employees enrolled in a corporate savings plan (L. 225-129-6)	June 22, 2011 (9th resolution)	August 21, 2013 26 months	1% of share capital 31,733 shares [(a)]	In accordance with regulations in force	None

(a) Subject to the overall ceiling of 32 million euros referred to in §8.1.1, note (a) above, against which this amount would be offset.

8.2 AUTHORIZATIONS PROPOSED TO THE SHAREHOLDERS' MEETING

No authorizations are proposed to the Shareholders' Meeting.

9. List of offices or positions 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.

9.1 TERMS OF CURRENT DIRECTORS TO BE RENEWED

Mr. Pierre GODE

Date of birth: December 4, 1944.

Date of first appointment: June 27, 1997

Christian Dior group/Groupe Arnault

France	Christian Dior SA	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	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

France	Havas SA	Director
	Redeg SARL	Manager
	Fondation Maeght	Director

Mr. Denis DALIBOT

Date of birth: November 15, 1945

Date of first appointment: June 27, 1997.

Christian Dior group/Groupe Arnault

France	Christian Dior SA	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 SA (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.

Lord POWELL of BAYSWATER

Date of birth: July 6, 1941.

Date of first appointment: June 8, 2000.

LVMH group/Financière Agache group

France	Financière Agache SA	Director
	LVMH Moët Hennessy - Louis Vuitton SA	Director
International	LVMH Services Limited (United Kingdom)	Chairman of the Board of Directors

Other

International	Capital Generation Partners (United Kingdom)	Chairman of the Board of Directors
	Caterpillar Inc. (United States)	Director
	Hong-Kong Land Holdings (Bermuda)	Director
	Magna Holdings (Bermuda)	Chairman of the Board of Directors
	Mandarin Oriental International Holdings (Bermuda)	Director
	Matheson & Co Ltd (United Kingdom)	Director
	Northern Trust Global Services (United Kingdom)	Director
	Schindler Holding (Switzerland)	Director
	Singapore Millennium Foundation Limited (Singapore)	Director
	Textron Corporation (United States)	Director

9.2 CURRENT DIRECTORS WHOSE TERMS EXTEND BEYOND THE SHAREHOLDERS' MEETING

GA PLACEMENTS

Date of first appointment: November 28, 2011.

Term of office expires at the end of the 2014 Annual Shareholders' Meeting.

Christian Dior group/Groupe Arnault

France	Financière Agache SA	Director

Mr. Florian OLLIVIER, Permanent representative and Group Managing Director

Date of birth: August 3, 1954.

Financière Agache group/Groupe Arnault

France	Agache Développement SA	Chairman and Chief Executive Officer
	Europatweb SA	Chairman and Chief Executive Officer
	Europatweb Placements SAS	Legal representative of Europatweb, Chairman
	FA Placements SAS	Chairman
	Financière Agache SA	Group Managing Director
	Financière Agache SA	Permanent representative of Europatweb, Director
	Financière Agache Private Equity SA	Permanent representative of Financière Agache, Director
	GA Placements SA	Permanent representative of Invry, Director
	Invry SAS	Chairman
	JGPG SAS	Chairman
	Kléber Participations SARL	Manager
	Montaigne Finance SAS	Chairman of the Supervisory Committee
	Montaigne Finance SAS	Chairman
	Montaigne Services SNC	Manager

Other

France	Anciens Etablissements Somborn-Lang-Ferry et Cie SA	Director

GROUPE ARNAULT SAS

Date of first appointment: October 20, 2004.

Term of office expires at the end of the 2014 Annual Shareholders' Meeting.

Christian Dior group/Groupe Arnault

France	Europatweb SA	Director
	Financière Agache SA	Director
	Ficonor SAS	Chairman
	GA Placements SA	Director

Mr. Nicolas BAZIRE, Permanent representative and Group Managing Director

Date of birth: July 13, 1957.

Christian Dior group/Groupe Arnault

France	Agache Développement SA	Director
	Europatweb SA	Director
	Financière Agache SA	Group Managing Director and Permanent representative of Groupe Arnault SAS, Director
	Financière Agache Private Equity SA	Director
	Groupe Arnault SAS	Managing Director
	Groupe les Echos SA	Director
	Les Echos SAS	Vice-Chairman of the Supervisory Board
	LVMH Fashion Group SA	Director
	LVMH Moët Hennessy - Louis Vuitton SA	Director
	Montaigne Finance SAS	Member of the Supervisory Committee
	Semyrhamis SAS	Member of the Supervisory Committee
	Louis Vuitton pour la Création, Fondation d'Entreprise	Director

Other

France	Atos Origin SA	Director
	Carrefour SA	Director
	Les chevaux de Malmain SARL	Manager
	Rothschild & Cie Banque SCS	Member of the Supervisory Board
	Suez Environnement Company SA	Director

MONTAIGNE FINANCE SAS

Date of first appointment: June 2, 1998.

Term of office expires at the end of the 2013 Annual Shareholders' Meeting.

Christian Dior group/Groupe Arnault

France	Financière Agache SA	Director
	GA Placements SA	Director

Mr. Pierre de ANDREA, Permanent representative of Montaigne Finance

Date of birth: September 28, 1959.

Christian Dior group/Groupe Arnault

France	Agache Développement SA	Permanent representative of Financière Agache SA, Director
	CD Investissements SAS	Chairman
	Europimmo SNC	Manager
	Financière Agache SA	Permanent representative of Montaigne Finance SAS, Director
	Foncière du Nord SCI	Manager
	GA Placements SA	Permanent representative of Groupe Arnault SAS, Director
	Goujon Holding SAS	Chairman
	Goujon Participations SAS	Chairman
	Métropole 1850 SNC	Manager
	Montaigne Finance SAS	Member of the Supervisory Committee
	Sadifa SA	Chairman and Chief Executive Officer
	Sanedi SARL	Manager
International	Delcia SA (Luxembourg)	Director
	Escorial Development SA (Luxembourg)	Director
	Fimeris SA (Luxembourg)	Director
	Sanderson International SA (Luxembourg)	Director
	Sophiz Holding SA (Luxembourg)	Director
	Westley International SA (Luxembourg)	Director

10. 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 validated the claims submitted, 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.

11. Subsequent events

No significant subsequent events occurred between December 31, 2011 and April 17, 2012, the date on which the financial statements were approved for publication by the Board of Directors.

12. Recent developments and prospects

Following an exceptional year in 2011, and despite an uncertain economic outlook for Europe, the Financière Agache 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.

Bolstered by its organization's ability to adapt quickly to changing circumstances, and reinforced by the good balance between the Group's different businesses and its wide geographical presence, the Financière Agache group enters 2012 with confidence and continues to set itself the goal of strengthening its leadership position in the worldwide luxury goods market.

Consolidated financial statements

1. Consolidated income statement

(EUR millions, except for earnings per share)	*Notes*	**2011**	**2010**	**2009**
Revenue	*22-23*	**24,615**	**21,112**	**17,744**
Cost of sales		(8,367)	(7,448)	(6,422)
Gross margin		**16,248**	**13,664**	**11,322**
Marketing and selling expenses		(8,903)	(7,542)	(6,422)
General and administrative expenses		(2,031)	(1,795)	(1,547)
Profit from recurring operations	*22-23*	**5,314**	**4,327**	**3,353**
Other operating income and expenses	*24*	(84)	(134)	(162)
Operating profit		**5,230**	**4,193**	**3,191**
Cost of net financial debt		(230)	(241)	(302)
Other financial income and expenses		(93)	756	(92)
Net financial income (expense)	*25*	**(323)**	**515**	**(394)**
Income taxes	*26*	(1,476)	(1,484)	(875)
Income (loss) from investments in associates	*7*	10	41	3
Net profit before minority interests		**3,441**	**3,265**	**1,925**
Minority interests		2,529	2,358	1,404
Net profit, Group share		**912**	**907**	**521**
Basic Group share of net profit per share *(EUR)*	*27*	**287.72**	**286.14**	**164.37**
Diluted Group share of net profit per share *(EUR)*	*27*	**285.51**	**284.57**	**164.05**

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	2011	2010	2009
Net profit before minority interests	**3,441**	**3,265**	**1,925**
Translation adjustments	195	689	(128)
Tax impact	47	89	(20)
	242	**778**	**(148)**
Change in value of available for sale financial assets	1,621	501	254
Amounts transferred to income statement	(66)	35	(22)
Tax impact	(121)	(35)	(26)
	1,434	**501**	**206**
Change in value of hedges of future foreign currency cash flows	68	(16)	129
Amounts transferred to income statement	(165)	(25)	(118)
Tax impact	27	14	(2)
	(70)	**(27)**	**9**
Change in value of vineyard land	25	206	(53)
Tax impact	(11)	(71)	18
	14	**135**	**(35)**
Gains and losses recognized in equity	1,620	1,387	32
Comprehensive income	**5,061**	**4,652**	**1,957**
Minority interests	3,722	3,195	1,325
Comprehensive income, Group share	**1,339**	**1,457**	**632**

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	2011	2010	2009
Brands and other intangible assets – net	*3*	13,786	11,391	10,979
Goodwill – net	*4*	7,857	5,905	5,129
Property, plant and equipment – net	*6*	8,317	7,010	6,349
Investments in associates	*7*	561	681	503
Non-current available for sale financial assets	*8*	6,278	4,149	791
Other non-current assets		1,525	1,704	1,754
Deferred tax	*26*	761	699	555
Non-current assets		**39,085**	**31,539**	**26,060**
Inventories and work in progress	*9*	7,798	6,254	5,911
Trade accounts receivable	*10*	1,945	1,629	1,515
Income taxes		132	105	226
Other current assets	*11*	2,613	2,548	2,391
Cash and cash equivalents	*13*	2,622	2,896	2,859
Current assets		**15,110**	**13,432**	**12,902**
TOTAL ASSETS		**54,195**	**44,971**	**38,962**

Liabilities and equity

	Notes	2011	2010	2009
Share capital		51	51	51
Share premium account		442	442	442
Treasury shares and related derivatives		(12)	(16)	(43)
Revaluation reserves		1,201	836	512
Other reserves		3,952	3,256	2,787
Cumulative translation adjustment		126	64	(162)
Net profit, Group share		912	907	521
Equity, Group share	*14*	6,672	5,540	4,108
Minority interests	*16*	18,110	14,123	11,691
Equity		**24,782**	**19,663**	**15,799**
Long term borrowings	*17*	6,449	6,062	6,955
Non-current provisions	*18*	1,434	1,194	1,002
Deferred taxes	*26*	4,673	4,097	3,863
Other non-current liabilities	*19*	5,014	4,587	3,337
Non-current liabilities		**17,570**	**15,940**	**15,157**
Short term borrowings	*17*	5,168	3,771	3,515
Trade accounts payable		3,012	2,348	1,956
Income taxes		460	451	221
Current provisions	*18*	359	348	355
Other current liabilities	*20*	2,844	2,450	1,959
Current liabilities		**11,843**	**9,368**	**8,006**
TOTAL LIABILITIES AND EQUITY		**54,195**	**44,971**	**38,962**

4. Consolidated statement of changes in equity

(EUR millions)	Share capital: Number of shares	Share capital	Share premium	Treasury shares and related derivatives	Cumulative translation adjustment	Revaluation reserves: Available for sale financial assets	Revaluation reserves: Hedges of future foreign currency cash flows	Revaluation reserves: Vineyard land	Net profit and other reserves	Total equity: Group share	Total equity: Minority interests	Total equity: Total
Notes		*14.1*		*14.2*	*14.4*						*16*	
As of December 31, 2008	**3,173,352**	**51**	**442**	**(46)**	**(115)**	**152**	**7**	**203**	**2,812**	**3,506**	**10,996**	**14,502**
Gains and losses recognized in equity					(39)	156	3	(9)		**111**	(79)	**32**
Net profit									521	**521**	1,404	**1,925**
Comprehensive income					**(39)**	**156**	**3**	**(9)**	**521**	**632**	**1,325**	**1,957**
Stock option plan and similar expenses									18	**18**	34	**52**
(Acquisition)/disposal of treasury shares and related derivatives				3					(16)	**(13)**	(1)	**(14)**
Capital increase in subsidiaries										**-**	29	**29**
Interim and final dividends paid									(23)	**(23)**	(677)	**(700)**
Changes in control of consolidated entities					(8)				8	**-**	11	**11**
Acquisition and disposal of minority interests' shares									(12)	**(12)**	4	**(8)**
Purchase commitments for securities										**-**	(30)	**(30)**
As of December 31, 2009	**3,173,352**	**51**	**442**	**(43)**	**(162)**	**308**	**10**	**194**	**3,308**	**4,108**	**11,691**	**15,799**
Gains and losses recognized in equity					226	296	(2)	30		**550**	837	**1,387**
Net profit									907	**907**	2,358	**3,265**
Comprehensive income					**226**	**296**	**(2)**	**30**	**907**	**1,457**	**3,195**	**4,652**
Stock option plan and similar expenses									19	**19**	34	**53**
(Acquisition)/disposal of treasury shares and related derivatives				27					(23)	**4**	151	**155**
Capital increase in subsidiaries									-	**-**	11	**11**
Interim and final dividends paid									(63)	**(63)**	(793)	**(856)**
Changes in control of consolidated entities									-	**-**	(3)	**(3)**
Acquisition and disposal of minority interests' shares									25	**25**	(44)	**(19)**
Purchase commitments for securities									(10)	**(10)**	(119)	**(129)**
As of December 31, 2010	**3,173,352**	**51**	**442**	**(16)**	**64**	**604**	**8**	**224**	**4,163**	**5,540**	**14,123**	**19,663**

						Revaluation reserves				Total equity		
(EUR millions)	Share capital: Number of shares	Share capital	Share premium	Treasury shares and related derivatives	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, 2010	**3,173,352**	**51**	**442**	**(16)**	**64**	**604**	**8**	**224**	**4,163**	**5,540**	**14,123**	**19,663**
Gains and losses recognized in equity					61	421	(31)	4		**455**	1,165	**1,620**
Net profit									912	**912**	2,529	**3,441**
Comprehensive income					**61**	**421**	**(31)**	**4**	**912**	**1,367**	3,694	**5,061**
Stock option plan and similar expenses									22	**22**	39	**61**
(Acquisition)/disposal of treasury shares and related derivatives				4	-	(1)	-	(1)	14	**16**	96	**112**
Capital increase in subsidiaries									-	-	4	**4**
Interim and final dividends paid									(476)	**(476)**	(906)	**(1,382)**
Changes in control of consolidated entities				-	1	(18)	(1)	(8)	258	**232**	2,112	**2,344**
Acquisition and disposal of minority interests' shares										-	(785)	**(785)**
Purchase commitments for securities									(29)	**(29)**	(267)	**(296)**
As of December 31, 2011	**3,173,352**	**51**	**442**	**(12)**	**126**	**1,006**	**(24)**	**219**	**4,864**	**6,672**	**18,110**	**24,782**

5. Consolidated cash flow statement

(EUR millions)	*Notes*	2011	2010	2009
I - OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,230	4,193	3,191
Net increase in depreciation, amortization and provisions		1,030	806	833
Other computed expenses		(40)	(126)	(37)
Dividends received		69	57	22
Other adjustments		(33)	(2)	(44)
Cash from operations before changes in working capital		**6,256**	**4,928**	**3,965**
Cost of net financial debt: interest paid		(222)	(227)	(330)
Income taxes paid		(1,568)	(908)	(910)
Net cash from operating activities before changes in working capital		**4,466**	**3,793**	**2,725**
Change in trade accounts receivable		(65)	(14)	216
Change in trade accounts payable		339	297	(374)
Change in other receivables and payables		(42)	103	191
Total change in working capital		**(552)**	**270**	**144**
Net cash from operating activities		**3,914**	**4,063**	**2,869**
Purchase of tangible and intangible fixed assets		(1,831)	(1,098)	(783)
Proceeds from sale of tangible and intangible fixed assets		31	34	27
Guarantee deposits paid and other operating investments		(16)	(8)	(6)
Operating investments		**(1,816)**	**(1,072)**	**(762)**
Net cash from operating activities and operating investments (free cash flow)		**2,098**	**2,991**	**2,107**
II - FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets		(563)	(1,790)	(175)
Proceeds from sale of non-current available for sale financial assets	*8*	60	156	56
Impact of purchase and sale of consolidated investments [(a)]	*2.4*	(772)	151	66
Net cash from (used in) financial investments		**(1,275)**	**(1,483)**	**(53)**
III - TRANSACTIONS RELATING TO EQUITY				
Capital increases of subsidiaries subscribed by minority interests[(a)]		98	121	42
Interim and final dividends paid by Financière Agache SA	*14.3*	(475)	(63)	(23)
Interim and final dividends paid to minority interests in consolidated subsidiaries		(908)	(794)	(677)
Purchase and proceeds from sale of minority interests	*2.4*	(1,413)	(185)	-
Net cash from (used in) transactions relating to equity		**(2,698)**	**(921)**	**(658)**
IV - FINANCING ACTIVITIES				
Proceeds from borrowings		3,169	1,181	3,346
Repayment of borrowings		(1,825)	(2,076)	(4,007)
Non-Group current accounts		203	97	367
Purchase and proceeds from sale of current available for sale financial assets		33	(41)	325
Net cash from (used in) financing activities		**1,580**	**(839)**	**31**
V - EFFECT OF EXCHANGE RATE CHANGES		**55**	**170**	**(114)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**(240)**	**(82)**	**1,313**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*13*	**2,478**	**2,560**	**1,247**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*13*	**2,238**	**2,478**	**2,560**
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.

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 April 17, 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 or interpretations applicable to the Group from January 1, 2013 (subject to adoption by the European Union), whose impacts are currently under analysis, are:

- 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 Financière Agache 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, La Belle Jardinière and Le Bon Marché;
- 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 using the equity method.

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 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 the above amount;
- 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 of the reclassified minority interests is recorded in equity, under "Other reserves".

This accounting policy has no effect on the presentation of minority interests within the income statement.

1.11 Property, plant and equipment

With the exception of vineyard land, 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 indefinite useful lives with 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 for each business segment defined as one or several brands or trade names under the responsibility of a dedicated management team. Smaller scale cash generating units, e.g. a group of stores, may be distinguished within a particular business segment. The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments.

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, which prepares three-year forecasts), 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 listed or unlisted securities, shares or units 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 net realizable value at that date in the case of unquoted investments.

Positive or negative changes in value are taken to equity within “Revaluation reserves”. If an impairment loss is judged to be definitive, an impairment is recognized and charged to net financial income/expense; the impairment is only reversed through the income statement at the time of sale of the underlying available for sale financial assets.

1.14 Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price plus incidental costs (raw materials, merchandise).

Wine produced by the Group, especially champagne, is measured at the applicable harvest market value, as if the harvested grapes had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated pro rata temporis on the basis of the estimated yield and market value.

Inventories are valued using the weighted average cost or FIFO methods.

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are 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 its obligation is expected to be deferred by more than one year, the provision amount is discounted, the effects of which are recognized in net financial income/expense using the effective interest rate method.

1.18 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/expense using the effective interest method.

In the case of hedging against fluctuations in the 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. Fair 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 fair value; changes in fair value are recognized within net financial income/expense.

Net financial debt comprises short and long term borrowings, the market value at the 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, and other financial assets, in addition to the market value at the balance sheet date of related foreign exchange derivatives.

See also Note 1.19 regarding the definition of the concepts of effective and ineffective portions.

1.19 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange and interest rate risks.

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered to be effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80 to 125%.

Derivatives are recognized in the balance sheet at their fair value at the 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 Financière Agache, Christian Dior and LVMH treasury shares and related derivatives

Financière Agache treasury shares

Financière Agache shares that are 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 using the FIFO method. Gains and losses on disposal are taken directly to equity.

Christian Dior and LVMH treasury shares and related derivatives

Purchases and sales by Christian Dior and LVMH of their own shares, resulting in changes in percentage holdings of Financière Agache Group in Christian Dior and LVMH, are treated in the consolidated accounts of Financière Agache group as acquisitions and disposals of minority interests.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the percentage of Financière Agache's ownership interest in Christian Dior and LVMH have been taken to equity. As this provision is applied prospectively, goodwill recognized as of December 31, 2009 is maintained as an asset on the balance sheet.

LVMH-share settled derivatives that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity.

1.21 Pensions, reimbursements of medical costs and other employee commitments

When retirement indemnity plans, pensions, 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 payments are deducted from the actuarial commitment recorded in the balance sheet.

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

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 funded plan assets. 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.

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 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 sale 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 is estimated at each period-end based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. 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.

When applicable, diluted earnings per share are calculated, where applicable, based on the weighted average number of shares before dilution. 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 renowned for its expertise in the tanning and finishing of crocodilian leather. Heng Long was fully consolidated by the Group with effect from 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 LVMH 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 acquired in the first quarter of 2011 and 5.9 million shares already held 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 LVMH 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
Non-current provisions	(69)
Current assets	901
Current liabilities	(319)
Net financial debt	(24)
Deferred taxes	(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 millions 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 the remaining 35% stake to the Group, 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

During fiscal year 2009, there were no significant changes in the percentage of interest in consolidated entities.

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	(2,383)	(376)	(94)
Positive cash balance/(net overdraft) of companies acquired	174	(10)	1
Proceeds from sale of consolidated investments	29	357	159
(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	(2,185)	(34)	66

- 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 break down as follows:
  - 185 million euros for the acquisition of minority interests in the Samaritaine real estate complex;
  - 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 break 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 changes in the percentage interest of consolidated entities break down as follows:

- 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 adjustments**	**2011 Pro forma consolidated income statement**
Revenue	24,615	664	25,279
Profit from recurring operations	5,314	40	5,354

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	11,476	(334)	11,142	8,999	8,761
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	446	(228)	218	132	122
TOTAL	16,572	(2,786)	13,786	11,391	10,979
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	9,309	3,339	1,184	**13,832**
Acquisitions	-	-	265	**265**
Disposals and retirements	-	-	(33)	**(33)**
Changes in the scope of consolidation	2,106	12	211	**2,329**
Translation adjustment	61	99	17	**177**
Reclassifications	-	-	2	**2**
AS OF DECEMBER 31, 2011	**11,476**	**3,450**	**1,646**	**16,572**

Amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**TOTAL**
As of December 31, 2010	**(310)**	**(1,362)**	**(769)**	**(2,441)**
Amortization expense	(22)	(1)	(159)	(182)
Impairment expense	-	-	(1)	(1)
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	**(334)**	**(1,406)**	**(1,046)**	**(2,786)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2011	**11,142**	**2,044**	**600**	**13,786**

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 433 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	**8,702**	**1,909**	**370**	**10,981**
Acquisitions	-	-	83	83
Disposals and retirements	-	-	(1)	(1)
Changes in the scope of consolidation	94	-	2	96
Amortization expense	(22)	-	(101)	(123)
Impairment expense	-	-	-	-
Translation adjustment	(1)	(56)	-	(57)
Other movements	(12)	-	12	-
As of December 31, 2009	**8,761**	**1,853**	**365**	**10,979**
Acquisitions	1	-	139	140
Disposals and retirements	-	-	(13)	(13)
Changes in the scope of consolidation	(2)	-	4	2
Amortization expense	(24)	-	(109)	(133)
Impairment expense	-	-	-	-
Translation adjustment	263	124	29	416
AS OF DECEMBER 31, 2010	**8,999**	**1,977**	**415**	**11,391**

Changes in the scope of consolidation for the year ended December 31, 2009 are mainly attributable to the recognition of the Royal Van Lent-Feadship brand in the amount of 92 million euros.

3.3 Brand 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	12	-	12	12	12
Wines and Spirits	2,804	(47)	2,757	2,762	2,754
Fashion and Leather Goods	3,617	(227)	3,390	3,381	3,357
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	**14,926**	**(1,740)**	**13,186**	**10,976**	**10,614**

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 champagnes, Veuve Clicquot, Krug, Château d'Yquem, 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 and Le Bon Marché, Ile de Beauté and Ole Henriksen;
- Other activities: the publications of the media group Les Echos-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 37% of total brands and trade names capitalized in the balance sheet and 63% 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	7,122	(1,081)	6,041	4,284	4,190
Goodwill arising on purchase commitments for minority interests	1,816	-	1,816	1,621	939
TOTAL	**8,938**	**(1,081)**	**7,857**	**5,905**	**5,129**

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	6,947	(1,042)	5,905	5,129	5,346
Changes in the scope of consolidation	1,743	-	1,743	22	(66)
Changes in purchase commitments for minority interests	203	-	203	701	(95)
Changes in impairment	-	(20)	(20)	(34)	(35)
Translation adjustment	43	(19)	24	87	(21)
Reclassifications	2	-	2	-	-
AS OF DECEMBER 31	**8,938**	**(1,081)**	**7,857**	**5,905**	**5,129**

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 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 in the amount of 46 million euros.

Changes in the scope of consolidation in 2009 were attributable to the allocation of the 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	8.0	2.0	8.0	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 plans** *(percentage)*	**Period covered by the forecast cash flows**
Louis Vuitton	2,058	404	2,462	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	**1249**	**(68)**	**(44)**

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

		2011			2010	2009
(EUR millions)		Gross	Depreciation and impairment	Net	Net	Net
Land		1,071	-	1,071	1,042	940
Vineyard land and producing vineyards		1,923	(98)	1,825	1,787	1,570
Buildings		2,615	(1,148)	1,467	1,063	970
Investment property		605	(68)	537	299	288
Machinery and equipment		5,803	(3,821)	1,982	1,716	1,657
Other tangible fixed assets (including assets in progress)		2,057	(622)	1,435	1,103	924
Total		**14,074**	**(5,757)**	**8,317**	**7,010**	**6,349**
o/w:	assets held under finance leases	265	(147)	118	118	140
	historical cost of vineyard land and producing vineyards	608	(98)	510	497	490

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	**1,878**	**3,008**	**361**	**4,909**	**1,749**	**11,905**
Acquisitions	18	312	237	514	609	1,690
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	1	16	(2)	334	(325)	24
AS OF DECEMBER 31, 2011	**1,923**	**3,686**	**605**	**5,803**	**2,057**	**14,074**

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)**	**(903)**	**(62)**	**(3,193)**	**(646)**	**(4,895)**
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	-	(124)	129	**7**
AS OF DECEMBER 31, 2011	**(98)**	**(1,148)**	**(68)**	**(3,821)**	**(622)**	**(5,757)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2011	**1,825**	**2,538**	**537**	**1,982**	**1,435**	**8,317**

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**	**294**	**1,641**	**886**	**6,347**
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	2	14	-	-	(3)	13
Translation adjustment	3	(24)	(3)	(11)	(5)	(40)
Other, including transfers	8	28	(2)	150	(193)	(9)
As of December 31, 2009	**1,570**	**1,910**	**288**	**1,657**	**924**	**6,349**
Acquisitions	5	159	3	363	413	943
Disposals and retirements	(2)	(4)	(1)	(11)	(11)	(29)
Depreciation expense	(6)	(75)	(5)	(499)	(107)	(692)
Impairment expense	-	-	-	-	-	-
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	19	6	119	(146)	1
AS OF DECEMBER 31, 2010	**1,787**	**2,105**	**299**	**1,716**	**1,103**	**7,010**

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 these investments, 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	**681**	**-**	**681**	**503**	**435**
Share of net profit (loss) for the period	10	-	10	41	3
Dividends paid	(20)	-	(20)	(39)	(9)
Changes in the scope of consolidation	(57)	-	(57)	-	(63)
Capital increase / reduction	3	-	3	(14)	-
Translation adjustment	7	-	7	8	(5)
Impact of revaluation adjustments	(63)	-	(63)	182	142
SHARE OF NET ASSETS OF ASSOCIATES AS OF DECEMBER 31	**561**	**-**	**561**	**681**	**503**

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

- a 40% equity stake in Mongoual SA, a real estate company that owns a building in Paris (France), which serves as 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.
- a 40% equity stake in Le Peigné SA, whose registered office is located in Brussels, Belgium;
- a 50% equity stake in Société Civile Viticole Cheval Blanc, based at Saint Emilion, France;

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

(EUR millions)	2011			2010	2009
	Gross	**Impairment**	**Net**	**Net**	**Net**
TOTAL	6,845	(567)	**6,278**	**4,149**	**791**

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	**4,149**	**3,345**	**791**	**573**
Acquisitions	542	427	2,822	171
Proceeds from disposals at net realized value	(57)		(157)	(45)
Changes in market value	1,646	1,666	(85)	97
Changes in impairment	(7)	-	(13)	(24)
Reclassifications from Other non-current assets to Non-current available for sale financial assets	-	-	775	-
Other reclassifications	(7)	-	(3)	29
Changes in the scope of consolidation	6	-	-	(2)
Translation adjustment	6	-	19	(8)
AS OF DECEMBER 31	**6,278**	**5,438**	**4,149**	**791**

Other tangible fixed assets (including assets in progress) Total As of December 31, 2011, non-current available for sale financial 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]	65.8%	169	9	-	257	(e)	14	(e)
L Capital 2 FCPR (France) [b]	18.5%	54	4	-	336	(e)	(6)	(e)
Sociedad Textil Lonia SA (Spain) [b]	25.0%	27	22	2	121	(d)	35	(d)
Other investments		453	74	12	-		-	
TOTAL		**6,278**	**2,187**	**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	3,390	3,224	3,177
Other raw materials and work in progress	1,320	770	741
	4,710	**3,994**	**3,918**
Goods purchased for resale	962	796	657
Finished products	2,903	2,165	2,007
	3,865	**2,961**	**2,664**
GROSS AMOUNT	**8,575**	**6,955**	**6,582**
Provision for impairment	(777)	(701)	(671)
NET AMOUNT	**7,798**	**6,254**	**5,911**

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	**6,955**	**(701)**	**6,254**	**5,911**	**6,079**
Change in gross inventories	786	-	786	117	(110)
Fair value adjustment for the harvest of the period	14	-	14	(3)	13
Changes in impairment	-	(64)	(64)	10	(56)
Changes in the scope of consolidation	694	-	694	(39)	27
Translation adjustment	152	(12)	140	265	(31)
Reclassifications	(26)	-	(26)	(7)	(11)
AS OF DECEMBER 31	**8,575**	**(777)**	**7,798**	**6,254**	**5,911**

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 RECEIVABLES

(EUR millions)	**2011**	**2010**	**2009**
Trade accounts receivable – nominal amount	2,179	1,839	1,737
Provision for impairment	(69)	(62)	(68)
Provision for product returns	(165)	(148)	(154)
NET AMOUNT	**1,945**	**1,629**	**1,515**

The amount of the impairment expense in 2011 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 receivable auxiliary balance is comprised primarily of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. Credit insurance is taken out whenever the likelihood that receivables may not be recoverable is justified on reasonable grounds.

As of 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	1,810	(13)	1,797
more than 3 months	108	(2)	106
	1,918	**(15)**	**1,903**
Overdue			
less than 3 months	168	(7)	161
more than 3 months	93	(47)	46
	261	**(54)**	**207**
TOTAL	**2,179**	**(69)**	**2,110**

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	167	255	244
Market value of derivatives	149	428	302
Tax accounts receivable, excluding income taxes	481	276	207
Advances and payments on account to vendors	168	147	117
Prepaid expenses	266	203	185
Other receivables – net	1,382	1,239	1,336
TOTAL	**2,613**	**2,548**	**2,391**

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	15	34	73
Listed securities	152	221	171
TOTAL	**167**	**255**	**244**
Of which: historical cost of current available for sale financial assets	192	319	363

The net value of current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	**2011**	**2010**	**2009**
As of January 1	**255**	**244**	**618**
Acquisitions	256	66	42
Proceeds from disposals at net realized value	(295)	(107)	(381)
Changes in market value	15	73	60
Changes in impairment	(1)	(26)	(31)
Reclassifications from/(as) Non-current available for sale financial assets [(a)]	7	-	(59)
Net impact of changes in the scope of consolidation [(b)]	(72)	-	(1)
Translation adjustment	2	5	(4)
AS OF DECEMBER 31	**167**	**255**	**244**

(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)	610	817	216
SICAV and FCP money market funds	202	385	360
Ordinary bank accounts	1,810	1,694	2,283
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**2,622**	**2,896**	**2,859**

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	2,622	2,896	2,859
Bank overdrafts	(384)	(418)	(299)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**2,238**	**2,478**	**2,560**

NOTE 14 - EQUITY

14.1 Share capital

As of December 31, 2011, issued and fully paid-up shares totaled 3,173,352 (3,173,352 shares as of December 31, 2010 and December 31, 2009), with a par value of 16 euros per share, including 3,169,487 shares with double voting rights. Double voting rights are granted to registered shares held for more than two years (3,169,544 as of December 31, 2010, 2,819,394 as of December 31, 2009).

14.2 Treasury shares and related derivatives

The impact on the net assets of the Group of the Financière Agache shares and LVMH-share settled derivatives held within the framework of stock option plans breaks down as follows:

(EUR millions)	**2011**	**2010**	**2009**
Financière Agache treasury shares	4	4	4
Financière Agache's share in LVMH-share settled derivatives [(a)]	8	12	39
TREASURY SHARES AND RELATED DERIVATIVES	12	16	43

(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.

14.3 Dividends paid by the parent company Financière Agache

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 3,499 million euros; after taking into account the proposed dividend distribution in respect of the 2011 fiscal year, the amount available for distribution is 3,499 million euros.

(EUR millions, except for data per share in EUR)	**2011**	**2010**	**2009**
Interim dividend for the current year (2011: 125 euros)	396	-	-
Impact of treasury shares	-	-	-
	396	**-**	**-**
Final dividend for the previous year (2010: 25 euros; 2009: 20 euros; 2008: 7.12 euros)	79	63	23
Impact of treasury shares	-	-	-
	79	**63**	**23**
TOTAL GROSS AMOUNT DISBURSED DURING THE PERIOD [(a)]	**475**	**63**	**23**

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

As the gross amount of the dividend in respect of 2011, as proposed to the Shareholders' Meeting of May 30, 2012 amounts to 125.00 euros per share and an interim dividend payment of 125.00 euros per share was distributed on December 21, 2011, there is no remaining balance due in respect of 2011.

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, break down as follows by currency:

(EUR millions)	**2011**	**Change**	**2010**	**2009**
US dollar	(20)	29	(49)	(157)
Swiss franc	130	9	121	30
Japanese yen	58	16	42	11
Hong Kong dollar	28	15	13	(5)
Pound sterling	(17)	7	(24)	(28)
Other currencies	22	6	16	(12)
Foreign currency net investment hedges	(75)	(20)	(55)	(1)
TOTAL, GROUP SHARE	**126**	**62**	**64**	**(162)**

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 considerable 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 - EXPENSE FOR STOCK OPTION PLANS DURING THE YEAR

As of December 31, 2011, there were no stock option plans granted by Financière Agache.

Expense for the year

(EUR millions)	**2011**	**2010**	**2009**
Christian Dior share purchase option plans and bonus share plans	9	9	6
LVMH share subscription and share purchase option plans, LVMH bonus share plans	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 YEAR	**62**	**59**	**59**

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	**14,123**	**11,691**	**10,996**
Minority interests' share of net profit	2,529	2,358	1,404
Dividends paid to minority interests	(906)	(793)	(677)
Effects of changes in control of consolidated entities:			
• impact of treasury shares held by subsidiaries	96	151	(1)
• consolidation of Bulgari	2,094	-	-
• consolidation of Heng Long	18	-	-
• other movements	-	(3)	11
Effects of acquisitions and disposals of minority interests:			
• acquisition of minority interests in the Samaritaine	-	(104)	-
• acquisition of minority interests in Bulgari	(771)	-	-
• other movements	(14)	60	4
Total impact of changes in the percentage of interest in consolidated entities	**1,423**	**104**	**14**
Capital increases subscribed by minority interests	4	11	29
Minority interests' share in gains and losses recognized in equity	1,165	837	(79)
Minority interests' share in stock option plan expenses	39	34	34
Effects of purchase commitments for minority interests	(267)	(119)	(30)
AS OF DECEMBER 31	**18,110**	**14,123**	**11,691**

The change in minority interests' share in gains and losses recognized in equity including the effect of tax 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	**(334)**	**93**	**45**	**547**	**351**
Changes for the year	(108)	51	4	(26)	(79)
As of December 31, 2009	**(442)**	**144**	**49**	**521**	**272**
Changes for the year	552	205	(25)	105	837
As of December 31, 2010	**110**	**349**	**24**	**626**	**1,109**
Changes for the year	181	1,013	(39)	10	1,165
Changes due to treasury shares and the Bulgari contribution	(1)	19	1	9	28
AS OF DECEMBER 31, 2011	**290**	**1,381**	**(14)**	**645**	**2,302**

NOTE 17 - BORROWINGS

17.1 Net financial debt

(EUR millions)	2011	2010	2009
Long term borrowings	6,449	6,062	6,955
Short term borrowings	5,168	3,771	3,515
Gross amount of borrowings	**11,617**	**9,833**	**10,470**
Interest rate risk derivatives	(143)	(89)	(87)
Other derivatives	1	5	6
Gross borrowings after derivatives	**11,475**	**9,749**	**10,389**
Current available for sale financial assets	(167)	(255)	(244)
Other financial assets	(72)	(72)	(115)
Cash and cash equivalents	(2,622)	(2,896)	(2,859)
NET FINANCIAL DEBT	**8,614**	**6,526**	**7,171**

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)	4,260	3,798	4,421
Finance and other long term leases	135	132	122
Bank borrowings	2,054	2,132	2,412
LONG TERM BORROWINGS	**6,449**	**6,062**	**6,955**
Bonds and Euro Medium Term Notes (EMTNs)	1,209	1,015	833
Finance and other long term leases	19	17	23
Bank borrowings	607	624	657
Commercial paper	2,105	929	805
Other borrowings and credit facilities	721	668	784
Bank overdrafts	384	418	299
Accrued interest	123	100	114
SHORT TERM BORROWINGS	**5,168**	**3,771**	**3,515**
TOTAL GROSS BORROWINGS	**11,617**	**9,833**	**10,470**
MARKET VALUE OF GROSS BORROWINGS	**11,779**	**10,007**	**10,672**

17.3 Bonds and EMTNs

Nominal amount *(currency)*	Date of issuance	Maturity	Initial effective tax rate *(as %)* [a]	2011 *(EUR millions)*	2010 *(EUR millions)*	2009 *(EUR millions)*
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 225,000,000	2010	2015	5.13	225	225	-
EUR 1,000,000,000	2009	2014	4.52	1033	1021	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]
EUR 110,000,000	2005	2010	3.85	-	-	110
Public bond issues				**4123**	**3722**	**4216**
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 euros				450	450	450
Private placements in foreign currencies				472	231	188
Private placements (EMTNs)				**1346**	**1,091**	**1,038**
TOTAL BONDS AND EMTN				**5469**	**4,813**	**5,254**

(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 rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity									
2012	2,978	2,190	5,168	(1,751)	1,747	(4)	1,227	3,937	5,164
2013	596	1,942	2,538	84	(84)	-	680	1,858	2,538
2014	1,462	160	1,622	(1,000)	936	(64)	462	1,096	1,558
2015	1,187	6	1,193	(392)	341	(51)	795	347	1,142
2016	304	3	307	233	(230)	3	537	(227)	310
Thereafter	788	1	789	(150)	124	(26)	638	125	763
TOTAL	**7,315**	**4,302**	**11,617**	**(2,976)**	**2,834**	**(142)**	**4,339**	**7,136**	**11,475**

See Note 21.4 regarding the 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	2,947
Second quarter	1,065
Third quarter	539
Fourth quarter	617
TOTAL	**5,168**

17.5 Analysis of gross borrowings by currency after derivatives

(EUR millions)	2011	2010	2009
Euro	9,060	7,449	8,263
US dollar	609	541	526
Swiss franc	981	984	797
Japanese yen	410	329	340
Other currencies	415	446	463
TOTAL	**11,475**	**9,749**	**10,389**

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 72 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 89 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 72 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 89 million euros after hedging.

17.7 Covenants

As is normal practice for syndicated loans, the Financière Agache 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 6.1 billion euros.

17.9 Guarantees and collateral

As of December 31, 2011, borrowings hedged by collateral were less than 850 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	1,123	907	732
Provisions for reorganization	21	20	25
Non-current provisions	**1,434**	**1,194**	**1,002**
Provisions for pensions, medical costs and similar commitments	12	10	9
Provisions for contingencies and losses	303	281	262
Provisions for reorganization	44	57	84
Current provisions	**359**	**348**	**355**
TOTAL	**1,793**	**1,542**	**1,357**

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	1,188	315	(100)	(78)	58	43	1,426
Provisions for reorganization	77	22	(33)	(3)	2	-	65
TOTAL	**1,542**	**391**	**(189)**	**(83)**	**81**	**51**	**1,793**
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 derivatives	513	645	273
Employee profit sharing [(a)]	88	89	81
Other liabilities	217	166	140
TOTAL	**5,014**	**4,587**	**3,337**

(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 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 derivatives	269	349	98
Employees and social institutions	906	725	608
Employee profit sharing [(a)]	86	72	67
Taxes other than income taxes	394	322	258
Advances and payments on account from customers	162	195	223
Deferred payment for tangible and financial non-current assets	291	184	190
Deferred income	111	76	61
Other liabilities	625	527	454
TOTAL	**2,844**	**2,450**	**1,959**

(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 strict 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 that 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 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*	6,278	6,278	4,149	4,149	791	791
Current available for sale financial assets	*12*	167	167	255	255	244	244
Available for sale financial assets (see Note 1.13)		**6,445**	**6,445**	**4,404**	**4,404**	**1,035**	**1,035**
Other non-current assets, excluding derivatives		894	894	997	997	1,362	1,362
Trade accounts receivable	*10*	1,945	1,945	1,629	1,629	1,515	1,515
Other current assets [(a)]	*11*	2,031	2,031	1,662	1,662	1,660	1,660
Loans and receivables (see Note 1.15)		**4,870**	**4,870**	**4,288**	**4,288**	**4,537**	**4,537**
Cash and cash equivalents (see Note 1.16)	*13*	2,622	2,622	2,896	2,896	2,859	2,859
Financial assets, excluding derivatives		**13,937**	**13,937**	**11,588**	**11,588**	**8,431**	**8,431**
Long term borrowings	*17*	6,449	6,602	6,062	6,226	6,955	7,154
Short term borrowings	*17*	5,168	5,177	3,771	3,781	3,515	3,518
Trade accounts payable		3,012	3,012	2,348	2,348	1,956	1,956
Other non-current liabilities [(b)]	*19*	305	305	255	255	221	221
Other current liabilities [(c)]	*20*	2,464	2,464	2,025	2,025	1,800	1,800
Financial liabilities, excluding derivatives (see Note 1.18)		**17,398**	**17,560**	**14,461**	**14,635**	**14,447**	**14,649**
Derivatives (see Note 1.19)	*21.3*	**(2)**	**(2)**	**141**	**141**	**323**	**323**

(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			2,010			2,009		
(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	5,758	-	2,622	3,784	-	2,896	380	-	2,859
Calculation formula based on market data	113	780	-	121	1,135	-	193	694	-
Private quotations	574	-	-	499	-	-	462	-	-
Other	-	-	-	-	-	-	-	-	-
ASSETS	**6,445**	**780**	**2,622**	**4,404**	**1,135**	**2,896**	**1,035**	**694**	**2,859**
Valuation based on:									
Published price quotations		-			-			-	
Calculation formula based on market data		782			994			371	
Private quotations		-			-			-	
LIABILITIES		**782**			**994**			**371**	

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

Published price quotations	Level 1
Calculation 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	**499**
Acquisitions	83
Proceeds from disposals (at net realized value)	(56)
Gains and losses recognized in the income statement	2
Gains and losses recognized in equity	46
AS OF DECEMBER 31	**574**

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	47	49
	current		59	67	90
Liabilities:	non-current		(17)	(1)	(21)
	current		(12)	(24)	(31)
		21.4	**143**	**89**	**87**
Foreign exchange risk					
Assets:	non-current		2	9	6
	current		83	139	211
Liabilities:	non-current		(8)	(5)	(1)
	current		(257)	(122)	(57)
		21.5	**(180)**	**21**	**159**
Other risks					
Assets:	non-current		516	651	337
	current		7	222	1
Liabilities:	non-current		(488)	(639)	(251)
	current		-	(203)	(10)
			35	**31**	**77**
Total					
Assets:	non-current		631	707	392
	current	*11*	149	428	302
Liabilities:	non-current	*19*	(513)	(645)	(273)
	current	*20*	(269)	(349)	(98)
			(2)	**141**	**323**

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	-	744	-	744	(16)	(8)	(24)
- floating rate payer	1,752	1,841	150	3,743	164	4	168
- floating rate / floating rate	130	277	-	407	-	-	-
Foreign currency swaps	-	386	-	386	-	(1)	(1)
TOTAL					**148**	**(5)**	**143**

(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	Thereafter	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	172	787	(5)	(38)	-	(8)	(51)
GBP	32	17	-	49	(1)	(1)	-	-	(2)
Other	88	73	-	161	(3)	-	-	1	(2)
	590	**629**	**172**	**1,392**	**(21)**	**(41)**	**-**	**(8)**	**(70)**
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)**	**32**	**(180)**

(a) Gain/(loss).
(b) Sale/(purchase).

The impact on the income statement of gains and losses on hedges of future cash flows as well as the future cash flows hedged by these instruments will be recognized in 2012; the amount will depend on exchange rates at this date.

The impact on 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 10% change 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 option, 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 had 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 2013 and 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 products, 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 of less than 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 (2.1 billion euros) or (b) by comparing the amount of the short term portion of its net financial debt before hedging (5.2 billion euros) to the amount of cash and cash equivalents (2.6 billion euros), thus a difference of 2.6 billion euros as of December 31, 2011. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 6.1 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to raise long term borrowings, the diversity of its investor base (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	1,387	623	1,721	1,203	339	679	5,952
Bank borrowings	656	1,818	234	11	5	10	2,734
Other borrowings and credit facilities	736	-	-	-	-	-	736
Finance and other long term leases	25	24	21	18	16	354	458
Commercial paper	2,105	-	-	-	-	-	2,105
Bank overdrafts	384	-	-	-	-	-	384
Gross amount of borrowings	**5,293**	**2,465**	**1,976**	**1,232**	**360**	**1,043**	**12,369**
Other financial liabilities [(a)]	2,769	-	-	-	-	-	2,769
Trade accounts payable	3,012	-	-	-	-	-	3,012
Other financial liabilities	**5,781**	**-**	**-**	**-**	**-**	**-**	**5,781**
TOTAL FINANCIAL LIABILITIES	**11,074**	**2,465**	**1,976**	**1,232**	**360**	**1,043**	**18,150**

(a) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 2,464 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 commitments. 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 – are each headed by a specific management team and comprise brands dealing with the same category of products that use similar production and distribution processes. The Selective Retailing business group comprises the Group's own-label retailing activities. Other and holding companies comprise brands and other businesses that are not associated with any of the above-mentioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

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 compan-ies**	**Elimin-ations and not allocated** [a]	**TOTAL**
Sales outside the Group	987	3,498	8,671	2,850	1,900	6,413	296	-	**24,615**
Sales between business groups	13	13	41	345	49	23	19	(503)	-
TOTAL REVENUE	**1,000**	**3,511**	**8,712**	**3,195**	**1,949**	**6,436**	**315**	**(503)**	**24,615**
Profit from recurring operations	85	1,092	3,075	348	265	716	(229)	(38)	5,314
Other operating income and expenses	(2)	(16)	(26)	(2)	(6)	(26)	(6)	-	(84)
Purchase of tangible and intangible fixed assets [b]	89	166	496	145	169	235	655	-	1,955
Depreciation and amortization expense	59	92	349	105	82	209	35	-	931
Impairment expense	-	-	-	-	-	5	14	-	19
Brands, trade names, licenses and goodwill [c]	42	4,802	4,690	1,643	5,420	2,905	1,542	-	21,044
Inventories	171	3,896	1,030	337	1,118	1,181	193	(128)	7,798
Other operating assets	538	2,828	2,304	799	1,043	1,610	3,283	12,948 [d]	25,353
TOTAL ASSETS	**751**	**11,526**	**8,024**	**2,779**	**7,581**	**5,696**	**5,018**	**12,820**	**54,195**
Equity	-	-	-	-	-	-	-	24,782	24,782
Operating liabilities	243	1,259	1,708	1,019	672	1,496	775	22,241 [e]	29,413
TOTAL LIABILITIES AND EQUITY	**243**	**1,259**	**1,708**	**1,019**	**672**	**1,496**	**775**	**47,023**	**54,195**

Data for fiscal year 2011 integrate data for Bulgari, which has been fully consolidated since June 30, 2011. Given the unique profile of Bulgari's management and of the Bulgari brand, and the fact that most of the business involves manufacturing and distributing watches and jewelry, all of Bulgari's activities, including its 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 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	3,241	7,549	2,805	964	5,359	381	-	**21,112**
Sales between business groups	13	9	32	271	21	19	29	(394)	-
TOTAL REVENUE	**826**	**3,250**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,112**
Profit from recurring operations	35	919	2,555	332	128	536	(159)	(19)	4,327
Other operating income and expenses	(14)	(21)	-	(39)	(3)	(26)	(31)	-	(134)
Purchase of tangible and intangible fixed assets [(b)]	98	93	351	112	47	194	188	-	1,083
Depreciation and amortization expense	54	97	304	106	29	201	34	-	825
Impairment expense	-	-	1	-	-	17	16	-	34
Brands, trade names, licenses and goodwill [(c)]	40	4,608	4,630	1,628	1,709	2,729	1,539	-	16,883
Inventories	148	3,615	770	275	403	935	196	(88)	6,254
Other operating assets	473	2,700	2,034	686	336	1,485	2,539	11,581 [(d)]	21,834
TOTAL ASSETS	**661**	**10,923**	**7,434**	**2,589**	**2,448**	**5,149**	**4,274**	**11,493**	**44,971**
Equity	-	-	-	-	-	-	-	19,663	19,663
Operating liabilities	190	1,069	1,334	971	221	1,188	942	19,393 [(e)]	25,308
TOTAL LIABILITIES AND EQUITY	**190**	**1,069**	**1,334**	**971**	**221**	**1,188**	**942**	**39,056**	**44,971**

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	2,731	6,273	2,519	747	4,517	256	-	**17,744**
Sales between business groups	16	8	29	222	17	16	22	(330)	-
TOTAL REVENUE	**717**	**2,739**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,744**
Profit from recurring operations	13	760	1,986	291	63	388	(146)	(2)	3,353
Other operating income and expenses	(11)	(41)	(41)	(17)	(32)	(19)	(3)	2	(162)
Purchase of tangible and intangible fixed assets [(b)]	34	96	284	96	26	182	91	-	809
Depreciation and amortization expense	45	90	258	99	27	175	42	-	736
Impairment expense	-	-	-	20	-	5	11	(1)	35
Brands, trade names, licenses and goodwill [(c)]	41	4,007	4,537	1,635	1,447	2,522	1,569	-	15,758
Inventories	158	3,537	701	226	369	738	248	(66)	5,911
Other operating assets	410	2,540	1,855	644	257	1,342	2,243	8,002 [(d)]	17,293
TOTAL ASSETS	**609**	**10,084**	**7,093**	**2,505**	**2,073**	**4,602**	**4,060**	**7,936**	**38,962**
Equity	-	-	-	-	-	-	-	15,799	15,799
Operating liabilities	171	1,013	1,137	805	176	1,001	497	18,363 [(e)]	23,163
TOTAL LIABILITIES AND EQUITY	**171**	**1,013**	**1,137**	**805**	**176**	**1,001**	**497**	**34,162**	**38,962**

(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	2,999	2,836	2,596
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	**24,615**	**21,112**	**17,744**

Purchases of tangible and intangible fixed assets by geographic region are as follows:

(EUR millions)	**2011**	**2010**	**2009**
France	714	397	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
Purchases of tangible and intangible fixed assets	**1,955**	**1,083**	**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	759	2,029	803	261	1,421	75	(108)	5,461
Second quarter	224	670	1,942	715	315	1,410	83	(105)	5,254
Third quarter	260	868	2,218	793	636	1,547	74	(135)	6,261
Fourth quarter	295	1,214	2,523	884	737	2,058	83	(155)	7,639
TOTAL 2011	**1,000**	**3,511**	**8,712**	**3,195**	**1,949**	**6,436**	**315**	**(503)**	**24,615**
First quarter	180	635	1,729	736	204	1,181	77	(94)	4,648
Second quarter	193	658	1,787	705	239	1,238	75	(90)	4,805
Third quarter	221	846	1,948	805	244	1,294	68	(99)	5,327
Fourth quarter	232	1,111	2,117	830	298	1,665	190	(111)	6,332
TOTAL 2010	**826**	**3,250**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,112**
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	978	1,765	770	231	1,366	80	(91)	5,298
TOTAL 2009	**717**	**2,739**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,744**

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	24,195	20,714	17,394
Royalties and license revenue	168	154	124
Income from investment property	34	81	75
Other revenue	218	163	151
TOTAL	**24,615**	**21,112**	**17,744**

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	3,319
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	3,196
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**	**3,319**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	**2011**	**2010**	**2009**
Net gains (losses) on disposal of fixed assets	(3)	(34)	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 fixed assets	(43)	(57)	(61)
Other items – net	(2)	(4)	(13)
OTHER OPERATING INCOME AND EXPENSES	**(84)**	**(134)**	**(162)**

In 2011, 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	(326)	(294)	(366)
Income from cash, cash equivalents and current available for sale financial assets	99	54	63
Fair value adjustment of borrowings and interest rate hedges	(3)	(1)	1
Cost of net financial debt	**(230)**	**(241)**	**(302)**
Dividends received from non-current available for sale financial assets	54	16	12
Ineffective portion of foreign currency hedges	(114)	(107)	(43)
Net gain/(loss) related to available for sale financial assets and other financial instruments	(1)	865	(36)
Other items – net	(32)	(18)	(25)
Other financial income and expenses	**(93)**	**756**	**(92)**
NET FINANCIAL INCOME (EXPENSE)	**(323)**	**515**	**(394)**

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	38	15	15
Interest from current available for sale financial assets	61	39	48
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**99**	**54**	**63**

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)	(16)	(20)
Hedging instruments	62	14	24
Unallocated derivatives	(1)	1	1
Debt recognized in accordance with the fair value option	1	-	(4)
FAIR VALUE ADJUSTMENT OF BORROWINGS AND INTEREST RATE HEDGES	**(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	(144)	(125)	(53)
Financial cost of foreign-currency denominated net asset hedges	24	(9)	12
Change in the fair value of unallocated derivatives	6	27	(2)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(114)**	**(107)**	**(43)**

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	(1,702)	(1,512)	(792)
Current income taxes relating to previous fiscal years	(2)	(6)	2
Current income taxes	**(1,704)**	**(1,518)**	**(790)**
Change in deferred income taxes	169	32	(85)
Impact of changes in tax rates on deferred income taxes	59	2	
Deferred income taxes	**228**	**34**	**(85)**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(1,476)**	**(1,484)**	**(875)**
Tax on items recognized in equity	**(58)**	**(3)**	**(30)**

The effective tax rate is as follows:

(EUR millions)	2011	2010	2009
Profit before tax	4,907	4,708	2,797
Total income tax expense	(1,476)	(1,484)	(875)
EFFECTIVE TAX RATE	**30.1%**	**31.5%**	**31.3%**

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	761	699	555
Deferred tax liabilities	(4,673)	(4,097)	(3,863)
NET DEFERRED TAX	**(3,912)**	**(3,398)**	**(3,308)**

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)	(6.7)
Tax losses and tax loss carry forwards	0.2	0.4	0.3
Difference between consolidated and taxable income, and income taxable at reduced rates	2.5	1.9	2.8
Withholding taxes	0.3	0.5	0.5
EFFECTIVE TAX RATE OF THE GROUP	**30.1**	**31.5**	**31.3**

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	39	(68)	(12)
Other revaluation adjustments	(4)	4	(11)
Gains and losses on financial and current 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	2
Losses carried forward	(18)	(10)	(42)
TOTAL	**228**	**34**	**(85)**

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance leases.

In equity

(EUR millions)	**2011**	**2010**	**2009**
Fair value adjustment of vineyard land	(11)	(71)	18
Gains and losses on financial and current available for sale financial assets	(97)	(22)	-
Gains and losses on hedges of future foreign currency cash flows	27	14	(2)
TOTAL	**(81)**	**(79)**	**16**

In the balance sheet

(EUR millions)	**2011** [(b)]	**2010** [(b)]	**2009** [(b)]
Valuation of brands	(3,977)	(3,072)	(3,152)
Fair value adjustment of vineyard land	(567)	(556)	(484)
Other revaluation adjustments	(365)	(361)	(321)
Gains and losses on financial and current 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)]	394	59	185
Losses carried forward	80	73	79
TOTAL	**(3,912)**	**(3,398)**	**(3,308)**

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance leases.
(b) Assets/(liabilities).

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.

  With effect from January 1, 2004, the entire Financière Agache tax consolidation group has been included in the tax consolidation group of Groupe Arnault SAS.

  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)*	912	907	521
Impact of diluting instruments on subsidiaries	(7)	(5)	(1)
NET PROFIT, GROUP SHARE AFTER DILUTION	**905**	**902**	**520**
Average number of shares in circulation during the fiscal year	3,173,352	3,173,352	3,173,352
Average number of Financière Agache treasury shares owned during the fiscal year	(3,619)	(3,619)	(3,619)
Average number of shares on which the calculation before dilution is based	**3,169,733**	**3,169,733**	**3,169,733**
BASIC GROUP SHARE OF NET PROFIT PER SHARE *(EUR)*	**287.72**	**286.14**	**164.37**
Average number of shares in circulation on which the above calculation is based	3,169,733	3,169,733	3,169,733
Dilution effect of stock option plans	-	-	-
AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION	**3,169,733**	**3,169,733**	**3,169,733**
BASIC GROUP SHARE OF NET PROFIT PER SHARE AFTER DILUTION *(EUR)*	**285.51**	**284.57**	**164.05**

NOTE 28 - PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

28.1 Expense for the year

(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 YEAR 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 year	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 market 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**			
(percentage)	**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:

(percentage)	**2011**
Equities	6.6
Bonds	
- private issuers	4.5
- public issuers	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 members of the Group’s management bodies, who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is linked to their most recent remuneration; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension plans, set up in the United Kingdom by certain Group companies, in Switzerland, participation by Group companies in the mandatory Swiss occupational pension plan

under 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 plans or systems for the reimbursement of medical expenses of retirees set up by certain Group companies.

28.5 Analysis of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(percentage)	**2011**	**2010**	**2009**
Equities	39	45	42
Bonds			
- private issuers	27	23	27
- public issuers	15	18	19
Real estate, cash and other assets	19	14	12
MARKET VALUE OF RELATED PLAN ASSETS	**100**	**100**	**100**

These assets do not include any real estate assets belonging to the Group nor any LVMH and 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	171	181	127

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	44	92	34	**171**

29.2 Lease and similar commitments

In addition to leasing its stores, the Group also 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 operating lease or concession contracts over the irrevocable period of the 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	851	764	728
GUARANTEES GIVEN	**900**	**810**	**797**
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	700	140	11	851
GUARANTEES GIVEN	**710**	**167**	**23**	**900**
GUARANTEES RECEIVED	**17**	**5**	**6**	**28**

In connection with the overall management of the Group's financing and to enhance the efficiency of its cash management, two companies of the Arnault family group have authorized Financière Agache to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, upon the exercise of this right, to the market price of the shares in question upon their acquisition by Financière Agache.

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 Financière Agache group with Groupe Arnault

The Financière Agache group is consolidated in the accounts of Groupe Arnault SAS.

Groupe Arnault SAS provides assistance to Financière Agache group in the areas of development, engineering, corporate and real estate law. In addition, Groupe Arnault leases office premises to Financière Agache groupe.

Groupe Arnault leases office space from the Financière Agache group and the latter also provides Groupe Arnault with various forms of administrative assistance.

Transactions between the Financière Agache group and Groupe Arnault may be summarized as follows:

(EUR millions)	**2011**	**2010**	**2009**
• Amounts billed by Groupe Arnault to the Financière Agache group	(10)	(10)	(10)
Amount payable outstanding as of December 31	(2)	(2)	(2)
• Amounts billed for financial interest by the Financière Agache group to Groupe Arnault	(7)	(4)	(4)
Balance of the Financière Agache group's current account liabilities	(332)	(236)	(248)
• Tax consolidation expense	(11)	(7)	(5)
Balance of tax consolidation accounts	(4)	(3)	2
• Amounts billed by the Financière Agache group to Groupe Arnault	2	3	2
Amount receivable outstanding as of December 31	-	-	1
• Amounts billed for financial interest by the Financière Agache group to Groupe Arnault	48	31	34
Balance of the Financière Agache group's current account assets	1,644	1,746	1,849

30.2 Relations of the Financière Agache 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	13	11	11
Post-employment benefits	1	1	1
Other long term benefits	-	-	-
End of contract indemnities	-	-	-
Stock option and similar plans	5	4	4
TOTAL	19	16	16

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 April 17, 2012, the date on which the financial statements were approved for publication by the Board of Directors.

Consolidated companies

Company	Registered office	Percentage of interest
Financière Agache SA	**Paris, France**	**Parent**
Christian Dior SA and its subsidiaries	Paris, France	70%
LVMH SA and its subsidiaries	Paris, France	31%
Sémyrhamis SAS	Paris, France	100%
Coromandel SAS	Paris, France	100%
Montaigne Services SNC	Paris, France	100%
Agache Développement SA	Paris, France	100%
Markas Holding BV	Naarden, Netherlands	100%
Westley and its subsidiaries	Luxembourg	100%
Le Peigné SA and its subsidiaries [(a)]	Brussels, Belgium	40%

(a) Companies accounted for using the equity method.

Statutory Auditors' report

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

MAZARS

Tour Exaltis
61, rue Henri-Regnault
F-92400 Courbevoie FRANCE
SA with share capital of €8,320,000

Statutory Auditors
Member of the
Versailles regional organization

ERNST & YOUNG et Autres

1/2, place des Saisons
F-92400 Courbevoie – Paris-La Défense 1

Statutory Auditors
Member of the
Versailles regional organization

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of Financière Agache SA;

- the justification of our assessments;

- the specific verification required by law.

These consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with the 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 from 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.

2 Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- 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 all estimates and 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 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.

3 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.

Paris-La Défense and Courbevoie, April 26, 2012

The Statutory Auditors

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

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

ASSETS *(EUR thousands)*	*Notes*	12/31/2011 Gross	12/31/2011 Depreciation amortization and impairment	12/31/2011 Net	12/31/2010 Net
Intangible assets	*2*	-	-	-	-
Land		923	-	923	1,078
Buildings		735	418	317	389
Other intangible assets				-	-
Property, plant and equipment	*2.1/2.2*	**1,658**	**418**	**1,240**	**1,467**
Investments	*2.5*	4,395,374	75,347	4,320,027	4,367,529
Receivables from controlled entities	*2.5*	660,672	65,239	595,433	779,044
Investment securities		8	-	8	8
Loans	*2.3*	14	-	14	18
Other non-current financial assets	*2.3*	448	-	448	448
Non-current financial assets	*2.1/2.2/2.8*	**5,056,516**	**140,586**	**4,915,930**	**5,147,047**
Non-current assets	*2.1/2.2*	**5,058,174**	**141,004**	**4,917,170**	**5,148,514**
Trade accounts receivable	*2.3/2.5*	96	26	70	140
Financial accounts receivable	*2.3/2.5*	1,128,672	7,293	1,121,379	1,014,050
Other receivables	*2.3/2.5/2.7*	2,067	45	2,022	1,588
Short term investments	*2.5/2.7*	115,194	1,005	114,189	215,090
Cash and cash equivalents		20,318	-	20,318	6,410
Current assets	*2.8*	**1,266,347**	**8,369**	**1,257,978**	**1,237,278**
Prepaid expenses	*2.3*	1,318	-	1,318	1,554
Bond redemption premiums		8	-	8	54
TOTAL ASSETS		**6,325,847**	**149,373**	**6,176,474**	**6,387,400**

1 . Balance sheet

LIABILITIES AND EQUITY *(EUR thousands)*	*Notes*	**12/31/2011**	**12/31/2010**
Share capital (fully paid up)	*2.4*	50,774	50,774
Share premium account		441,946	441,946
Legal reserve		5,077	5,077
Regulated reserves		55,695	55,695
Other reserves		540,432	540,432
Retained earnings		2,388,320	2,272,551
Profit for the year		469,618	195,013
Regulated provisions		-	-
Interim dividends		(396,669)	-
Equity	*2.4*	**3,555,193**	**3,561,488**
Provisions for contingencies and losses	*2.5*	**18,898**	**17,273**
Bonds		688,727	688,561
Bank loans and borrowings	*2.6*	470,428	443,298
Miscellaneous loans and borrowings		1,434,343	1,674,171
Borrowings		**2,593,498**	**2,806,030**
Trade accounts payable	*2.7*	332	374
Tax and social security liabilities		2,175	41
Operating liabilities		**2,507**	**415**
Other liabilities	*2.7*	**5,985**	**1,604**
Liabilities	*2.6/2.8*	**2,601,990**	**2,808,049**
Prepaid income	*2.6*	**393**	**590**
Cumulative translation adjustments		**-**	**-**
TOTAL LIABILITIES AND EQUITY		**6,176,474**	**6,387,400**

2. Income statement

(EUR thousands)

	12/31/2011	12/31/2010
Net revenue	-	-
Reversals of impairment, depreciation and amortization	-	-
Expense transfers	-	-
Other income	187	186
Operating income	**187**	**186**
Other purchases and external expenses	971	1,039
Taxes, duties and similar levies	71	73
Wages and salaries	43	40
Social security expenses	32	32
Depreciation and amortization	24	29
Current asset provision allocations	-	-
Other expenses	151	82
Operating expenses	**1,292**	**1,295**
OPERATING PROFIT (LOSS)	**(1,105)**	**(1,109)**

2. Income statement

(EUR thousands)

	Notes	**12/31/2011**	**12/31/2010**
Income from subsidiaries		509,139	221,576
Income from other securities and non-current investments		-	-
Other interest and similar income		89,941	51,945
Reversals of provisions and expenses transferred	*2.5*	2,869	47,218
Net foreign exchange gains		979	1,719
Net income on sales of short term investments		767	1,291
Net financial income		**603,695**	**323,749**
Depreciation, amortization and provisions	*2.5*	39,405	41,701
Interest and similar expenses		87,130	85,928
Net foreign exchange losses		-	-
Net expenses on sales of short term investments		874	-
Financial expenses		**127,409**	**127,629**
NET FINANCIAL INCOME (EXPENSE)	*2.9*	**476,286**	**196,120**
PROFIT FROM RECURRING OPERATIONS		**475,181**	**195,011**
Exceptional income from management transactions		-	3
Exceptional income from capital transactions		860	-
Reversals of provisions and expenses transferred	*2.5*	-	-
Exceptional income		860	3
Exceptional expenses on management transactions		3,802	1
Exceptional expenses on capital transactions		203	-
Provision allocations		-	-
Exceptional expenses		4,005	**1**
EXCEPTIONAL INCOME (EXPENSE)	*2.1*	(3,145)	**2**
Income taxes	*2.11*	2,418	-
NET PROFIT		**469,618**	**195,013**

3. Company results over the last five fiscal years

(EUR thousands)	**2007**	**2008**	**2009**	**2010**	**2011**	
1. SHARE CAPITAL						
Share capital at year-end	50,774	50,774	50,774	50,774	50,774	
Number of ordinary shares outstanding	3,173,352	3,173,352	3,173,352	3,173,352	3,173,352	
Maximum number of future shares to be created: through exercise of share subscription options	-	-	-	-	-	
2. OPERATIONS AND PROFIT FOR THE YEAR						
Revenue before taxes	25	(6)	-	-	-	
Profit before taxes, depreciation, amortization and movements in provisions	89,356	87,432	203,329	189,524	508,596	
Income taxes	30	-	-	-	2,418	(a)
Profit after taxes, depreciation, amortization and movements in provisions	117,978	3,030	222,637	195,013	469,618	
Profit distributed as dividends	22,594	22,594	63,467	79,334	396,669	(b)
3. EARNINGS PER SHARE *(EUR)*						
Earnings per share before taxes, depreciation, amortization and movements in provisions	28.16	27.55	64.07	59.72	160.27	
Earnings per share after taxes, depreciation, amortization and movements in provisions	37.18	0.95	70.16	61.45	147.99	
Gross dividend distributed per share [c]	7.12	7.12	20.00	25.00	125.00	(c)
4. EMPLOYEES						
Average number of employees	3	4	2	1	1	
Total payroll	956	1,247	508	40	43	
Amount paid in respect of social security	298	506	175	32	32	

(a) Since 2003, the tax expense is paid to the consolidating parent company.
(b) Board of Directors' proposal for 2011.
(c) Excludes the impact of tax regulations applicable to the beneficiaries.

4. Notes to the parent company financial statements

Significant events

Financière Agache maintained its direct and indirect ownership interests in its subsidiaries Christian Dior and LVMH.

In 2011, the total amount of dividends received from equity investments was 509.1 million euros.

The net financial income was 476.3 million euros compared to 196.1 million euros in 2010. This increase of 280.2 million euros is primarily attributable to the increase in income from equity investments.

Net profit was 469.6 million euros.

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, with the exception of property, plant and equipment subject to revaluation in accordance with legal provisions.

1.1 Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- buildings: .... 20 to 50 years;
- general installations, fixtures and fittings: .... 4 to 10 years;
- transport equipment: .... 4 years;
- office furniture and equipment: .... 3 to 10 years.

1.2 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 direct and indirect equity investments in listed companies is based on an overall position of majority control, stock market valuation, and the portion of the equity of these companies within consolidated equity, once restated to take into account the Group's accounting policies.

The value in use of other equity investments in unlisted companies is generally determined on the basis of the portion of the equity of these companies within consolidated equity, once restated to take into account the Group's accounting policies.

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.

Loans, deposits and other long term receivables are measured at their face value. Where applicable, these items are reviewed for impairment and provisions are recognized to write them down to their net realizable value at the balance sheet date.

1.3 Accounts receivable and liabilities

Accounts receivable and liabilities are recognized at their face value. An impairment provision is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

1.4 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.

Gains or losses on the disposal of short term investments are determined using the FIFO method.

1.5 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.

1.6 Foreign currency transactions

During the period, foreign currency transactions are recorded at the rates of exchange prevailing on the transaction dates.

Liabilities, accounts receivable, liquid funds, and short term investments in foreign currencies are revalued on the balance sheet at year-end exchange rates.

Gains or losses on transactions regarded as elements of the same overall foreign exchange position by currency (realized or resulting from the revaluation of positions at the balance sheet date) are recorded in the income statement as a single net amount.

The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the balance sheet date that cannot be regarded as elements of the same overall foreign exchange position is recorded in the “Translation adjustment”. Provisions are recorded for unrealized foreign exchange losses unless they are hedged.

1.7 Net financial income (expense)

Due to its type of business, the Company applies the following policies:

- in the event of a partial investment sale, any gains or losses are recognized within net financial income/expense and calculated according to the weighted average cost method;
- net gains and losses on sales of short term investments comprise expenses and income associated with sales.

1.8 Gains and losses on options and futures contracts

a) on hedges

Gains and losses are recorded in the income statement and matched against the income and expenses arising from the hedged item.

b) on other transactions

A provision for contingencies is recorded if the market value of the instrument results in the calculation of an unrealized loss for the Company compared to the initial value of the instrument. Unrealized gains are not recognized.

1.9 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.

2. ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

(EUR thousands)	**Gross value as of 1/1/2011**	**Increases** Acquisitions, creations, transfers	**Decreases** Disposals transfers	**Gross value as of 12/31/2011**
Intangible assets	**-**	**-**	**-**	**-**
Land	1,078	-	155	923
Buildings, fixtures and fittings	864	-	129	735
Miscellaneous general installations, fixtures and fittings	-	-	-	-
Transport equipment	66	-	66	
Office furniture and equipment	-	-	-	-
Property, plant and equipment	**2,008**		**350**	**1,658**
Investments	4,410,354	21	15,001	4,395,374
Receivables from controlled entities	845,988	1,594	186,910	660,672
Investment securities	8	-	-	8
Loans	18	-	4	14
Other non-current financial assets	448	-	-	448
Non-current financial assets	**5,256,816**	**1,615**	**201,915**	**5,056,516**
TOTAL	**5,258,824**	**1,615**	**202,265**	**5,058,174**

The 15 million euro decrease in investments corresponds to a capital reduction by a subsidiary.

Receivables from controlled entities, in the gross amount of 661 million euros as of December 31, 2011, consist of term loans granted to the subsidiaries of Financière Agache.

2.2 Depreciation, amortization and impairment of fixed assets

		Position and changes in the period		
(EUR thousands)	Depreciation, amortization or provisions 1/1/2011	Increases charges	Decreases reversals	Depreciation, amortization of provisions 12/31/2011
Other intangible assets	-	-	-	-
Intangible assets	-	-	-	-
Buildings, fixtures and fittings	541	24	147	418
Miscellaneous general installations, fixtures and fittings	-	-	-	-
Office furniture and equipment	-	-	-	-
Property, plant and equipment	**541**	**24**	**147**	**418**
Investments	42,825	32,522	-	75,347
Receivables from controlled entities	66,944	-	1,705	65,239
Investment securities and loans	-	-	-	-
Non-current financial assets	**109,769**	**32,522**	**1,705**	**140,586**
TOTAL	**110,310**	**32,546**	**1,852**	**141,004**

Charges and reversals to provisions of non-current financial assets reflect the level of net assets of the subsidiaries concerned.

2.3 Loans and accounts receivable by maturity

Loans and receivables *(EUR thousands)*	Gross amount	Up to 1 year	More than 1 year
Receivables from controlled entities	660,672	1,595	659,077
Loans and other non-current financial assets	462	4	458
Trade accounts receivable	96	96	-
Financial accounts receivable	1,128,672	1,128,672	-
Other receivables	2,067	2,067	-
Prepaid expenses	1,318	1,318	
TOTAL	**1,793,287**	**1,133,752**	**659,535**

Receivables from controlled entities

These receivables correspond to term loans (with accrued interest of 1.6 million euros) granted to the subsidiaries of Financière Agache.

Financial accounts receivable

Financial accounts receivable include cash advances made to Group companies in connection with the cash pooling system or under bilateral agreements.

As of December 31, 2011, accrued interest relating to financial accounts receivable came to 2.9 million euros.

Other receivables

Other receivables include in particular interest receivable on swaps related to borrowings.

Prepaid expenses

As of December 31, 2011, prepaid expenses mainly concern interest deducted on commercial paper and commissions for banking commitments.

2.4 Equity

A. *Share capital*

The share capital comprises 3,173,352 shares, each with a par value of 16 euros, of which 3,169,487 shares carry double voting rights.

B. *Changes in equity*

(EUR thousands)	
Equity as of 12/31/2010 (prior to appropriation of net profit)	**3,561,488**
Net profit	469,618
Dividends paid	(79,244)
Interim dividends	(396,669)
Change in regulated reserves	-
Change in retained earnings	-
Equity as of 12/31/2011 (prior to appropriation of net profit)	**3,555,193**

2.5 Impairment and provisions

(EUR thousands)	Amount 01/01/2011	Increases	Decreases	Amount 12/31/2011
Impairment expense				
Investments	42,825	32,522	-	75,347
Receivables from controlled entities	66,944	-	1,705	65,239
Trade accounts receivable	26	-	-	26
Financial and other receivables	2,185	5,153	-	7,338
Other short term investments	2,022	38	1,055	1,005
Subtotal	**114,002**	**37,713**	**2,760**	**148,955**
Provisions for contingencies and losses				
Litigation and miscellaneous risks	17,273	1,645	20	18,898
Subtotal	**17,273**	**1,645**	**20**	**18,898**
TOTAL	**131,275**	**39,358**	**2,780**	**167,853**
Amortization of the bond redemption premium	-	47	89	-
Of which: Financial	-	39,405	2,869	-
Exceptional	-	-	-	-

Provision charges for “Investments” (32.5 million euros), for “Financial and other receivables” (5.2 million euros, and reversals of provisions for “Receivables from controlled entities (1.7 million euros) reflect the net asset position of the subsidiaries concerned.

Net provision charges for “Litigation and other contingencies” amounted to 1.6 million euros.

2.6 Liabilities by maturity

Liabilities

(EUR thousands)	Gross amount	Up to 1 year	From 1 to 5 years	More than 5 years
• Bonds	688,727	463,727	225,000	-
• Bank loans and borrowings	470,428	224,312	246,116	-
• Miscellaneous loans and borrowings	1,434,343	1,426,843	7,500	-
• Trade accounts payable	332	332	-	-
• Tax and social security liabilities	2,175	2,175	-	-
• Other liabilities	5,985	5,985	-	-
• Prepaid income	393	118	275	-
TOTAL	**2,602,383**	**2,123,492**	**478,891**	

Bank loans and borrowings, which came to 470 million euros, comprise medium- and long term borrowings in the amount of 246 million euros and short term borrowings in the amount of 224 million euros.

Miscellaneous loans and borrowings include:

- negotiable debt securities outstanding for 501 million euros;
- cash advances made by Group companies to Financière Agache for 993 million euros.

As is normal practice for credit facilities, Financière Agache has signed commitments to maintain a specific percentage interest and voting rights for certain of its subsidiaries and to maintain a specific ratio of assets to net financial debt. The current level of this ratio ensures that the Company has genuine financial flexibility with regard to this commitment.

2.7 Accrued expenses and deferred income

(EUR thousands)	Accrued expenses Accrued income	Deferred income Prepaid expenses
Current assets		
Short term investments	-	100
Other receivables	-	1,944
Prepaid expenses	-	1,318
Liabilities		
Borrowings	16,211	-
Trade accounts payable	255	-
Tax and social security liabilities	11	-
Other liabilities	2,985	-
Prepaid income	393	-

2.8 Items involving related companies

Balance sheet items

	Items involving companies	
(EUR thousands)	related [(a)]	connected to equity investments [(b)]
Non-current assets		
Investments	4,389,686	5,689
Receivables from controlled entities	86,710	573,962
Current assets		
Trade accounts receivable	-	-
Financial receivables	658,013	470,659
Other receivables	-	-
Short term investments	25,433	-
Prepaid expenses	-	-
Liabilities		
Borrowings	932,574	-
Trade accounts payable	(1)	-
Other liabilities	2,418	-
Prepaid income	25	94

(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

Expenses and income involving related companies, or companies with which the Company has an equity connection, break down as follows:

(EUR thousands)	Income	Expenses
Income from subsidiaries	509,139	-
Interest and other	83,617	28,067

2.9 Financial income and expenses

As of December 31, 2011, net financial income was 476.3 million euros. This item mainly includes:

- Group dividends for 509.1 million euros and associated income of 27.4 million euros;
- net gains on sales of short term investments for 3.1 million euros;
- net provision charges for subsidiaries of 36.0 million euros;
- net financial expenses related to borrowings for 26.7 million euros;
- foreign exchange gains for 1.0 million euros;
- other net expenses for 1.6 million euros.

2.10 Exceptional income and expenses

Exceptional income *(EUR thousands)*	**12/31/2011**	**12/31/2010**
Miscellaneous revenue from management transactions	-	3
Income from capital transactions	860	
Reversals of provisions and expenses transferred	-	
TOTAL	860	**3**

Exceptional expenses *(EUR thousands)*	**12/31/2011**	**12/31/2010**
Exceptional expenses from management transactions	3,802	1
Expenses from capital transactions	203	
Provision charges	-	-
TOTAL	4,005	**1**

2.11 Income tax

	12/31/2011			**12/31/2010**		
(EUR thousands)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Profit from recurring operations	475,181	-	475,181	195,011	-	195,011
Exceptional income	(3,145)	(2,418)	(5,563)	2	-	2
TOTAL	**472,036**	**(2,418)**	**469,618**	**195,013**	-	**195,013**

2.12 Tax position

Since 2004, Financière Agache SA has been a member of the tax group of which Groupe Arnault is the parent company.

Financière Agache calculates and recognizes its tax expense as if it were individually subject to tax, and remits this amount to the parent company.

3. OTHER INFORMATION

3.1 Financial commitments

Commitments relating to forward financial instruments

Hedging instruments

Financière Agache uses various interest rate hedging instruments on its own behalf that comply with its investment policy. The aim of this policy is to hedge against the interest rate risks on existing debt, while ensuring that speculative positions are not taken.

The types of instruments outstanding as of December 31, 2011, the underlying amounts (excluding short term instruments), and market values break down as follows:

	Amount of underlying Maturity		Market
(EUR thousands)	**2015**	**2016**	**12/31/2011**
Swap	125,000	75,000	(7,773)

Commitments given

- Financière Agache served as guarantor for financing granted to some of its subsidiaries in the total amount of 1,563 million euros and 40 million US dollars.
- In addition, securities were deposited with a financial institution, without being guaranteed, in connection with the establishment of a 300 million euro line of credit (see Note 2.6).
- In connection with the disposal of long term investments, subsidiaries of Financière Agache granted the customary asset and liability guarantees and Financière Agache stood security for the commitments of these subsidiaries.

Commitments received

In connection with the overall management of the Group's financing and to enhance the efficiency of its cash management, two companies of the Arnault family group have authorized Financière Agache to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, upon the exercise of this right, to the market price of the shares in question upon their acquisition by Financière Agache.

3.2 Compensation of management bodies

The gross amount of compensation of management bodies paid in 2012 to members of the management bodies for the 2011 fiscal year was 82.3 thousand euros.

3.3 Statutory auditors' fees

(EUR thousands)	Ernst & Young Audit 2011 Amount	Ernst & Young Audit 2010 Amount	Mazars 2011 Amount	Mazars 2010 Amount
Statutory Audit	**96**	94	**96**	94
Other services relating directly to the statutory audit assignment	4	-	7	-
TOTAL	**100**	94	**103**	94

3.4 Identity of the companies consolidating the accounts of financière agache

Registered office

Groupe Arnault SAS: 41, avenue Montaigne - F-75008 PARIS

3.5 Additional information relating to equity investments and short term investments

List of subsidiaries and investments

(EUR thousands)	Equity	% share capital held	Profit / loss as of 12/31/2011	
A. Shares whose gross value exceeds 1% of the share capital				
1. Subsidiaries (at least 50% of the share capital held by the company)				
Agache Développement	431	100.00%	384	
Coromandel	21,962	100.00%	(741)	
Montaigne Services	(6)	99.90%	(21)	
Financière Agache Private Equity	1,228	100.00%	14	
Semyrhamis	3,998,260	100.00%	254,995	
Markas Holding	1,629	100.00%	(1,126)	
Westley International	12,761	100.00%	(7,656)	
JGPG	28	100.00%	(3)	
FA Placements	35	100.00%	(3)	
2. Investments (between 10% and 50% of the share capital held by the company)				
3. Other				
Christian Dior	2,996,878	8.35%	390,560	*
LVMH	10,371,737	1.58%	2,325,530	*
Foreign subsidiary	(113,433)	40.36%	1,495	
B. Other (securities whose gross value does not exceed 1% of the share capital)				
Sévrilux	46	99.96%	-	

* excluding securities categorized under short term investments

Information concerning non-current investments of the "TIAP" portfolio

Not significant.

Information on short term investments

(EUR thousands)	**Net value 12/31/2011**
Equities	28,433
SICAV, FCP and FCPR funds	
Certificates of deposit, commercial paper, treasury bills	
Hedge funds and private equity funds	3,254
Term deposits	82,503
SHORT TERM INVESTMENTS	**114,189**

Statutory Auditors' report

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

MAZARS

Tour Exaltis
61, rue Henri-Regnault
F-92400 Courbevoie
SA with share capital of €8,320,000

Statutory Auditors
Member of the
Versailles regional organization

ERNST & YOUNG et Autres

1/2, place des Saisons
F-92400 Courbevoie – Paris-La Défense 1

Statutory Auditors
Member of the
Versailles regional organization

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 Financière Agache SA;
- 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 from 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, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have gathered in order to form our opinion is adequate and relevant.

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 bring to your attention the following matters:

Note 1.2 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 as to 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.

Paris-La Défense and Courbevoie, April 26, 2012

The Statutory Auditors

ERNST & YOUNG et Autres	MAZARS
Olivier Breillot	Simon Beillevaire

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.

Fees paid in 2011
to the Statutory Auditors

(EUR thousands, excluding VAT)	Ernst & Young et Autres				Mazars			
	2011		2010		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit Statutory audit, certification, audit of the individual company and consolidated financial statements								
• Financière Agache	96	1	94	1	96	4	94	11
• Fully consolidated subsidiaries	9,459	64	8,813	70	2,363	96	690	82
Other services relating directly to the statutory audit assignment:								
• Financière Agache	4	-	-	-	7	-	-	-
• Fully consolidated subsidiaries	1,622	11	515	4	4	-	-	-
Subtotal	**11,181**	**76**	**9,422**	**75**	**2,469**	**100**	**784**	**93**
Other services provided by the firms to consolidated subsidiaries								
• Legal, tax, employee-related	2,837	19	2,847	23	-	-	3	-
• Other	738	5	277	2	-	-	57	7
Subtotal	**3,575**	**24**	**3,124**	**25**	**-**	**-**	**60**	**7**
TOTAL	**14,756**	**100**	**12,546**	**100**	**2,469**	**100**	**844**	**100**

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 4 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, April 26, 2012

Florian Ollivier
Group Managing Director

FINANCIERE AGACHE