Christian Dior

TRANSLATION OF THE FRENCH "RAPPORT ANNUEL"

FISCAL YEAR ENDED DECEMBER 31, 2010

Combined Shareholders' Meeting March 31, 2011

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

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Christian Dior

2010 Annual Report

Chairman's message

Our businesses grew at a remarkable pace in 2010, which resulted in our Group breaking all its historical records. This growth came alongside sharply higher results and a further improvement in our financial position. It allowed the hiring of around 18,000 employees and some major investments for the future. The excellent performance of the Christian Dior share price reflects the quality of what we have achieved and investors' confidence in our strategy and our future. A future underpinned by our unique, ever more vibrant heritage. A future that we are building on solid foundations, as we pursue our long term vision.

For several months, our Group has enjoyed uninterrupted growth, to which all our business groups have contributed. It would be an over-simplification to suggest that this is due to the economic upturn alone. The Group's performance is also, above all, the result of the relevance and consistency of our long term strategy. A strategy that we pursued, unchanged, throughout the recent economic crisis. The support of the enduring values of our star brands, creativity as an absolute imperative, the quest for perfection in our products, and our efforts to ensure an environment of excellence coupled with impeccable service at our stores form the wellspring of our success. To these we must also add the agility and the motivation of our organization which benefits from the hands-on enterprise culture of the men and women of our Group. It enables us to take the right decisions quickly, invest where needed and seize opportunities to increase our market share. And this applies just as much when global economies are shrinking as when they start growing again.

We are responsive to current growth in the world market, but we also take a very selective, long term approach. The two components of this strategy are reflected in a wide range of developments in 2010.

Christian Dior Couture upheld with conviction its heritage and the values that have elevated the label to the top echelon of luxury brands. Embodying absolute elegance, luxury and refinement, the House of Dior kindles desire by bringing out the beauty in women, raising it to sublime heights. Dior responds to the aspirations of a world that never tires in the quest for greater excellence.

Honoring its prestigious heritage, Christian Dior Couture gave fresh impetus to an invigorated creative spirit, as demonstrated by its haute couture and ready-to-wear collections. In leather goods, Dior has maintained its focus on delivering ever greater quality, as exemplified by the *Lady Dior* handbag, whose resounding success has further strengthened this segment's exceptional performance in all its markets. Jewelry also had a banner year, buoyed in particular by the *Bois de Rose* collection, whose excellent results were paired with those of costume jewelry and accessories, sparked by a new creative ethos. Dior Homme's robust performance has not wavered, paving the way for very promising developments, especially in Asia.

The depth and breadth of Dior's know-how, its abiding and ever-renewed creativity, find their fullest expression in its new boutiques, offering Dior's customers an experience genuinely representative of the brand. In 2010, this approach was pursued with great success in a number of prestigious locations, including Shanghai, Place Vendôme in Paris, and New York. During the year, Dior mirrored these investments in its boutiques by continuing to invest in the men and women of great talent who contribute to the brand's success.

At LVMH, Dom Pérignon – in a first for the industry – launched several exceptional vintages, all of which achieved critical acclaim, and used the excitement surrounding these remarkable launches as an opportunity to organize exclusive events celebrating Dom Pérignon's prestigious heritage, which stretches all the way back to the seventeenth century. Louis Vuitton deployed its creativity and demonstrated its excellence across all product lines. The opening of the new Louis Vuitton Maison in London was one of the highlights of the year, an outstanding achievement which has enhanced both the appeal of the brand and the reputation of the British capital. In the perfumes and beauty domain, Christian Dior brilliantly illustrated the unique magic created by Monsieur Dior, recalling its roots in Haute Couture, and boosting the success of its legendary creations: *Miss Dior*, *J'adore* or *Rouge Dior*… TAG Heuer marked its 150th anniversary with a vast array of innovations throughout the world. Sephora strengthened the appeal of its concept and innovation strategy in its key markets and has broken into a promising new market, Latin America.

The performance of many other brands are also worthy of mention: Hennessy, Moet & Chandon, Fendi, Guerlain, Givenchy, Make Up For Ever, Marc Jacobs, Benefit, Hublot... We are home to a wide range of brands, we respect and strengthen the originality of each of them, each of our brands builds its future on its own culture and its historic know-how; this is a source of unique know-how for our Group. We give them all the nurturing and support they need for their long term development, while respecting their roots, their heritage and their individual personality. Whether they have established leadership positions in their markets, or have embarked on a promising development campaign, all of our brands have enhanced their standing and their appeal. They have continued their rational expansion and acquired the strength they need for the future. This same determination to invest for the long term led the Group to become a shareholder in Hermès International – another brand which symbolizes French know-how, whose standards we share and whose vision we support. Its culture, so particular, is to be preserved preciously and our Group, as a shareholder of this company, will guarantee it.

Naturally, we have set ourselves high goals for 2011 with the aim of further strengthening our global leadership position. But we need to look well beyond this horizon. I am pleased to see that our concept of creation, our passion to take our products to the highest echelon of quality and our desire to offer an exceptional retail experience at our brands, fit our customers' expectations to perfection. The desire for excellence, the recognition of know-how and fine craftsmanship and the culture of authentic quality are enjoying significant growth throughout the world. Everything suggests this trend will remain prominent in the years ahead, opening up for us magnificent perspectives for the future…

…And an exciting challenge for our teams: we must support this positive momentum while adhering to the standards of quality and creativity on which our long term success depends. We must meet the growing demand for our products: Louis Vuitton is opening a new workshop in France, our watch brands are increasing capacity at their *manufactures*. We will reach out to all of our customers throughout the world: we will continue to break into new markets (Hennessy in Asia, Sephora in Latin America…), extending and perfecting our global network of flagships and stores. We must also invest in brand reputation, supporting innovation and our creative teams, highlighting the close connection between their current work and the history of each brand.

I firmly believe that if we are to inspire our customers, we must have dreams of our own. This is why we need to continue to invest in the know-how and talents of our women and men, so that we can all feel part of a responsible enterprise project. This project is both financial and cultural, as can be seen from the support we have given over the last two decades to the fields of history, art and contemporary design. To my mind, Dior's commitment as a corporate citizen is completely enshrined in our raison d'être. I would like to assure our shareholders – who are also our partners in this great project – that our company will continue its efforts to increase its value and ensure that our responsible growth model, which relies on a long term vision shared by everyone in the Group, is here to stay.

Bernard ARNAULT

Executive and Supervisory Bodies
Statutory Auditors

BOARD OF DIRECTORS

Bernard ARNAULT (2)
Chairman

Eric GUERLAIN (1)
Vice-Chairman

Sidney TOLEDANO (2)
Chief Executive Officer

Antoine BERNHEIM (1)

Denis DALIBOT

Renaud DONNEDIEU de VABRES (1)

Ségolène GALLIENNE (1)

Pierre GODÉ (2)

Christian de LABRIFFE (1)

Jaime de MARICHALAR y SÁENZ de TEJADA (1)

Alessandro VALLARINO GANCIA

Directors

PERFORMANCE AUDIT COMMITTEE

Eric GUERLAIN (1)
Chairman

Renaud DONNEDIEU de VABRES (1)

Christian de LABRIFFE (1)

NOMINATION AND COMPENSATION COMMITTEE

Antoine BERNHEIM (1)
Chairman

Denis DALIBOT

Eric GUERLAIN (1)

EXECUTIVE MANAGEMENT

Sidney TOLEDANO
Chief Executive Officer

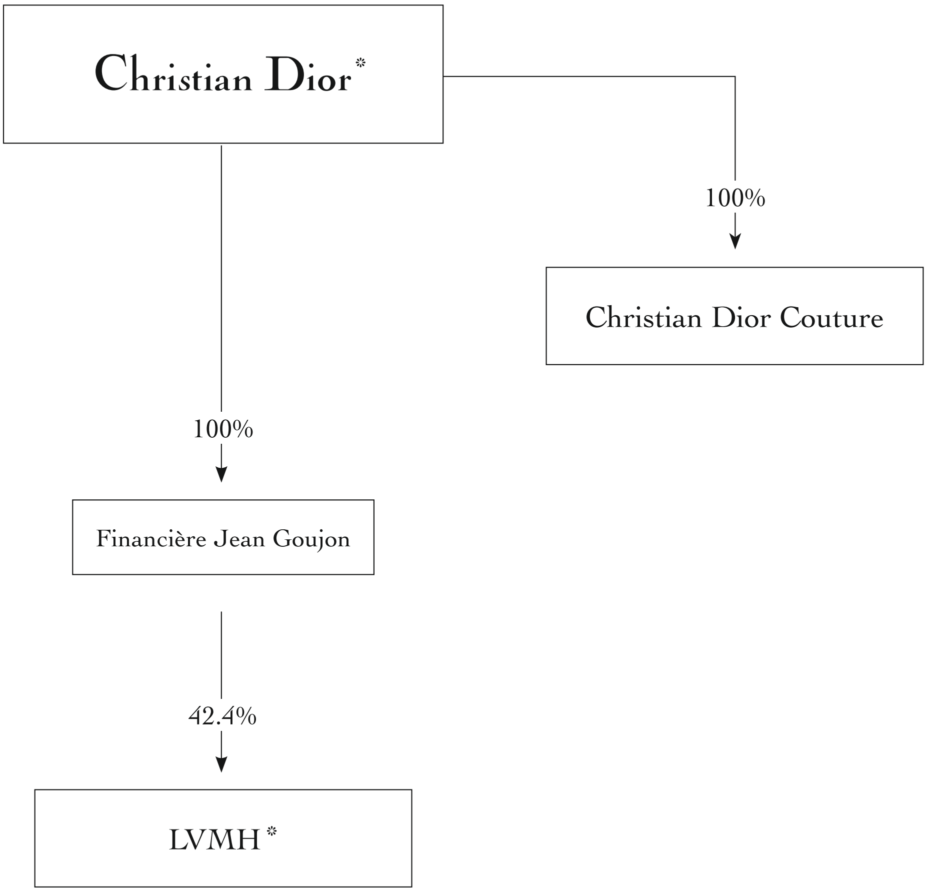
STATUTORY AUDITORS

ERNST & YOUNG et Autres
Represented by Jeanne Boillet and Olivier Breillot

MAZARS
Represented by Simon Beillevaire

(1) Independent Director.
(2) Appointment proposed at the Shareholders' Meeting of March 31, 2011.

Simplified organizational chart of the Group as of December 31, 2010



* Listed company.

Financial highlights

Key consolidated data

(EUR millions and percentage)	2010	2009	2008
Revenue	21,123	17,745	17,933
Profit from recurring operations	4,338	3,356	3,621
Net profit	3,269	1,902	2,224
Group share of net profit	1,261	695	796
Cash from operations before change of working capital (1)	4,911	3,964	4,141
Operating investments (6)	1,078	763	980
Net cash from operating activities and operating investments (free cash flow)	3,013	2,194	1,276
Equity	19,570	16,121	15,171 (2)
Net financial debt (3)	4,142	4,460	5,370
Net financial debt/total equity ratio	21%	28%	35%

Data per share

(EUR)	2010	2009	2008
Earnings per share			
Group share of net profit	7.06	3.90	4.46
Diluted Group share of net profit	7.03	3.89	4.43
Dividend per share			
Interim	0.88	0.44	0.44
Final	1.23	1.22	1.17
Gross amount paid in respect of the fiscal year (4) (5)	2.11	1.66	1.61

Information by business group

(EUR millions)	2010	2009	2008
Revenue by business group			
Christian Dior Couture	826	717	765
Wines and Spirits	3,261	2,740	3,126
Fashion and Leather Goods	7,581	6,302	6,010
Perfumes and Cosmetics	3,076	2,741	2,868
Watches and Jewelry	985	764	879
Selective Retailing	5,378	4,533	4,376
Other activities and eliminations	16	(52)	(91)
TOTAL	**21,123**	**17,745**	**17,933**
Profit from recurring operations by business group			
Christian Dior Couture	35	13	9
Wines and Spirits	930	760	1,060
Fashion and Leather Goods	2,555	1,986	1,927
Perfumes and Cosmetics	332	291	290
Watches and Jewelry	128	63	118
Selective Retailing	536	388	388
Other activities and eliminations	(178)	(145)	(171)
TOTAL	**4,338**	**3,356**	**3,621**

(1) Before tax and interest paid.
(2) Restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2 to the consolidated financial statements.
(3) Net financial debt does not take into consideration purchase commitments for minority interests in Other non-current liabilities. See Note 17.1 to the consolidated financial statements for the definition of the net financial debt.
(4) Excludes the impact of tax regulations applicable to the beneficiaries.
(5) For fiscal year 2010, amount proposed at the Shareholders' Meeting of March 31, 2011.
(6) As per the consolidated cash flow statement.

Management Report of the Board of Directors

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1. Consolidated results

Consolidated revenue for the **Christian Dior Group** for the year ended December 31, 2010 was 21,123 million euros, up 19% from the previous year.

It was favorably impacted by the appreciation of the main invoicing currencies against the euro, in particular the US dollar, which appreciated by 5%.

Since January 1, 2009, the following changes were made in the Group's scope of consolidation: in Perfumes and Cosmetics, La Brosse et Dupont was deconsolidated in the fourth quarter of 2010; in Wines and Spirits, Château Cheval Blanc was consolidated for the first time on a proportionate basis in August 2009. These changes in the scope of consolidation made a negative contribution of 0.4 points to revenue growth for the year.

On a constant consolidation scope and currency basis, revenue increased by 13%.

The Group's profit from recurring operations was 4,338 million euros, up 29% compared to 2009. The current operating margin as a percentage of revenue increased by 2 points from the previous year to 21%.

Operating profit, after other operating income and expenses (-166 million euros in 2010 compared to -192 million euros in 2009) was 4,172 million euros, representing an increase of 32% from its level in 2009.

Consolidated net profit amounted to 3,269 million euros, compared to 1,902 million euros in 2009. The Group share of consolidated net profit was 1,261 million euros compared to 695 million euros in 2009.

The main financial items were as follows:

(EUR millions)	**2010**	**2009**	**2008**
Revenue	21,123	17,745	17,933
Profit from recurring operations	4,338	3,356	3,621
Operating profit	4,172	3,164	3,468
Net profit	3,269	1,902	2,224
Of which: Group share	1,261	695	796

Revenue growth in 2010 by business group was as follows:

- Revenue from Christian Dior Couture totaled 826 million euros, up 15% at actual exchange rates and up 10% at constant exchange rates compared to 2009. Retail sales increased by 22% in 2010 (16% at constant exchange rates), exhibiting very favorable growth momentum across all continents.
- Wines and Spirits saw an increase in revenue of 19% to 3,261 million euros based on published figures. On a constant consolidation scope and currency basis, revenue increased by 13%, with the favorable impact of exchange rate fluctuations raising revenue by nearly 6 points. With distributors no longer destocking, the Group's brands capacity to take advantage of the recovery in consumer spending has delivered stronger sales, particularly in the Asian countries, where demand is very robust. More than ever, China has confirmed its status as the second largest market for the Wines and Spirits business group.
- Revenue from Fashion and Leather Goods amounted to 7,581 million euros, reflecting organic revenue growth of 13%, and 20% growth based on published figures. This business group's performance continues to be driven by the exceptional momentum achieved by Louis Vuitton, which again recorded double-digit revenue growth. Donna Karan, Marc Jacobs, Fendi and Givenchy also confirmed their potential, with double-digit growth in revenue in 2010.
- Revenue from Perfumes and Cosmetics was 3,076 million euros, an increase of 9% on a constant consolidation scope and currency basis, and 12% based on published figures. All of this business group's brands turned in good results. This rebound illustrates the extent to which the value-based strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the current economic crisis has been efficient. The Perfumes and Cosmetics business group saw considerable growth in revenue in Asia, especially in China, but also in Russia. In addition, this business group benefited from the strong recovery in the travel retail segment.
- Revenue from Watches and Jewelry was 985 million euros, an increase of 21% on a constant consolidation scope and currency basis, and 29% based on published figures. Increases in inventory by retailers certainly helped to drive substantially stronger sales of both watches and jewelry during the period, but the extent of this growth was especially attributable to the solid upturn in consumer demand. For all of this business group's brands, Asia is the most dynamic region.

- Revenue from Selective Retailing was 5,378 million euros. Based on published figures, revenue increased by 19%, and by 14% on a constant consolidation scope and currency basis. The main drivers of this performance were Sephora, which saw considerable growth in sales across all the world's regions, and DFS, which made excellent advances, spurred especially by the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

Revenue by invoicing currency

(percentage)	2010	2009	2008
Euro	28	30	32
US dollar	27	26	27
Japanese yen	9	10	10
Hong Kong dollar	5	5	4
Other currencies	31	29	27
TOTAL	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 28%, yen-denominated revenue fell by 1 point to 9%, the contribution of the US dollar rose by 1 point to 27%, while the contribution of all other currencies rose by 2 points to 36%.

Revenue by geographic region of delivery

(percentage)	2010	2009	2008
France	13	15	15
Europe (excluding France)	22	22	24
United States	22	22	22
Japan	9	10	10
Asia (excluding Japan)	25	23	20
Other markets	9	8	9
TOTAL	**100**	**100**	**100**

By geographic region of delivery, the period saw a drop in the relative contributions of France and Japan, the former from 15% to 13% and the latter from 10% to 9%. Europe (excluding France) and the United States remained stable at 22%, while Asia (excluding Japan) and other markets advanced by 2 points to 25% and 1 point to 9%, respectively.

Revenue and profit from recurring operations by business group

	Revenue			Profit from recurring operations		
(EUR millions)	2010	2009	2008	2010	2009	2008
Christian Dior Couture	826	717	765	35	13	9
Wines and Spirits	3,261	2,740	3,126	930	760	1,060
Fashion and Leather Goods	7,581	6,302	6,010	2,555	1,986	1,927
Perfumes and Cosmetics	3,076	2,741	2,868	332	291	290
Watches and Jewelry	985	764	879	128	63	118
Selective Retailing	5,378	4,533	4,376	536	388	388
Other activities and eliminations	16	(52)	(91)	(178)	(145)	(171)
TOTAL	**21,123**	**17,745**	**17,933**	**4,338**	**3,356**	**3,621**

By business group, the breakdown of Group revenue remained nearly unchanged. The contributions of Christian Dior Couture, Wines and Spirits, Fashion and Leather Goods, and Selective Retailing remained stable at 4%, 15%, 36% and 25%, respectively, while the contribution of Perfumes and Cosmetics dropped by 1 point to 14%. The contribution of Watches and Jewelry rose by 1 point to 5%.

On first consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the accounts of the Christian Dior Group.

In the Christian Dior consolidated financial statements, LVMH's accounts are restated to account for valuation differences in brands recorded prior to 1988 in the consolidated accounts of each of these companies.

Consequently, LVMH's net profit was consolidated in the amount of 3,323 million euros, compared to 3,319 million euros before restatement and intra-group eliminations, and is included in the Group share of net profit of Christian Dior for 1,318 million euros.

Investments

The net balance from investing activities (purchases and sales) was a disbursement of 2,793 million euros. This includes, on the one hand, net operating investments totaling 1,078 million euros, and on the other hand, net financial investments totaling 1,715 million euros.

Research and development

Research and development expenses posted during the year totaled 46 million euros in 2010 (compared to 45 million in 2009 and 43 million in 2008). These amounts cover mainly scientific research and development costs of skincare and make-up products in the Perfumes and Cosmetics business group.

2. Results by business group

Profits 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

2010 was marked by the following:

Success of the Group's strategy emphasizing excellence

The continued revenue growth generated by the Group's resolutely upscale products, particularly luxury leather goods as well as Ready-to-wear and Watches and Jewelry, confirmed the legitimacy of its strategy.

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

Over the year as a whole, revenue generated by the Group's retail activities improved by 16% at constant exchange rates, with a stronger performance in the second half, illustrated by a 17% improvement in revenue at constant exchange rates.

Significant improvement in profit from recurring operations

A more favorable economic environment in 2010 helped to drive profit from recurring operations higher, to 35 million euros for the year, representing an increase of 22 million euros compared to 2009, thanks to robust growth in sales and significant gross margin improvements.

Investments focused on high-growth and strategic markets

Efforts related to Dior's network of boutiques and other points of sale were concentrated in particular on locations and retail formats able to contribute to meeting the objectives of the strategy emphasizing excellence applied by the House of Dior.

The Group continued its expansion in China with the opening of four new boutiques, in Shanghai, Chengdu and Hangzhou. Dior also expanded its presence in India during the year, with the opening of its first boutique in Mumbai.

New boutiques were also opened in Singapore (Marina Bay), London (Bond Street), New York and Las Vegas. The Group also launched large-scale projects in South Korea and Australia.

Innovative communications strategy reinforcing Dior's values

Two new media campaigns in 2010, *"Lady Blue"* and *"Lady Grey"*, associated the brand's iconic products, in particular the *"Lady Dior"* handbag, with the image of Marion Cotillard, the world-renowned French actress.

The opening of the Shanghai boutique at the Plaza 66 shopping mall was celebrated through an exceptional fashion show whose impact reached far across the entire Asia-Pacific region.

2.1.2 Consolidated results of Christian Dior Couture

Consolidated revenue amounted to 826 million euros, up 15% at actual exchange rates and 10% at constant exchange rates. Revenue progressed particularly well in the second half of the year.

Profit from recurring operations was 35 million euros, representing an increase of 22 million euros. The improvement in the current operating margin reflects the full effect of measures implemented since 2009, combining a selective selling policy in the network of directly owned points of sale with rigorous inventory management.

Operating profit amounted to 21 million euros following the recognition of non-recurring expenses totaling 14 million euros, mainly incurred in connection with exceptional impairment charges and provisions.

The net financial expense was 11 million euros, down from 13 million euros in 2009, an improvement that reflects lower interest rates.

The tax expense totaled 5 million euros. It was generated by the beneficiary subsidiaries, the non-recognition of tax credits by loss-making subsidiaries and changes in deferred taxes.

The Group share of net profit was 2 million euros, with the amount attributable to minority interests amounting to 3 million euros.

2.1.3 Analysis of growth by business group

(EUR millions)	**2010**	**2009**	**Change at actual exchange rates**	**Change at constant exchange rates**
License royalties	35	35	0%	-1%
Wholesale revenue	124	134	-7%	-8%
Retail revenue and other	667	548	+22%	+16%
TOTAL	**826**	**717**	**+15%**	**+10%**

License concessions

Christian Dior Couture's license royalties remained stable compared to 2009.

In eyewear, a segment showing strong growth, Christian Dior has adopted a highly selective policy with its licensee, resulting in the development of a multi-brand network meeting stringent quality standards, whose points of sale better reflect the brand's position and values.

Wholesale activities

A distribution strategy deliberately embodying a more selective approach, launched in 2009 with multi-brand clients, especially US department stores, has resulted in a decrease in revenue from this segment.

Retail sales and other

(EUR millions)	**2010**	**2009**	**Change at actual exchange rates**	**Change at constant exchange rates**
Europe and Middle East	333	279	+20%	+17%
Americas	68	59	+15%	+9%
Asia Pacific	266	210	+26%	+16%
TOTAL	**667**	**548**	**+22%**	**+16%**

- While the first half of 2010 already saw a clear improvement compared to the previous year, retail sales gained remarkable momentum in the second half, achieving an annual growth rate of 22% at actual exchange rates.
- Sales of Leather Goods made a strong contribution to this performance, thus reaffirming the enduring appeal of the Dior style, through the successes of the *"Lady Dior"*, *"New Lock"* and *"Granville"* handbag collections.
- Men's and Women's Ready-to-Wear also witnessed a considerable rise in sales, particularly in high-growth markets.
- Sales of Watches and Jewelry also performed well compared to 2009, especially in relation to end-of-year purchases. The *Rose Dior* theme served as inspiration for several new collections, all of which met with great success.
- Revenue generated by the retail network in Europe and the Middle East grew by 20% at actual exchange rates, with a stronger performance in the second half of the year.

Dior's retail activities made gains in the United States, while the weak trend continued in Japan, amid a sharp contraction in this market.

The Asia-Pacific region as a whole recorded solid growth, driven in particular by strong performance in China.

2.1.4 Outlook for 2011

In 2011, Christian Dior Couture will continue to advance its strategy emphasizing excellence, focusing on distribution, products, and communication.

A sustained program of investments is planned to support openings, renovations and expansion in the network of directly owned points of sale, concentrated mainly in Asia but also targeting Europe.

Thanks to its exceptional products in Leather Goods, Watches and Jewelry, together with its unparalleled Men's and Women's Ready-to-Wear collections, the House of Dior will continue to enjoy a strong position from which to capitalize upon the development of its network.

These actions, complemented by tight control of operating costs and investments, will enable Christian Dior Couture to pursue its growth and profitability objectives.

2.2 WINES AND SPIRITS

2.2.1 Highlights

In 2010, revenue for the Wines and Spirits business group amounted to 3,261 million euros, representing an increase of 19% based on published figures and 13% at constant structure and exchange rates.

Profit from recurring operations was 930 million euros, up 22% from 2009. This performance is primarily the result of sales volume growth. Tighter control of costs, together with the positive impact of exchange rate fluctuations, offset the rise in advertising and promotional expenditure focused on strategic markets. The operating margin as a percentage of revenue for this business group increased by 1 point to 29%.

2.2.2 Principal developments

Champagnes and wines

Moët & Chandon consolidated its position as the world leader in champagne. The brand fully benefited from the recovery in demand in most of the major consumer countries and recorded remarkable growth in the emerging markets.

The introduction of the 2002 Vintage was the year-end high point and illustrates the wine-making expertise of the brand.

Moët & Chandon expanded its presence and its visibility at international film festivals and also organized an extraordinary event at its vineyard during the harvest to celebrate its heritage and its expertise, an event attended by its international ambassador Scarlett Johansson.

Dom Pérignon, an iconic brand, showing strong growth, performed exceptionally well in the United States, Europe and Asia as retail inventories returned to normal levels. The brand organized dynamic events based on the theme of its history.

Ruinart, whose strategy is geared primarily to the development of premium cuvées, recorded solid revenue growth in France and abroad. Several new product launches marked by exciting events illustrated the innovative values of the brand, which continued to be present at major contemporary art exhibits.

Taking full advantage of the improved economic environment, **Veuve Clicquot** grew substantially in all its markets. The sharp recovery seen in the major traditional countries went hand in hand with the appearance of solid prospects in emerging markets such as Brazil and Russia. Its performance is based on the constancy of its value strategy, the quality of its wines recognized by excellent ratings, and its tradition of daring and innovation

Capitalizing on its fundamentals, **Krug** implemented a tasting program paying homage to the Grande Cuvée, its emblematic champagne which embodies the values of generosity, excellence and non-conformity. The Krug champagnes again earned the top international ratings.

The wines developed throughout the world by **Estates & Wines** recorded strong growth in 2010 in all their markets, with a special mention for the Asia-Pacific and Latin American regions.

The Chandon sparkling wines achieved remarkable growth in their domestic markets, and consolidated their leadership position in the super premium category. After its successful launch in Japan and in Asia, the brand continued its internationalization strategy.

The still wine brands of Cloudy Bay (New Zealand) and Terrazas de los Andes (Argentina) recorded excellent results in all markets, as did Newton (California), Numanthia (Spain), Cheval des Andes (Argentina) and Cape Mentelle (Australia) in more selective markets.

The first sale of a classic vintage **Château d'Yquem,** the 2009, was enthusiastically received by international experts and buyers, particularly in the Asian market. Out of a desire to place its brand within its era, Château d'Yquem created its own blog called "mYquem".

Cognac and Spirits

Hennessy completed a year of growth in all regions and for all its qualities of cognac. The brand again reached its historical highs and confirmed its position as a global leader in terms of both volume and value.

In the United States, in a competitive environment of lower prices, Hennessy returned to a positive trend without compromising its value strategy and strengthened its positions due to ambitious innovations.

Hennessy reinforced its historic leadership in Europe. It grew in its traditional markets, like Ireland, Germany, Russia and the United Kingdom, and developed on new markets in Eastern and Northern Europe.

For the third consecutive year, Asia was the primary growth driver for Hennessy. In China, the top contributor to profit, the brand recorded double-digit growth in all its products. Hennessy continued to expand in the other Asian countries, maintaining a strong position in Taiwan and growing in promising markets such as Vietnam, Malaysia and Cambodia.

In addition to its principal markets which ensure a very balanced distribution of revenue, Hennessy continued to deploy its strategy of conquering the emerging countries of Asia, Africa, Central Europe and Central America.

Supported by the investments made by Hennessy in all its markets, the dynamic performance of the brand is driven year after year by its desire to create the exceptional and to create value for its offer.

In 2010 the single malt whiskies **Glenmorangie** and **Ardbeg** were again the recipients of the most prestigious awards in the International Wine & Spirit Competition (IWSC). The efforts made by these two brands since joining LVMH now mean that they can begin a decisive stage in their growth under optimum conditions.

Glenmorangie whisky recorded a very good year in the United States, continental Europe and Asia. The brand thus developed the solid basis and high-performance tools to ensure its future growth.

Ardbeg recorded strong growth in the United States and continental Europe. The introduction of Ardbeg Corryvreckan was greeted enthusiastically and the product won the title "Best Single Malt" in the 2010 Whisky Bible.

Belvedere vodka completed an extraordinarily eventful year. Revenue grew significantly to reach an historic high in 2010, demonstrating both its success in the United States and in the rest of the world as well: Europe is now recording the most rapid growth.

In line with its strategy for growth, the **Wenjun** brand is now well established in southern China.

2.2.3 Outlook for 2011

Strengthened by the rebound in 2010 caused by the relative improvement in the global economy, the Wines and Spirits business group intends to continue solid growth in the volume and value of its sales during the coming months and to consolidate its market share.

In an increasingly competitive environment, the brands will continue to capitalize on their powerful fundamentals: excellence, authenticity, an image of luxury and exceptional creativity. While they will continue to pay careful attention to controlling production costs, their growth strategies will be based on their strong ability to innovate and on substantial media and marketing investments.

The Champagne sector will aggressively pursue its growth targets in the major consumer countries with increasingly strong goals in promising markets such as Japan and Latin America, which are longer term growth drivers. Hennessy's focus will primarily be on its two key geographic regions: Asia, which is dominated by China but includes other growth areas; and the United States where the brand continues its conquest of new consumers.

2.3 FASHION AND LEATHER GOODS

2.3.1 Highlights

In 2010, revenue for the Fashion and Leather Goods business group amounted to 7,581 million euros, representing organic growth of 13%, and 20% based on published figures.

Profit from recurring operations of 2,555 million euros was up 29%.

Exchange rate fluctuations had a positive impact on this business group's profit in the amount of 246 million euros. Profit from recurring operations for Louis Vuitton increased sharply, while Fendi and Donna Karan confirmed their profitable growth momentum. The operating margin as a percentage of revenue for this business group also increased by 2 points to 34%.

2.3.2 Principal developments

Louis Vuitton

Louis Vuitton achieved another year of double-digit revenue growth in 2010 and again gained market share. This performance was, as usual, accompanied by exceptional profitability in a context of continued investments in the retail network, in the expansion of production capacities, and in communications.

The uninterrupted growth of Louis Vuitton, due to the global success of its products, continued to be supported by strong and dynamic innovation. Louis Vuitton also recorded solid successes in its other businesses (including ready-to-wear, footwear, textiles, accessories).

New store openings and remarkable renovations punctuated the year on all continents. One of the high points was the opening of the Maison Louis Vuitton in New Bond Street in London. Two new stores in Shanghai and its entrance into two new countries, Lebanon and Santo Domingo, were testimony to Louis Vuitton's leadership and uniqueness within the high quality universe.

The brand confirmed its media presence with strong campaigns that reflected its many facets. A number of initiatives helped to illustrate Louis Vuitton's historic ties to the art world and honored the wealth of expertise of its artisans. The end of the year was marked by a major exhibit devoted to Louis Vuitton at the Carnavalet Museum, which specializes in the history of Paris.

In order to meet the very high demand for its products, Louis Vuitton committed significant resources to increasing its artisanal production capacities. The year 2010 saw the completion of the Fiesso d'Artico site in Italy for footwear, and the inauguration of the first workshops of Tanneries de la Comète, the future center for development and excellence for leather treated with vegetable extracts. Louis Vuitton is also preparing to open a new leather workshop in Marsaz in the Drôme.

Fendi

Fendi achieved an excellent performance in 2010 as illustrated by the significant growth in all product categories and the solid improvement in profitability to a new high. This dynamic momentum was visible in all geographic regions. The in-depth work initiated in recent years to create value for the brand and consolidate the general organization of the company continued to reap benefits.

In leather goods, Fendi continued to develop its historic lines. The star *Peekaboo* line remained a benchmark and 2010 saw the launch of some new lines.

As part of the qualitative expansion of its retail network, the Palazzo Fendi in Rome and the Plaza 66 store in Shanghai were expanded. New stores were opened in such places as Las Vegas, Atlanta and Beverly Hills in the United States, in Singapore and in Hangzhou, China.

Fendi intensified its artistic communication along its priority vectors, under the guidance of its creator, Karl Lagerfeld. All year long, innovations focusing on selected artists gave birth to original works praised in the different design shows in Europe and the United States.

Other brands

After safely weathering the difficult economic conditions of 2009, **Donna Karan,** the New York brand, once again recorded revenue growth in 2010, in the United States and abroad, and continued to improve its profitability. A new store devoted to the Collection line opened in Las Vegas in December and the brand continued to consolidate and expand the international presence of its DKNY line, which also recorded very strong performances, particularly in Asia.

Marc Jacobs continued to grow achieving very strong performance in all its markets, and was particularly successful with its *Collection* accessories and its *Marc by Marc Jacobs* lines of accessories and jewelry. A new men's fragrance was launched in 2010. Marc Jacobs expanded its retail network with the opening of two flagship stores in Hong Kong and Tokyo.

The Spanish brand **Loewe** confirmed that it is now expanding rapidly in 2010. The emblematic *Amazona* and *Napa* leather goods lines, made from leather of exceptional quality, grew significantly. The leather ready-to-wear *Leather Icons* collection exceeded its objectives.

Céline benefited from the creative renaissance that began with the arrival of Phoebe Philo as Artistic Director. The media success that heralded the beginning of this collaboration is now generating substantial commercial results. This momentum is reflected in all product categories: ready-to-wear, leather goods and footwear. In 2010, Phoebe Philo was named designer of the year at the British Fashion Awards.

Kenzo continued its repositioning and reorganization. In 2010, the brand focused primarily on streamlining its retail network.

Givenchy confirmed the success of its creations since the arrival of Riccardo Tisci and had an excellent year, notably with solid results for Women's ready-to-wear. The Haute Couture activity completed a transition to a *"Salon de Couture"* concept, which is closer, in terms of its exclusivity, to the roots of the brand and the origins of this prestigious business.

2.3.3 Outlook for 2011

In 2011, **Louis Vuitton** will maintain its innovative momentum and continue to focus on its values of perfection and sophistication. The brand will expand its personalization services, continue qualitative development of its global store network and strengthen production capacities. The new Marsaz workshop in the Drôme will open in the spring of 2011. Pursuing its ambitions in high-end jewelry, Louis Vuitton will open a dedicated boutique and workshop of jewelry artisans in the Place Vendôme in Paris. The launch of a new digital platform is also planned in the first half.

Fendi will continue to rely on developing its iconic products, highlighting its know-how and expanding its retail network in regions offering high potential.

Extending the significant rebound in their activities in 2010, the other brands will intensify their momentum and continue to implement the different components of their growth model. The quality of the creative teams in place will increase the commercial impact of the collections. And the attention given to the excellence at all levels is also an absolute priority for all our brands.

2.4 PERFUMES AND COSMETICS

2.4.1 Highlights

The Perfume and Cosmetics business group recorded revenue for 2010 of 3,076 million euros. At constant structure and exchange rates, revenue increased by 9% and 12% based on published figures.

Profit from recurring operations for this business group was 332 million euros, an increase of 14% compared to 2009.

This growth was driven by Parfums Christian Dior, Guerlain, and Parfums Givenchy, all of which posted significantly improved performance, 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 Principal developments

Parfums Christian Dior

Parfums Christian Dior achieved a remarkable performance, with double-digit growth in revenue and profit from recurring operations. The year was marked by a rebound in the major traditional markets and continued growth in Asia.

The exceptionally steady and dynamic performance of the flagship product lines and the implementation of a high-quality strategy of innovation generated growth in all segments: perfumes, make-up and skincare. The activity of the brand was supported by significant advertising investments in its priority markets.

In the perfume segment, Dior focused on the development of its strategic products. The continued global success of *Miss Dior Chérie*, a new format for *J'adore,* the deployment of *Eau Sauvage,* the production of new films for *Hypnotic Poison* and *Dior Homme*… were some of the high points of 2010. The year was also punctuated by the creation of a new opus in the *Escales* series and by the launch of the *Collection Couturier Parfumeur,* signed by François Demachy, the perfumer-designer for the Brand, in true tribute to Monsieur Dior.

In the make-up segment, Dior distinguished itself in the first half of 2010 with the success of its mascara *Diorshow Extase* and the extension of its *Diorskin Nude* foundation line. The second half of the year saw the highly successful launch of the new *Rouge Dior,* available in 32 shades directly inspired by the world of haute couture, and the introduction of a collection of nail polishes also offering an exceptional palette of colors.

The skincare lines performed extremely well, driven in particular by the solid growth in the emblematic anti-aging *Capture* line and the highly successful new-generation *Capture One Essential* serum launched in 2010.

Guerlain

After its resilient response to the effects of the economic crisis on the perfumes and cosmetics market the previous year, **Guerlain**, one of the world's oldest perfume houses, created in 1828, returned to strong, dynamic growth and established a new record for both revenue and profit. The brand achieved an exceptional performance in France and recorded strong growth in China.

The growth in perfumes was particularly driven by the confirmed success of the new fragrance *Idylle* and by the exceptional strength of the legendary *Shalimar*. The year 2010 also highlighted the sustained performance of the *Orchidée Impériale* skincare line, which generated double-digit growth, and the promising beginning of the innovative *Abeille Royale* derived from the royal jelly. The make-up business benefited from the strengthening of the powder *Terracotta,* and from the introduction of a new foundation *Lingerie de Peau,* which was very favorably received.

Guerlain expanded its network of boutiques in France (renovation of the Paris boutique in Passy and a point of sale opened in Printemps Haussmann) and abroad (re-opening of the "imperial" boutique in Tokyo and the inauguration of two exclusive spaces in Dubai).

Other brands

Parfums Givenchy recorded an excellent year with strong growth in revenue and marked growth in operating profitability. This strength was confirmed in almost all geographic regions and distribution circuits. The most dynamic lines were the perfumes *Ange ou Démon* and *Play* (the women's version of which, *Play for Her,* was successfully launched in 2010), *Le Soin Noir* and *Vax'in,* an innovative anti-aging serum launched during the year. Among other innovations, Parfums Givenchy introduced *Mister Lash Booster,* a revitalizing serum for eyelashes.

The business of **Parfums Kenzo** benefited from the solid performance of the *FlowerbyKenzo* line, which reacted positively to its new advertising campaign and the launch of a woody variant in the *Kenzo Homme* line.

Fendi returned to the perfume market in the second half of 2010 with *Fan di Fendi,* which recorded some excellent first results.

The performance of **Benefit** in 2010 continued to generate rapid growth. The brand expanded in the United States, its country of origin, and continued to develop in Asia and Europe. Several successful innovations, like *Sugarbomb* (a compact powder), *Stay don't Stray* (foundation) and *Girl Meets Pearl* (pearled liquid), marked the year 2010.

Make Up For Ever recorded another year of exceptional growth in revenue and profit. The brand grew in all its markets, particularly in North America and Europe. It increased its market share in Asia significantly and resumed control of its distribution in South Korea. While intensifying its success with the general public, the brand recorded a high growth rate in the professional make-up segment and boosted its brand recognition with the entertainment world.

2.4.3 Outlook for 2011

Continuing the momentum developed in 2010, the year 2011 promises to be rich in developments for the brands of the Perfumes and Cosmetics business group.

Parfums Christian Dior has strong growth prospects for *Miss Dior Chérie,* which will benefit from the association with its new ambassador Natalie Portman. Particular efforts will also be dedicated to the *Dior Addict* lipstick line and to the re-introduction of the *Capture Totale* skincare line based on the cell-regenerating power of the *One Essential* serum and with the addition of a new and exclusive active cosmetics ingredient. *J'adore* will be strongly supported as every year.

Guerlain's objectives are also ambitious. A new evolution of the *Shalimar* legend and a new communications plan for *Idylle* will be the high points of 2011 in perfume. In the beauty segment, Guerlain will further strengthen the *Orchidée Impériale, Abeille Royale* and *Terracotta* lines and will roll out a new lipstick.

The news from **Parfums Givenchy** will be dominated by the launch of a new perfume for women, developed with the collaboration of the fashion house and strongly emblematic of the values of Givenchy.

Parfums Kenzo will launch a new fragrance for women while it unveils a new and very original variant of *FlowerbyKenzo*.

Benefit will continue to illustrate its dynamic innovative ability through the year and will expand distribution in all its key markets. The brand will open its first boutique in New York.

Make Up For Ever will focus on strengthening its two star product lines *Aqua* and *HD,* while at the same time expanding its offer in the professional make-up segment.

2.5 WATCHES AND JEWELRY

2.5.1 Highlights

In 2010, Watches and Jewelry saw an increase in revenue of 21%, at constant structure and exchange rates, to 985 million euros, representing an increase of 29% based on published figures

Profit from recurring operations for this business group increased twofold to 128 million euros. Watches and Jewelry also significantly improved its profitability and posted an operating margin as a percentage of revenue of 13%, representing an increase of more than 5 points.

2.5.2 Principal developments

TAG Heuer

In 2010, **TAG Heuer** stylishly celebrated its 150th anniversary, achieving strong organic revenue growth in all markets, including very steady expansion in China, double-digit growth in the United States, and a solid performance in Japan.

TAG Heuer completed the industrial production of its automatic chronograph movement, the Calibre 1887, launched in the *Carrera* line. This development earned the Geneva Grand Prix de l'Horlogerie and enjoyed excellent commercial success.

In the women's watch segment, TAG Heuer expanded its offer with the steel and ceramic *F1,* and demand for the model exceeded the most optimistic projections.

Finally, TAG Heuer expanded its network with twenty new stores, both owned and franchised, notably in China and Southeast Asia, but in Japan, Russia and Paris as well. The brand now has over one hundred stores worldwide (owned and franchised), the productivity of which increased significantly.

Hublot

After demonstrating remarkable resistance in 2009, **Hublot** accelerated its growth on several fronts in 2010.

Its Nyon manufacturing facility increased its capacity. Hublot also expanded its network of boutiques by opening stores in strategic locations in Paris (Place Vendôme), Beijing, Singapore, New York, Miami, and St Thomas, giving the brand high visibility and strong positioning in the luxury watch market.

Hublot continued to steadily improve its positioning as a luxury brand with the *King Power* line, the *Big Bang* line of chronographs for women, *Tutti Frutti,* substantially increasing its market share of the high-end watch segment. The brand also began to establish a presence in China with some highly visible stores.

Finally, Hublot was awarded the "Walpole Award for Excellence 2010" which recognizes the most prestigious luxury brands.

Zenith

Manufacture **Zenith** achieved an extremely energetic recovery after the restructuring completed at the end of 2009.

The new strength of its collections, inspired by a return to classic watches and by the legendary expertise of the Manufacture, was praised by customers and opinion leaders. The reduction in the number of catalogue items and the emphasis on the continued unequaled performance of the celebrated El Primero movement generated dynamic demand in all markets.

The brand partnered with celebrities who are true pioneers in their professions, like the explorer Jean-Louis Etienne. The *El Primero Striking 10th* chronograph, with direct reading to one-tenth of a second, is an innovation that perfectly illustrates this pioneering spirit and was so successful that inventories were quickly depleted.

Zenith recorded remarkable growth in Chinese Asia where the brand is highly appreciated and recognized.

Other brands

The *Josephine* collection, the top innovation by **Chaumet** of 2010, references the historic crown designs by Chaumet artisans and pays tribute to Empress Joséphine, the first major customer of the brand's founder. The launch of this collection was enormously successful. Chaumet also enhanced its collections of jeweled watches.

Chaumet expanded significantly in Asia with new stores opened in different Chinese cities and in Singapore. It also gained market share in its traditional markets of France and Japan, at the same time improving the productivity of its stores and its profitability.

Montres Dior continued to reduce its distribution network and expanded its presence in Dior Couture boutiques.

New watch designs supported the upscaling of the strategic *Christal* line. The *Mini D* product line, which has completed and enhanced the *D de Dior* collection since 2009, is a perfect cap to an elegant and prestigious positioning in women's watches.

De Beers generated strong growth, improved the productivity of its stores and strengthened communication of its expertise as a diamond jeweler. New classic collections were added to round out the Brand's product offer.

In addition, after the success of the brand in Hong Kong and Taiwan, the new store at Marina Bay Sands in Singapore confirmed the interest of Asian customers in the brand.

Fred, a jeweler offering extremely contemporary designs, continued targeted growth in France and Japan with steady work on its iconic *Force 10* and *Success* lines. Fred's top priority was to improve the productivity of its network of existing stores. In December, the brand launched its online sale site in the French market, www.fred.com.

2.5.3 Outlook for 2011

In 2011, the Watches and Jewelry business group's strategy of profitable growth will be continued and expanded with ambitious targets.

Communications investments will be continued, including on the Internet, and will remain highly targeted on brands and priority markets. Chinese Asia will receive particular attention, although the objective is still to develop balanced activity on the principal continents.

The business group will expand its network of boutiques in China, a country with strong potential, and will develop it selectively in other markets. New stores are planned by **Hublot** in New York on Madison Avenue, **TAG Heuer** at Las Vegas City Center, **Zenith** in Hong Kong, and **De Beers** in Beijing and Hong Kong among others. The **TAG Heuer, Hublot** and **Chaumet** brands are initiating a major program of new stores in Asia. **Fred** will open a boutique in Paris in the Marais district.

In January 2011, the watch brands are introducing their new collections in Switzerland and worldwide, even before the traditional Basel trade show in late March. A large number of innovations will be unveiled in each of their iconic product lines, reflecting a continuing effort in creativity and in high quality in all market segments.

2.6 SELECTIVE RETAILING

2.6.1 Highlights

In 2010, revenue for Selective Retailing amounted to 5,378 million euros, representing an increase of 19% based on published figures and 14% at constant structure and exchange rates. Profit from recurring operations for this business group was 536 million euros, up 38% from 2009.

The operating margin as a percentage of revenue for Selective Retailing as a whole increased by 1 point to 10%.

2.6.2 Principal developments

DFS

DFS, which celebrated its fiftieth anniversary in 2010, recorded a year of strong growth. Its business was driven by the continued growth in Asian tourism and by the appreciation of the yen against the US dollar, which resulted in increased numbers of Japanese customers. The stores in Hong Kong, Macao and Singapore, highly popular destinations for Asian travelers, recorded remarkable growth. Hawaii, Guam and North America were also dynamic markets. The recent concessions in Abu Dhabi in the Middle East and Mumbai in India recorded steady growth.

The investments made in strategic stores continued in 2010. The *Galleria* at Sun Plaza in Hong Kong, which completed its renovation and expansion, was the stage for the celebration of the fiftieth anniversary of DFS when it re-opened in November. The second site in Macao, City of Dreams, was completed in the summer. In Hawaii, in the first stage of the eventual complete renovation of the *Galleria,* the Beauty space was expanded to offer a unique range of brands and services for this destination.

DFS continued to base its strategy on the growing appeal and the qualitative improvement of its stores in all destinations. The policy is based primarily on an offer that continues to move toward luxury brands and products and on the expansion of services offered to customers. The many initiatives last year included the "Platinum" program designed for our most important customers, which includes specific communications, exclusive events and personalized assistance in making their choices and purchases under optimum conditions. This concept, which DFS inaugurated at Hong Kong Sun Plaza, is now being extended to other destinations.

Miami Cruiseline

Miami Cruiseline benefited from a gradual recovery in cruise activity, the impact of which was particularly strong in the second half. The revenue growth recorded in 2010 was driven primarily by the commissioning of the *Oasis of the Seas* from Royal Caribbean, an enormous ship where Miami Cruiseline has a space that is an ideal showcase for its expertise.

While it continued to work to improve profitability, the company also intensified its strategy aimed at differentiating its sales approach and its product offer as a function of the customer base specific to each cruise line.

Sephora

Sephora recorded remarkable performances all over the world. This momentum, which generated new gains in market share in all its regions, was particularly noteworthy because it followed very solid growth in 2009.

In Europe, Sephora continued to affirm its leadership status and recorded the most rapid growth in the market. As of December 31, 2010, the European network represented a total of 673 stores. While existing stores continued to be actively modernized, 34 net new stores were opened during the year. Extremely beautiful stores were opened in exceptional locations, including Milan, Italy and Madrid, Spain. The flagship store on the Champs-Élysées in Paris was reorganized to improve fluidity and visibility.

The exceptional vitality of the brand in the United States, where revenue growth continued from one quarter to the next, was coupled with resounding success in Canada, a market that is growing and confirming its strong potential. The Sephora network in North America represented 276 stores as of December 31, 2010.

The year 2010 was highlighted by the acquisition of Sack's, the leader in online sales of selective perfumes and cosmetics in Brazil, a transaction that marks Sephora's first entrance in Latin America. In November, the company also signed a joint venture agreement to establish a presence in Mexico, the second largest beauty market in Latin America after Brazil.

In China, Sephora continued its growth with now nearly 100 stores. It earned significant market share in Shanghai and Beijing (approximately twenty stores in each city). In south Asia, the flagship Singapore Ion Orchard store was enormously successful. Sephora expanded its presence in this territory with the opening of an extraordinary store in Marina Bay Sands.

The brand recorded an excellent year in the Middle East, a market it entered more recently, where it had 20 stores as of December 31, 2010.

Finally, the online sales sites operating in the United States, France and China continued to innovate, expanded their services, and recorded strong growth driven by the global expansion of this sales channel.

Le Bon Marché

After solidly navigating the year 2009, **Le Bon Marché** recorded a sharp recovery in revenue in 2010, led more than ever by the luxury and fashion segments.

The activity of the department store on the Left Bank was driven by the investments made over several years to strengthen its identity and unique character in the Parisian commercial landscape. The year 2010 marked a decisive stage in the process of transforming the company. In the spring, the inauguration of the *"Maison d'Édition"* highlighted the strong elements of the architectural heritage of the building, particularly its magnificent original glass ceiling. The fall signaled the opening of the new news-making "Balthazar", the unveiling of an enormous 3,800 m² space dedicated to men. A very high-end shoe department, offering a unique selection in Paris, was one of the outstanding elements of this new "dressing room for men."

2.6.3 Outlook for 2011

DFS has a solid outlook for growth in the coming months, driven by the continued positive trends in 2010. The program to expand and renovate the *Gallerias* will actively continue in Macao Four Seasons, Hawaii, Singapore and Okinawa. In addition to these investments, DFS will continue to enhance the services offered to its customers and will maintain its strategy of moving toward high-end products with the addition of categories of high-potential products (watches, beauty products, and more) and the arrival of new luxury brands. DFS has also just announced a plan to open a third *Galleria* in Hong Kong in 2012 in the Causeway Bay district, a commercial area very popular with local customers and tourists. This initiative reflects the desire of DFS to seize all opportunities that might strengthen its outlook for future growth.

Miami Cruiseline will benefit in 2011 from the contribution of several new cruise ships and from the trend toward larger and larger vessels. The growth in new categories of passengers and the development of new itineraries is also a positive factor. In order to take advantage of these trends, Miami Cruiseline continues to adapt its product offer to the specific characteristics of each cruise line.

To continue its solid momentum, **Sephora** has ambitious objectives for growth and gains in market share in 2011. The brand is stepping up the rate of store openings in the key countries where it intends to consolidate its leadership position and in high-potential markets like China where it wants to rapidly establish strong positions. Substantial investments will also be made to modernize the existing stores in Europe and the United States and to develop the business generated by the websites. The focus will be increasingly on the innovative aspect of the product offer and services and on expanding loyalty programs. All these measures will be backed by sustained marketing investments.

Building on the latest developments to reinforce its unique positioning with demanding Parisian and international customers, **Le Bon Marché** is targeting strong growth in its business in 2011. The department store on the Left Bank will continue to focus on the exceptional values that define its unique character as a "Concept Store." In 2011, this will mean the partial reorganization of the sales spaces on the ground floor to give more room to the luxury brands. Furthermore, the continued efforts to improve the quality of service and to implement new services will reinforce customer loyalty to the store.

3. Operational risk factors and insurance policy

3.1 STRATEGIC AND OPERATIONAL RISKS

3.1.1 Threats to the Group's image and reputation

Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by brand ambassadors, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands and goodwill recorded in the Group's balance sheet as of December 31, 2010 amounted to 17.0 billion euros.

The Group maintains an extremely high level of vigilance with respect to any inappropriate use by third parties of its brand names, in both the physical and digital worlds. In particular, this vigilance involves the systematic registration of all brand and product names, whether in France or in other countries, communications to limit the risk of confusion between the Group's brands and others with similar names, and constant monitoring, which may prompt legal action by the Group, if required. Initiatives pursued by the Group in favor of a legal framework suited to the digital world, prescribing the responsibilities of the various participants, are an integral part of this vigilance.

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

3.1.2 Counterfeit and parallel retail networks

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

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

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brand names and products 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 Europe's borders, 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 Europe, 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. 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 2010, anti-counterfeiting measures generated internal and external costs, in the amount of approximately 21.5 million euros.

3.1.3 Constraints related to contractual commitments

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, 2010, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 5.5 billion euros. Detailed descriptions of these commitments may be found in Notes 29.1 and 29.2 to the consolidated financial statements. However, no 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, 2010, this commitment is valued at 3.7 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, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit, as well as 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.

3.1.5 Loss or damage resulting from the use of the Group's products

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, 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 Christian Dior Couture, for which the proportions are 35% and 28% 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 on the availability, in sufficient quantity, of certain raw materials meeting the quality criteria demanded by the Group. This mainly involves the supply of grapes and eaux-de-vie in connection with the activities of the Wines and Spirits business group, as well as leathers, canvases and furs in connection with the activities of the Christian Dior Couture and Fashion and Leather Goods business groups. 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. With respect to supply sources and sub-contracting, please refer in addition to the "General information" of the Annual Report.

In addition, the Group's professions require highly specific skills and expertise, in the area of leather goods, 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, a full set of measures designed to protect sensitive data, as well as business continuity plans at each of its Houses.

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 definition and implementation of the risk management policy are handled by the Finance Department.

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 2010, engineering consultants at LVMH devoted about 140 audit days to the program.

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

3.2 INSURANCE POLICY

The Group has a dynamic global risk management policy base 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 the Group's 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 0.25% and 0.20% of consolidated annual revenue.

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

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

3.2.1 Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and associated loss of gross margin.

Property damage insurance limits are line with the values of assets insured. 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 1.1 billion euros per claim, an amount determined on the basis of the Group's maximum possible loss. 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 is limited to: 75 million euros per claim and 150 million euros per year for LVMH and 200 million euros per claim in France (10 million euros outside of France) for Christian Dior Couture. For the LVMH group, as a result of a Japanese earthquake risk modeling study performed in 2009, specific coverage in the amount of 150 million euros was taken out for this risk. These limits are in line with the Group companies' risk exposures.

3.2.2 Transportation insurance

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

3.2.3 Third-party liability

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

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

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

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance or social security 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, acts of terrorism, loss of or corruption of computer data, and environmental risks is obtained through specific worldwide or local policies.

3.3 FINANCIAL RISKS

3.3.1 Credit risks

Because of the nature of its activities, the majority of the Group's sales are not affected by customer credit risk. Sales are made directly to customers through Christian Dior Couture, the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Perfumes and Cosmetics stores. Together, these sales accounted for approximately 81% and 62% of total revenue in 2010 for Christian Dior Couture and LVMH respectively.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings. The extent of insurance against customer credit risk is very satisfactory, with a cover ratio of around 96% as of December 31, 2010.

3.3.2 Counterparty risk

The financial crisis of 2008-2010 had a considerable impact on the banking sector worldwide, necessitating heightened controls and a more dynamic approach to the management of counterparty risk. Risk diversification is a key objective and special attention is given to the credit ratings of bank counterparties selected by the Group, which must always be in the top-level categories.

Banking counterparty risks are monitored on a regular and comprehensive basis within LVMH and Christian Dior, a task facilitated by the centralization of risk management at both levels.

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 2011 relating to the main invoicing currencies are provided in Note 21.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than euros (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full through the use of borrowings or financial futures denominated in the same currency as the underlying asset. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 21.5 to the consolidated financial statements.

3.3.4 Interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled 4.1 billion euros as of December 31, 2010. After hedging, 45% of gross debt was subject to a fixed rate of interest and 55% was subject to a floating interest rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 17.4 and 17.6 to the consolidated financial statements.

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

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

3.3.5 Equity market risk

The Group's exposure to equity market risk relates mainly to Christian Dior's ownership interest in LVMH as well as Christian Dior and LVMH treasury shares, which are held primarily for stock option plans and bonus share plans. The Group also holds LVMH share-settled calls to cover these commitments. Christian Dior treasury shares, as well as Christian Dior share purchase options, are considered as equity instruments under IFRS, and as such have no impact on the consolidated income statement. In addition, the Group holds a 20.2% 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 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 (0.3 billion euros) or (b) by comparing the amount of the short term portion of its net financial debt before hedging (2.6 billion euros) and net of cash and cash equivalents (2.4 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.8 billion euros.

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

The Group has undertaken, in accordance with the terms of certain credit agreements, to comply with certain financial ratios (mainly, net financial debt to equity; coverage of financial debt by 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 group's rating (by Standard & Poor's). As of December 31, 2010, no drawdown had been performed under these schemes. Furthermore, should these clauses be triggered, this would not have a material impact on the Group's cash flow.

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

The breakdown of financial liabilities by contractual maturity is presented in Note 21.7 to the consolidated financial statements.

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

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

The Group has implemented a stringent policy, as well as 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 information system which allows hedging transactions to be monitored in real time.

The hedging policy has been presented to the Audit Committee. Hedging decisions are made according to a clearly established process that includes regular presentations to the Group's various executive bodies and involves the gathering of detailed supporting documentation.

4. Financial policy

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

- Improving the Group's financial structure, as evidenced by the key indicators listed below:

- substantial growth in equity;
- lower net debt;
- access to Group liquidity, in particular through its French commercial paper program;
- maintaining a substantial level of cash and cash equivalents;
- the Group's financial flexibility, based on a significant reserve of confirmed credit lines.

Thanks to substantial cash flow from operations, net financial debt was reduced from 4,460 million euros as of December 31, 2009 to 4,142 million euros at year-end 2010.

Equity before appropriation of profit increased by 21% to 19,570 million euros as of December 31, 2010, compared to 16,121 million euros a year earlier. This improvement is attributable both to the level of net profit in 2010 and the positive impact of gains arising on currency translation due to the appreciation of the US dollar and the Japanese yen against the euro between year-end 2009 and year-end 2010, despite dividend payments amounting to 1,072 million 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.

With regard to foreign exchange risks, the Group continued to hedge the risks of exporting companies using call options or ranges 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 significantly better forward rate for the US dollar than that obtained in 2009, which was also better than the average exchange rate for the year, and a significantly better forward rate for the Japanese yen than that obtained in 2009, which was broadly in line with the average exchange rate for the year.

- A high level of cash and cash equivalents managed centrally by both LVMH and Christian Dior, owing to good operating performance and the continuing development of cash management procedures on an international scale.

Apart from its cash and cash equivalents, the Group applies a diversified short and long term investment policy. It benefited from continuing high yields for bonds from top-quality issuers, with a permanent focus on ensuring a proactive and dynamic approach to counterparty risk management.

- The decrease in the cost of net financial debt, which was 197 million euros as of December 31, 2010, down from 242 million euros the previous year.

This change results in particular from the decline in the average net financial debt during the year, the substantial proportion of variable-rate borrowings in a context of low rates, but also better yields on cash investments.

- Pursuing a dynamic dividend payout policy to shareholders, to enable them to benefit from the company's very strong performance over the year:

- an interim dividend for 2010 of 0.88 euros was paid in December 2010;
- proposal of a dividend payment of 2.11 euros per share for the period (final dividend of 1.23 euros available for distribution in 2011). As a result, total dividend payments to shareholders by Christian Dior in respect of 2010 would amount to 383 million euros, before the impact of treasury shares.

4.1 CONSOLIDATED CASH FLOW

The consolidated cash flow, which is shown in the consolidated financial statements, details the main cash flows for the 2010 fiscal year.

Net cash from (used in) operating activities and operating investments (free cash flow)

(EUR billions)	2010	2009
Cash from operations before changes in working capital	+4.9	+4.0
Income tax paid	-0.9	-0.9
Cost of net financial debt: interest paid	-0.2	-0.2
Changes in working capital	+0.3	+0.1
Operating investments	-1.1	-0.8
TOTAL	**+3.0**	**+2.2**

Cash from operations before changes in working capital increased by 24% to 4,911 million euros as of December 31, 2010, from 3,964 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 3,811 million euros, an increase of 36% compared to the 2,808 million euros recorded in 2009.

Interest paid in 2010 amounted to 195 million euros, down from 250 million euros the previous year, reflecting the decline in the Group's average financial debt over the year and the substantial proportion of variable-rate borrowings in a context of low rates.

Income tax paid in 2010 amounted to 905 million euros, thus nearly stable compared to the 906 million euros paid in 2009.

The change in working capital requirements represents a surplus of 280 million euros. Although changes in inventories increased cash requirements by 110 million euros, due in particular to growth in the Selective Retailing businesses and the modest recovery in purchases of distilled alcohol inventories for cognac, the increase in trade accounts payable balances generated 298 million euros in cash, especially at DFS and the French perfumes and cosmetics houses. Changes in working capital requirements compared to 2009 are primarily attributable to business growth in 2010 and, for the French brands, to the impact on the 2009 financial statements of the entry into effect of the French Law on the Modernization of the Economy.

Operating investments for the period, net of disposals, resulted in net cash outflows of 1,078 million euros. These investments, mainly focused on the retail networks of flagship brands and trade names such as Louis Vuitton, Sephora and DFS, reflect the Group's growth momentum.

Net cash from operating activities and operating investments thus amounted to 3,013 million euros, compared to 2,194 million euros the previous year.

Net cash from (used in) financial investments, transactions relating to equity and financing activities

(EUR billions)	2010	2009
Net cash from (used in) financial investments	-1.7	-0.3
Net cash from (used in) equity transactions	-0.9	-0.8
o/w interim and final dividends paid by Christian Dior	*-0.4*	*-0.3*
Net cash from (used in) financing activities	-0.8	+0.7

Acquisitions of non-current available for sale financial assets, net of disposals, together with the net impact of the purchase and sale of consolidated investments, resulted in an outflow of 1,715 million euros in 2010, compared to 321 million euros a year earlier. As of December 31, 2010, acquisitions of non-current available for sale financial assets included the additional investment in Hermès International, in the amount of 1,655 million euros. The net impact of the purchase and sale of consolidated investments primarily corresponds to the acquisition by Sephora of a 70% stake in Sack's, a Brazilian retailer of perfumes and cosmetics.

Transactions relating to equity generated an outflow of 943 million euros over the period.

Share subscription options exercised by LVMH employees during the year raised a total of 120 million euros. LVMH proceeded with the cancellation of a number of shares equivalent to the total issued.

Disposals of Christian Dior and LVMH shares and related derivatives by the Group, net of acquisitions, generated an inflow of 193 million euros.

In the year ended December 31, 2010, Christian Dior paid 375 million euros in dividends, after taking into account the impact attributable to treasury shares, of which 218 million euros were distributed in May in respect of the final dividend on 2009 profit and 157 million euros in December in respect of the interim dividend for the 2010 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 697 million euros in dividends. These mainly relate to minority interests in LVMH SA, those in Diageo related to its 34% equity interest in Moët Hennessy, and minority interests in DFS.

Lastly, the Group acquired an additional 40.1% stake in the Samaritaine for a consideration of 185 million euros, thus raising its total ownership interest to 98.5%.

After all operating, investment and equity-related activities, including the impact of the additional investment in Hermès International and the dividend payment, the total cash surplus amounted to 355 million euros as of December 31, 2010.

Given the extent of this cash surplus, very little funds were raised in 2010. Bond issues and new borrowings provided a cash inflow of 654 million euros. LVMH SA did not issue any public bonds during the period, nor did it conclude any private placements through its Euro Medium Term Notes program. However, LVMH did make use of its French commercial paper program, the outstanding portion of which amounted to 272 million euros as of December 31, 2010.

In 2010, the resources and cash described above were used to pay down borrowings in the amount of 1,386 million euros, 715 million euros of which corresponded to the redemption of a euro-denominated bond issued by LVMH in 2003.

As of December 31, 2010, cash and cash equivalents net of bank overdrafts amounted to 1,996 million euros.

4.2 FINANCIAL STRUCTURE

LVMH's consolidated balance sheet, which is shown on the consolidated financial statements, totaled 41.2 billion euros as of December 31, 2010, representing an increase of 14.3% compared with December 31, 2009.

Non-current assets

(EUR billions)	**2010**	**2009**	**Change**
Fixed assets	24.5	22.7	+1.8
Other assets	5.1	2.0	+3.1
o/w Non-current available for sale financial assets	*3.9*	*0.5*	*+3.4*
TOTAL	**29.6**	**24.7**	**+4.9**

Non-current assets amounted to 29.6 billion euros, compared to 24.7 billion euros at year-end 2009, a significant increase mainly attributable to the additional investment in Hermès International. Non-current assets thus represent 72% of total assets, up from 69% a year earlier.

Tangible and intangible fixed assets increased to 24.5 billion euros from 22.7 billion euros at year-end 2009. Brands and other intangible assets amounted to 11.8 billion euros, up from 11.4 billion euros as of December 31, 2009. This increase chiefly reflects the impact of exchange rate fluctuations on brands and other intangible assets recognized in US dollars, such as the DFS trade name and the Donna Karan brand, and in Swiss francs, in particular the TAG Heuer and Hublot brands.

Goodwill increased significantly, to 5.7 billion euros from 4.9 billion euros at year-end 2009, primarily reflecting the increase in share purchase commitments.

The increase in property, plant and equipment, to 7.1 billion euros at year-end 2010, is due in part to the translation adjustment but also reflects the impact of the Group's operating investments, net of the depreciation charge for the year. These investments mainly relate to the retail networks of Christian Dior Couture, Louis Vuitton, Sephora and DFS, as well as to certain real estate assets, located at the heart of cities where the Group's brands enjoy significant recognition.

Taken together, investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax increased by 3.1 billion euros to 5.1 billion euros, mainly as a result of the additional investment in Hermès International, which brought the Group's stake in this company to 20.2%. As of December 31, 2010, non-current available for sale financial assets included the investment in Hermès International in the amount of 3.3 billion euros.

Current assets

(EUR billions)	2010	2009	Change
Inventories and work in progress	6.1	5.8	+0.3
Trade accounts receivable	1.6	1.5	+0.1
Cash and cash equivalents	2.4	2.5	-0.1
Other	1.5	1.5	-
TOTAL	**11.6**	**11.3**	**+0.3**

Inventories came to 6.1 billion euros, up from 5.8 billion euros at year-end 2009, due to the impact of exchange rate fluctuations, the development of retail networks, mainly that of Sephora, and the moderate replenishment of distilled alcohol inventories for cognac.

Trade accounts receivable amounted to 1.6 billion euros, thus returning to their level at year-end 2008.

In spite of the cash outflow resulting from the acquisition of shares in Hermès International, cash and cash equivalents, excluding current available for sale financial assets, remained high at 2.4 billion euros, close to the amount of 2.5 billion euros recorded as of December 31, 2009.

Equity and non-current liabilities

(EUR billions)	2010	2009	Change
Equity, Group share	7.7	6.3	+1.4
Minority interests	11.9	9.9	+2.0
Long term borrowings	4.3	5.2	-0.9
Other	9.3	8.0	+1.3
TOTAL	**33.2**	**29.4**	**+3.8**

The Group share of equity before appropriation of profit increased to 7.7 billion euros from 6.3 billion euros at year-end 2009. This improvement in 2010 is attributable to the significant amount of the Group's share of net profit for the year and to the positive change in the cumulative translation adjustment resulting from the rise in most currencies against the euro, an impact exceeding by far the payment of dividends in the amount of 0.4 billion euros.

Minority interests amounted to 11.9 billion euros, compared to 9.9 billion euros in 2009. This increase is mainly the result of the share of profit for the year attributable to minority interests, net of dividends paid, as well as the positive impact of currency translation and of other gains and losses recorded in equity.

Total equity thus amounted to 19.6 billion euros and represented 48% of the balance sheet total, compared to 45% a year earlier.

As of December 31, 2010, non-current liabilities amounted to 13.6 billion euros, including 4.3 billion euros in long term borrowings. This compares to 13.3 billion euros at year-end 2009, including 5.2 billion euros in long term borrowings. The decrease in long term borrowings is more than offset by increases in share purchase commitments, provisions for contingencies and losses, and deferred tax. The proportion of non-current liabilities in the balance sheet total came to 33%, down from 37% a year earlier.

Equity and non-current liabilities thus amounted to 33.2 billion euros, and exceeded total non-current assets by 3.6 billion euros.

Current liabilities

(EUR billions)	2010	2009	Change
Short term borrowings	2.6	2.2	+0.4
Trade accounts payable	2.3	2.0	+0.3
Other	3.1	2.5	+0.6
TOTAL	**8.0**	**6.7**	**+1.3**

Current liabilities increased to 8.0 billion euros, from 6.7 billion euros at year-end 2009. Their relative weight in the balance sheet total increased to 19%, compared to 18% a year earlier.

Long term and short term borrowings, including the market value of interest rate derivatives used as hedging instruments, and net of cash, cash equivalents and current available for sale financial assets, amounted to 4.1 billion euros as of December 31, 2010, compared to 4.5 billion euros a year earlier. This represents a gearing of 21%, compared to 28% at year-end 2009.

As of December 31, 2010, the Group's undrawn confirmed credit lines amounted to 3.8 billion euros, largely exceeding the outstanding portion of its commercial paper program, which came to 0.3 billion euros.

5. Results of Christian Dior

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

Financial income totaled 385 million euros, compared to 347 million euros in 2009. This consists principally of dividends received from subsidiaries, investments and other property totaling 413 million euros and, on the other hand, of net interest expenses totaling 34 million euros.

Tax savings recognized under the tax consolidation agreement totaled 8 million euros in 2010, compared to 2 million euros in 2009.

Net profit totaled 379 million euros, compared to 343 million euros in 2009.

The proposal to allocate the distributable profit for the fiscal year ended December 31, 2010 is as follows:

Amount available for distribution *(EUR)*	
• net profit	379,021,209.63
plus	
• retained earnings before appropriation	97,956,723.45
amount available for distribution	476,977,933.08
Proposed appropriation	
• gross dividend distribution of 2.11 euros per share	383,444,071.28
• allocation to retained earnings	93,533,861.80
TOTAL	**476,977,933.08**

Should this appropriation be approved, the gross dividend would be 2.11 euros per share.

As an interim dividend of 0.88 euros per share was paid on December 2, 2010, the balance of 1.23 euros will be paid out on May 25, 2011.

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 under authorizations granted 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:

Fiscal year	Type	Payment date	Gross dividend (1) *(EUR)*	Tax deduction (2) *(EUR)*
2009	Interim	December 2, 2009	0.44	0.176
	Final	May 25, 2010	1.22	0.488
	TOTAL		**1.66**	**0.664**
2008	Interim	December 2, 2008	0.44	0.176
	Final	May 25, 2009	1.17	0.468
	TOTAL		**1.61**	**0.644**
2007	Interim	December 3, 2007	0.44	0.176
	Final	May 23, 2008	1.17	0.468
	TOTAL		**1.61**	**0.644**

(1) Excludes the impact of tax regulations applicable to the beneficiaries.
(2) For individuals with tax residence in France.

Information relating to payment terms

As of December 31, 2010, trade accounts payable amounted to 541 thousand euros. They comprise accrued expenses in the amount of 533 thousand euros and outstanding invoices in the amount of 8 thousand euros.

6. Company shareholders

6.1 MAIN SHAREHOLDERS

Pursuant to Article L. 233-13 of the French Commercial Code, based on information received pursuant to Articles L. 233-7 and L. 233-12 of that Code, the following is a list of shareholders holding over 5% of the share capital or voting rights, to the best of the Company's knowledge:

	December 31, 2010			December 31, 2009		
Shareholders	Number of shares	% of share capital	% of voting rights (1)	Number of shares	% of share capital	% of voting rights (1)
Groupe Arnault (2) and companies controlled by Groupe Arnault	127,132,295	69.96	82.86	126,177,295	69.43	82.71

(1) Voting rights exercisable in Shareholders' Meetings.
(2) Groupe Arnault SAS, which is controlled by Mr. Bernard Arnault and his family, is the ultimate holding company of Christian Dior.

6.2 SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

As of December 31, 2010, the members of the Board of Directors held directly, in a personal capacity and in the form of registered shares, less than 0.5% of the share capital.

6.3 INFORMATION ON PURCHASES AND SALES OF SHARES

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

- the Company purchased 100,000 of its treasury shares, at an average price of 79.75 euros over the past fiscal year. Total trading expenses amounted to 13,159.79 euros;
- over the past fiscal year, the Company sold 9,820 of its treasury shares, at a gross average price of 81.23 euros.

  These share purchases and sales were transacted pursuant to Article L. 225-208 of the French Commercial Code for allocation to share purchase option plans or bonus share plans.

  At the close of the fiscal year, the number of shares allocated to current or future share purchase option plans and bonus share plans, totaled 2,784,028, with a net value of 172,441,601.76 euros. They were purchased at an average price of 61.94 euros. Their par value was 2 euros. These shares represented 1.53% of the share capital;
- at fiscal year-end, the Company also held 19,532 treasury shares, with a net value of 1,133,197.81 euros.

  These shares had been purchased with a view to stabilizing the share price at an average price of 58.02 euros. These shares have a par value of 2 euros and represent 0.01% of the share capital.

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

6.4 SUMMARY OF TRANSACTIONS IN CHRISTIAN DIOR SECURITIES DURING THE FISCAL YEAR BY SENIOR EXECUTIVE OFFICERS AND RELATED PERSONS AS DEFINED IN ARTICLE R. 621-43-1 OF THE FRENCH MONETARY AND FINANCIAL CODE

Directors concerned	Type of transaction	Number of shares/ other securities	Average price *(EUR)*
Bernard Arnault	Purchase of shares (1)	420,000	51.07
Denis Dalibot	Purchase of shares (1)	18,500	33.53
	Sale of shares	18,500	74.45
Pierre Godé	Purchase of shares (1)	60,000	56.70
	Sale of shares	40,000	74.05
Eric Guerlain	Sale of shares	40,000	85.93
	Purchase of puts	67,168	6.51
Sidney Toledano	Purchase of shares (1)	30,000	45.95
	Sale of shares	25,264	103.66
Person(s) related to Sidney Toledano	Sale of shares	15,000	87.00

(1) Exercise of share purchase options.

7. Administrative matters

7.1 LIST OF POSITIONS AND OFFICES HELD BY DIRECTORS

The list of positions and offices held by each Director during the last five years is provided in §10 below.

7.2 COMPOSITION OF THE BOARD OF DIRECTORS

It is proposed that the Shareholders' Meeting appoint Messrs. Bernard Arnault, Sidney Toledano and Pierre Godé as Directors for a period of three years, as specified in the Bylaws.

8. Financial authorizations

8.1 STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

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

Type	Authorization date	Expiry/Duration	Amount authorized	Use as of December 31, 2010
Share repurchase program Maximum purchase price per share: 130 euros	April 15, 2010 (9th resolution)	October 14, 2011 (18 months) (1)	10% of share capital 18,172,704 shares	None
Reduction of capital through the retirement of shares purchased under the repurchase program	April 15, 2010 (10th resolution)	October 14, 2011 (18 months) (1)	10% of share capital per 24-month period 18,172,704 shares	None

(1) A resolution renewing this authorization will be presented to the Shareholders' Meeting of March 31, 2011. See §8.2 below.

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

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2010
With preferential subscription rights: ordinary shares, investment securities giving access to the share capital, incorporation of reserves (L. 225-130)	May 14, 2009 (18th resolution)	July 13, 2011 (26 months)	80 million euros (1) (2) 40,000,000 shares	Free	None
Without preferential subscription rights: ordinary shares and investment securities giving access to the share capital via a public offer or private placement (L. 225-135 et seq.)	May 14, 2009 (19th resolution)	July 13, 2011 (26 months)	80 million euros (1) (2) 40,000,000 shares	At least equal to the minimum price required by regulations	None
In connection with a public exchange offer (L. 225-148)	May 14, 2009 (21st resolution)	July 13, 2011 (26 months)	80 million euros (1) 40,000,000 shares	Free	None
In connection with in-kind contributions (L. 225-147)	May 14, 2009 (22nd resolution)	July 13, 2011 (26 months)	10% of share capital (1) 18,172,704 shares	Free	None

(1) Maximum nominal amount. The nominal amount of any capital increase decided in application of other delegations of authority would be offset against this amount.
(2) Provided the overall maximum ceiling of 80 million euros referred to in (1) is not exceeded, this amount may be increased subject to the limit of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of May 14, 2009, 20th resolution)(L. 225-135-1).

8.1.3 Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2010
Share subscription or purchase options (L. 225-177 et seq.)	May 14, 2009 (23rd resolution)	July 13, 2012 (38 months)	3% of the share capital 5,451,811 shares	Average share price over the 20 trading days preceding the grant date	None
Bonus shares allocation (L. 225-197-1 et seq.)	May 15, 2008 (11th resolution)	July 14, 2011 (38 months)	1% of the share capital 1,817,270 shares	Not applicable	• granted: 90,180 • available to be granted: 1,727,090
Capital increase reserved for employees who are members of a corporate savings plan (L. 225-129-6)	May 15, 2008 (12th resolution)	May 14, 2011	3% of the share capital 5,451,811 shares	Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 30%	None

8.2 AUTHORIZATIONS PROPOSED TO THE SHAREHOLDERS' MEETING

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

Type	Resolution	Duration	Amount authorized
Share repurchase program Maximum purchase price: 200 euros	8th	18 months	10% of the share capital 18,172,704 shares
Reduction of capital through the retirement of shares purchased under the repurchase program	10th	18 months	10% of the share capital per 24-month period 18,172,704 shares

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

Type	Resolution	Duration	Amount authorized	Issue price determination method
Through incorporation of reserves (L. 225-130)	9th	26 months	80 million euros (1) (2) 40,000,000 shares	Not applicable
With preferential subscription rights – ordinary shares and investment securities giving access to the share capital	11th	26 months	80 million euros (1) (2) 40,000,000 shares	Free
Without preferential subscription rights – ordinary shares and investment securities giving access to the share capital				
• by means of public offer (L. 225-135 et seq.)	12th	26 months	80 million euros (1) (2) 40,000,000 shares	At least equal to the minimum price required by regulations (3)
• by means of private placement (L. 225-135 et seq.)	13th	26 months	80 million euros (1) (2) 40,000,000 shares	At least equal to the minimum price required by regulations (3)
In connection with a public exchange offer (L. 225-148)	16th	26 months	80 million euros (1) 40,000,000 shares	Free
In connection with in-kind contributions (L. 225-147)	17th	26 months	10% of the share capital (1) 18,172,704 shares	Free

(1) Maximum nominal amount. The nominal amount of any capital increase decided in application of other delegations of authority would be offset against this amount (19th resolution).
(2) Provided the overall maximum ceiling of 80 million euros referred to in (1) is not exceeded, this amount may be increased subject to the limit of 15% of the initial issue in the event that the issue is oversubscribed (15th resolution) (L. 225-135-1).
(3) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is at least equal to 90% of the weighted average of the share price over the three days preceding its determination (14th resolution).

8.2.3 Employee share ownership

Type	Resolution	Duration	Amount authorized	Issue price determination method
Bonus share allocation (L. 225-197-1 et seq.)	20th	38 months	1% of the share capital 1,817,270 shares	Not applicable
Capital increase reserved for employees who are members of a corporate savings plan (L. 225-129-6)	18th	26 months	1% of the share capital (1) 1,817,270 shares	Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 20%

(1) Subject to not exceeding a total ceiling of 80 million euros in (1) above, to which this amount would be offset.

9. Remuneration of company officers

• Summary of the remuneration, options and performance bonus shares granted to senior executive officers (1)

Senior executive officers	Remuneration due in respect of the fiscal year		Valuation of options granted during the fiscal year (2)		Valuation of bonus shares granted during the fiscal year (2)	
(EUR)	2010	2009	2010	2009	2010	2009
Bernard Arnault	3,928,399	3,879,396	-	5,152,000	5,665,459	-
Sidney Toledano	6,581,810	1,431,810	-	866,000	1,083,915	-

(1) Gross remuneration and benefits in kind paid or borne by the Company and the companies controlled by it, subject to the provisions of Article L. 225-102-1 of the French Commercial Code, excluding Directors' fees.
(2) The breakdown of equity securities or securities conferring entitlement to capital allocated to members of the Board of Directors during the fiscal year as well as the performance conditions to be met for the definitive allocation of shares are presented in §11.4 and §11.6.1.

• Summary of the remuneration of each senior executive officer (1)

Bernard Arnault	Amounts due for the fiscal year		Amounts paid in the fiscal year	
Compensation *(EUR)*	**2010**	**2009**	**2010**	**2009**
Fixed compensation	1,728,399	1,679,396	1,728,399	1,704,672 (2)
Variable compensation	2,200,000 (3)	2,200,000 (3)	2,200,000 (4)	2,200,000 (4)
Exceptional compensation	-	-	-	-
Directors' fees	118,464	119,695	119,695	119,060
Benefits in kind	Company car	Company car	Company car	Company car
TOTAL	**4,046,863**	**3,999,091**	**4,048,094**	**4,023,732**

Sidney Toledano	Amounts due for the fiscal year		Amounts paid in the fiscal year	
Compensation *(EUR)*	**2010**	**2009**	**2010**	**2009**
Fixed compensation	881,810	881,810	881,810	881,810
Variable compensation	700,000 (5)	550,000 (5)	550,000 (4)	550,000 (4)
Exceptional compensation	5,000,000	-	3,000,000	-
Directors' fees	36,232	36,848	36,848	36,530
Benefits in kind	Company car	Company car	Company car	Company car
COMPENSATION	**6,618,042**	**1,468,658**	**4,468,658**	**1,468,340**

(1) Gross remuneration and benefits in kind paid or borne by the Company and the companies controlled, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.
(2) The differences between the amounts due and the amounts paid are attributable to changes in foreign exchange rates.
(3) 50% based on the achievement of qualitative objectives and 50% based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight. The objectives for fiscal years 2009 and 2010 were met.
(4) Amounts paid in respect of the prior fiscal year.
(5) One-third based on the achievement of qualitative objectives and two-thirds based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight. The objectives for fiscal years 2009 and 2010 were met.

• Work contract, specific pension, leaving indemnities and non-competition clause in favor of senior executive officers

Senior executive officers	Work contract		Supplementary pension		Indemnities or benefits due or likely to become due the cessation or change of functions		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Bernard Arnault Chairman of the Board of Directors	-	X	X (1)	-	-	X	-	X
Sidney Toledano Chief Executive Officer	X (2)	-	-	X	-	X	X (2)	-

(1) This supplementary pension, set up by LVMH, is only acquired if the potential beneficiary has been present for at least six years on the Executive Committee of the LVMH group and simultaneously asserts his rights to his standard legal pension entitlement. It is determined on the basis of a reference remuneration that is equal to the annual remuneration received over the last three calendar years preceding the retirement year, subject to a maximum of thirty-five times the annual social security ceiling. The annual supplementary pension is equal to the difference between 60% of the reference remuneration (i.e. 742,392 euros as of January 1, 2011) and all pension amounts paid by the general social security regime and the additional ARRCO and AGIRC regimes.
Amount of the commitment taken by LVMH as of December 31, 2010 for Mr. Bernard Arnault, determined based on the principles of IAS 19 Employee Benefits: 17,270,250 euros.
(2) Covenant not to compete included in the employment contract – suspended for the duration of the term of office of Chairman and Chief Executive Officer of Christian Dior Couture – allowing for the payment during each month of its application of a compensating indemnity equivalent to the average gross salary received over the previous twelve-month period.

• Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers (1)

Members of the Board of Directors *(EUR)*	Directors' fees paid during the fiscal year 2010	Directors' fees paid during the fiscal year 2009	Fixed remuneration paid during the fiscal year 2010	Fixed remuneration paid during the fiscal year 2009	Variable remuneration paid during the fiscal year 2010	Variable remuneration paid during the fiscal year 2009
Antoine Bernheim	610,195	930,060	-	-	-	-
Denis Dalibot	31,235	30,458	580,000 (5)	580,000 (5)	-	-
Renaud Donnedieu de Vabres (3)	14,771	-	-	-	-	-
Ségolène Gallienne (4)	-	-	-	-	-	-
Pierre Godé (2) (6)	176,375	146,414	1,500,000	1,500,000	2,000,000	2,000,000
Eric Guerlain	24,619	23,825	-	-	-	-
Christian de Labriffe	14,771	14,295	-	-	-	-
Jaime de Marichalar y Sáenz de Tejada	25,233	24,915	-	-	-	-
Alessandro Vallarino Gancia	9,848	9,530	-	-	-	-

(1) Directors' fees, gross remuneration and/or fees and benefits in kind paid or borne by the Company and the companies controlled by it, subject to the provisions of Article L. 225-102-1 of the French Commercial Code and received by the company officer or a company controlled by the latter.
(2) The breakdown of equity securities or securities giving access to the share capital granted to members of the Board of Directors during the fiscal year is presented in §11.6.2.
(3) Date of first appointment: February 5, 2009.
(4) Date of first appointment: April 15, 2010.
(5) Contract as a consultant.
(6) Benefits in kind: company car.

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

This breakdown appears in §11.6.2 below.

10. List of positions or offices exercised in all companies by company officers

Pursuant to Article L. 225-102-1 of the French Commercial Code, the following are all offices and positions exercised in all companies by each company officer as well as the positions and offices they have exercised since January 1, 2006.

10.1 CURRENT OFFICES OF DIRECTORS

Mr. Antoine BERNHEIM

Date of birth: September 4, 1924. French.

Mailing address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: May 14, 2001.

Expiration of term: Annual Meeting convened in 2012.

Number of Christian Dior shares held in a personal capacity: 36,248 shares.

Mr. Antoine Bernheim was Managing Partner of Lazard Frères & Cie from 1967 to 2000 and Partner of Lazard LLC from 2000 to 2005. He served as Chairman and Chief Executive Officer of La France SA from 1974 to 1997 and of Euromarché from 1981 to 1991. Chairman of Generali SpA from 1995 to 1999 and from 2002 to April 2010, since that date he has served as this company's Honorary Chairman.

Current positions and offices

Groupe Generali

- France:
- Generali France SA: Director.
- International:
- Alleanza Toro (Italy): Vice-Chairman and Director;
- Assicurazioni Generali SpA (Italy): Honorary Chairman;
- BSI: Banca della Svizzera Italiana (Switzerland): Director;
- Generali Deutschland Holding AG (Germany): Director;
- Generali España Holding SA (Spain): Director;
- Generali Holding Vienna AG (Austria): Director;
- Graafschap Holland (Netherlands): Honorary Chairman.

Christian Dior Group/Groupe Arnault

- France:
- Christian Dior SA: Director;
- Christian Dior Couture SA: Director;
- Financière Jean Goujon SAS: Vice-Chairman and Member of the Supervisory Committee;
- LVMH Fashion Group SA: Vice-Chairman and Director;
- LVMH Finance SA: Vice-Chairman and Director;
- LVMH Moët Hennessy - Louis Vuitton SA: Vice-Chairman and Director.
- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director.

Other

- France:
- Bolloré SA: Vice-Chairman and Director;
- Ciments Français France SA: Director;
- Eurazeo SA: Member of the Supervisory Board;
- EuropaCorp SA: Director;
- Havas SA: Director;
- Le Monde SA: Member of the Supervisory Board;
- Société Éditrice du Monde SA: Member of the Supervisory Board;
- Société Française Générale Immobilière SA: Managing Director.
- International:
- Mediobanca (Italy): Director.

Positions and offices that have terminated after January 1, 2006

- France:
- Partena: Managing Partner.
- International:
- Assicurazioni Generali SpA (Italy): Chairman;
- Compagnie Monégasque de Banque (Principality of Monaco): Director;
- Intesa Sanpaolo (Italy): Vice-Chairman of the Supervisory Board.

Mr. Denis DALIBOT

Date of birth: November 15, 1945. French.

Personal address: Avenue Mercure, 9 "Le Chéridreux" 1180 – Brussels (Belgium).

Date of first appointment: May 17, 2000.

Expiration of term: Annual General Meeting held in 2012.

Number of Christian Dior shares held in a personal capacity: 200 shares.

Mr. Denis Dalibot began his career with the ITT group. From 1984 to 1987 he served as Deputy Administration and Finance Director for Sagem. He joined Groupe Arnault in 1987 as Group Finance Director, a position he held until 2007.

Current positions and offices

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 (Luxembourg): Chairman;
- GO Invest SA (Belgium): Chairman.

Other

- None.

Positions and offices that have terminated after January 1, 2006

- 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 Investissement SAS: Chairman;
- Financière Agache SA: Managing Director;
- Fusac Finances Société Civile: Manager;
- GA Placements SA: Permanent Representative of Europatweb, Director;
- Groupement Foncier Agricole Dalibot: Manager;
- Kléber Participations SARL: Manager;
- Lyparis SAS: Member of the Supervisory Committee;
- Montaigne Finance SAS: Chairman;
- Montaigne Investissements SCI: Manager;
- Montaigne Services SNC: Manager;
- Raspail Investissements SA: Permanent Representative of Financière Agache, Director;
- Sevrilux SNC: Legal Representative of Financière Agache, Manager;
- Sifanor SAS: Chairman;
- Société d'Exploitation de l'Hôtel Cheval Blanc SAS: Member of the Supervisory Committee.
- International:
- Publications Professionnelles SAS (Luxembourg): Member of the Supervisory Committee.

Mr. Renaud DONNEDIEU DE VABRES

Date of birth: March 13, 1954. French.

Business address: Groupe Allard – 54-56, avenue Hoche – 75008 Paris (France).

Date of first appointment: February 5, 2009.

Expiration of term: Annual General Meeting held in 2013.

Number of Christian Dior shares held in a personal capacity: 200 shares.

After serving in the prefectoral administration as a sub-prefect, Mr. Renaud Donnedieu de Vabres was appointed as a member of France's highest administrative body, the Council of State, and embarked on a political career in 1986, notably serving as an aide to the Minister of Defense. He was elected as a deputy to the National Assembly representing the Indre-et-Loire département in 1997 and remained in this post until 2007. In 2002, he was appointed as Minister Delegate for European Affairs and then as Minister of Culture and Communication, from 2004 to 2007. In 2008, he was named the Ambassador for Culture during the French presidency of the European Union. Since early 2009, he has served as Advisor for Strategy, Development and Culture to Mr. Alexandre Allard (Groupe Allard).

Current positions and offices

Christian Dior Group/Groupe Arnault

• France:

- Christian Dior SA: Director;
- Louis Vuitton pour la Création, Fondation d'Entreprise: Director.

Other

- Groupe Allard: Advisor for Strategy, Development and Culture to Mr. Alexandre Allard;
- Atout France GIE: Chairman of the Board of Directors.

Positions and offices that have terminated after January 1, 2006

Other

• France:

- Ambassador for Culture during the French presidency of the European Union;
- Minister of Culture and Communication.

Mrs. Ségolène GALLIENNE

Date of birth: June 7, 1977. Belgian.

Business address: 17, allée des Peupliers – 6280 Gerpinnes (Belgium).

Date of first appointment: April 15, 2010.

Expiration of term: Annual General Meeting held in 2013.

Number of Christian Dior shares held in a personal capacity: 200 shares.

Mrs. Ségolène Gallienne holds a Bachelor of Arts in Business and Economics from Collège Vesalius in Brussels. She has worked as Public Relations Manager at Belgacom and as Communication Director for Dior Fine Jewelry.

Mrs. Gallienne currently serves on the Boards of Directors of various companies, in France and abroad, and is Chairman of the Board of Directors of Diane, a company specializing in the purchase, sale and rental of art objects.

Current positions and offices

Frère-Bourgeois group

• International:

- Compagnie Nationale à Portefeuille SA (Belgium): Director;
- Diane SA (Switzerland): Chairman of the Board of Directors;
- Erbé SA (Belgium): Director;
- Stichting AdministratieKantoor Peupleraie (Netherlands): Chairman of the Board of Directors.

Christian Dior Group/Groupe Arnault

• France:

- Christian Dior SA: Director;
- Société Civile du Cheval Blanc: Director.

Other

• International:

- Pargesa Holding SA (Switzerland): Director.

Positions and offices that have terminated after January 1, 2006

Other

• France:

- Taittinger SA: Director.

Mr. Eric GUERLAIN

Vice-Chairman

Date of birth: May 2, 1940. French.

Correspondence address: c/o Christian Dior – 30, avenue Montaigne – 75008 Paris (France).

Date of first appointment: June 29, 1994.

Expiration of term: Annual General Meeting held in 2013.

Number of Christian Dior shares held in a personal capacity: 57,836 shares.

Mr. Eric Guerlain began his career as a financial analyst and served in various roles with the Morgan Stanley group between 1968 and 1974, in New York and Paris.

In 1974, he joined J.P. Morgan as director of the international financial affairs department. In 1979, the bank assigned him to co-lead J.P. Morgan Ltd. Investment Bank in London as Vice-Chairman. He then worked at Lazard Brothers Ltd as a consultant until 1989.

At the same time, since 1970 he has been a Director of Guerlain SA and, in 1990, assumed the chairmanship of the Supervisory Board of the controlling holding company of the Guerlain Group. He served in that position until 1994.

Current positions and offices

Christian Dior Group/Groupe Arnault

• France:

- Christian Dior SA: Vice-Chairman and Director;
- Guerlain SA: Permanent Representative of LVMH Fashion Group, Director.

Other

• France:

- Société Hydroélectrique d'Énergie SAS: Chairman;
- MAAT Société Civile: Manager.

Positions and offices that have terminated after January 1, 2006

• None.

Mr. Christian de LABRIFFE

Date of birth: March 13, 1947. French.

Business address: Rothschild et Compagnie Banque – 29, avenue de Messine – 75008 Paris (France).

Date of first appointment: May 14, 1986.

Expiration of term: Annual General Meeting held in 2013.

Number of Christian Dior shares held in a personal capacity: 204 shares.

Mr. Christian de Labriffe began his career with Lazard Frères & Cie, where he was Managing Partner from 1987 to 1994. Since 1994, he has been Managing Partner of Rothschild & Cie Banque.

Current positions and offices

Rothschild group

• France:

- Financière Rabelais SAS: Company Chairman;
- Montaigne Rabelais SAS: Legal Representative of Rothschild & Compagnie Banque, Chairman;
- Parc Monceau SARL: Manager;
- Rothschild & Cie SCS: Managing Partner;
- Rothschild & Cie Banque SCS: Managing Partner;
- Transaction R SAS: Chairman.

Christian Dior Group/Groupe Arnault

• France:

- Christian Dior SA: Director;
- Christian Dior Couture SA: Director.

Other

• France:

- Bénéteau SA: Member of the Supervisory Board;
- Paris Orléans SA: Member of the Supervisory Board;
- Delahaye Passion Société Civile: Manager;
- TCA Partnership SAS: Chairman.

Positions and offices that have terminated after January 1, 2006

• France:

- Holding Financier Jean Goujon SAS: Director;
- Nexity France SA: Director;
- Rothschild Conseil International SCS: Director.

- International:
- Investec Asset Management Inc. (United Kingdom): Director.

Mr. Jaime de MARICHALAR y SÁENZ de TEJADA (Duke of Lugo)

Date of birth: April 7, 1963. Spanish.

Business address: Crédit Suisse – Ayala, 42 – 28001 Madrid (Spain).

Date of first appointment: May 11, 2006.

Expiration of term: Annual General Meeting held in 2012.

Number of Christian Dior shares held in a personal capacity: 200 shares.

Mr. Jaime de Marichalar y Sáenz de Tejada began his career in 1986 in Paris where he worked for Banque Indosuez on the MATIF Futures Market. He then joined Crédit Suisse and worked for the Investment Bank and in Private Banking. In January 1998, he was appointed Chief Executive Officer of Crédit Suisse in Madrid.

Current positions and offices

Crédit Suisse

- International:
- Crédit Suisse (Spain): Chief Executive Officer and Advisor.

Christian Dior Group/Groupe Arnault

- France:
- Christian Dior SA: Director.
- International:
- Groupe LVMH: Advisor to the Chairman for Spain;
- Loewe SA (Spain): Director.

Other

- International:
- Art+Auction Editorial (United States and United Kingdom): Member of the Supervisory Board;
- Axa Mediterranean Holding SA, Axa Aurora Ibérica SA de Seguros y Reaseguros, y Axa Aurora Vida SA de Seguros y Reaseguros (Spain): Director;
- Sociedad General Immobiliaria de España SA (Spain): Director;
- Waste Recycling Group (United Kingdom): Director.

Positions and offices that have terminated after January 1, 2006

- France:
- Crédit Suisse Hottinguer: Member of the Supervisory Board.
- International:
- Portland Valderrivas (Spain): Director.

Mr. Alessandro VALLARINO GANCIA

Date of birth: October 15, 1967. Swiss.

Business address: AAP SA – 15, rue du Jeu-de l'Arc – 1211 Geneva (Switzerland).

Date of first appointment: May 11, 2006.

Expiration of term: Annual General Meeting held in 2012.

Number of Christian Dior shares held in a personal capacity: 200 shares.

After studying at the F. W. Olin Graduate School of Business at Babson College in Boston and at Sanno University in Tokyo, Mr. Gancia began his career at Roland Berger & Partners in Munich as a management consultant from 1991 to 1993. He next moved into the field of investment banking, with a first appointment at Alex. Brown & Sons, Inc. in Baltimore, then from 1997 at Donaldson Lufkin & Jenrette International (DLJ) in New York, before joining this bank's Geneva office, where he worked from 1999 to 2001.

In 2002, he founded Alternative Advisory Partners SA, a financial advisory firm specializing in alternative funds, private banking and family office services, where he now serves as Managing Director.

Current positions and offices

Christian Dior Group/Groupe Arnault

- France:
- Christian Dior SA: Director.

Other

- International:
- Alternative Advisory Partners SA (Switzerland): Managing Director;
- Fontana Couture Srl (Italy): Director.

Positions and offices that have terminated after January 1, 2006

- None.

10.2 TERMS OF OFFICE UP FOR RENEWAL – APPOINTMENTS

Mr. Bernard ARNAULT
Chairman of the Board of Directors

Date of birth: March 5, 1949. French.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: March 20, 1985.

Number of Christian Dior shares held in a personal capacity: 42,997 shares.

Mr. Bernard Arnault began his career as an engineer with Ferret-Savinel, where he became Senior Vice President for Construction in 1974, Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978.

He remained with this company until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and of Christian Dior. Shortly thereafter he spearheaded a reorganization of Financière Agache following a development strategy focusing on luxury brands. Christian Dior was to become the cornerstone of this new structure.

In 1989, he became the leading shareholder of LVMH Moët Hennessy - Louis Vuitton, and thus created the world's leading luxury products group. He assumed the position of Chairman and Chief Executive Officer in January 1989.

Current positions and offices

Christian Dior Group/Groupe Arnault

- France:
- Christian Dior SA: Chairman of the Board of Directors;
- Christian Dior Couture SA: Director;
- Financière Jean Goujon SAS: Member of the Supervisory Committee;
- Groupe Arnault SAS: Chairman;
- LVMH Moët Hennessy - Louis Vuitton SA: Chairman and Chief Executive Officer;
- Société Civile du Cheval Blanc: Chairman of the Board of Directors;
- Louis Vuitton pour la Création, Fondation d'Entreprise: Chairman of the Board of Directors.
- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director;
- LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan): Director.

Other

- France:
- Carrefour SA: Director;
- Lagardère SCA: Member of the Supervisory Board.

Positions and offices that have terminated after January 1, 2006

- France:
- Métropole Télévision "M6" SA: Member of the Supervisory Board;
- Raspail Investissements SA: Director.

Mr. Sidney TOLEDANO
Chief Executive Officer

Date of birth: July 25, 1951. French.

Business address: Christian Dior Couture – 11, rue François 1er – 75008 Paris (France).

Date of first appointment: September 11, 2002.

Number of Christian Dior shares held in a personal capacity: 29,936 shares.

Mr. Sidney Toledano began his career in 1977 as a marketing consultant with Nielsen International. He then served as Company Secretary of Kickers before joining the Executive Management of Lancel in 1984. In 1994, he joined Christian Dior Couture as Deputy Chief Executive Officer. He has been its Chairman since 1998.

Current positions and offices

Christian Dior Group/Groupe Arnault

- France:
- Christian Dior SA: Chief Executive Officer and Director;
- Christian Dior Couture SA: Chairman and Chief Executive Officer;
- Fendi International SA: Chairman of the Board of Directors;
- John Galliano SA: Chairman of the Board of Directors.
- International:
- Bopel Srl (Italy): Chairman;
- CDCH SA (Luxembourg): Director;
- Christian Dior (Fashion) Malaysia Sdn (Malaysia): Director;
- Christian Dior Australia Pty Ltd (Australia): Director;

- Christian Dior Belgique SA (Belgium): Permanent Representative of Christian Dior Couture SA, Managing Director;
- Christian Dior Commercial Shanghai Co Ltd (China): Chairman;
- Christian Dior Couture Korea Ltd (South Korea): Director (Joint Representative Director);
- Christian Dior Couture Maroc SA (Morocco): Chairman of the Board of Directors and Director A;
- Christian Dior Couture CZ (Czech Republic): Manager;
- Christian Dior Couture Ukraine Sarl (Ukraine): Chairman;
- Christian Dior Far East Ltd (Hong Kong): Director;
- Christian Dior GmbH (Germany): Manager;
- Christian Dior Guam Ltd (Guam): Director;
- Christian Dior Hong Kong Ltd (Hong Kong): Director;
- Christian Dior Inc. (United States): Chairman and Director;
- Christian Dior Italia Srl (Italy): Chairman;
- Christian Dior KK (Japan): Representative Director;
- Christian Dior Macau Single Shareholder Company Limited (Macao): Director;
- Christian Dior New Zealand Ltd (New Zealand): Director;
- Christian Dior S. de RL de CV (Mexico): Chairman and Director;
- Christian Dior Saipan Ltd (Saipan): Director;
- Christian Dior Singapore Pte Ltd (Singapore): Director;
- Christian Dior Taïwan Ltd (Taiwan): Director (Director A);
- Fendi Adele Srl (Italy): Director;
- Fendi Asia Pacific Limited (Hong Kong): Director;
- Fendi International BV (Netherlands): Director (Director A) and Chairman;
- Fendi Italia Srl (Italy): Director;
- Fendi North America Inc. (United States): Director;
- Fendi SA (Luxembourg): Director;
- Fendi Srl (Italy): Director;
- Les Ateliers Horlogers Dior SA (Switzerland): Director;
- Lucilla Srl (Italy): Chairman;
- Mardi SpA (Italy): Chairman and Managing Director.

Positions and offices that have terminated after January 1, 2006

- France:
- John Galliano SA: Managing Director;
- Fendi France SAS: Chairman.
- International:
- Calto Srl (Italy): Manager, then Chairman of the Board of Directors;
- Christian Dior Couture Maroc SARL (Morocco): Manager;
- Christian Dior Couture Rus LLC (Russia): General Director;
- Christian Dior Couture Stoleshnikov LLC (Russia): General Director;
- Christian Dior Espanola SL (Spain): Manager (Administrador solidario);
- Christian Dior Guam Ltd (Guam): Chairman;
- Christian Dior Puerto Banus SL (Spain): Manager (Administrador solidario);
- Christian Dior Saipan Ltd (Saipan): Chairman;
- Christian Dior UK Ltd (United Kingdom): Chairman and Director;
- Fendi Immobili Industriali Srl (Italy): Director;
- Les Jardins d'Avron SAS: Permanent Representative of Christian Dior Couture SA, Chairman;
- Les Jardins d'Avron LLC (United States): Chairman;
- Manifatturauno Srl (Italy): Chairman of the Board of Directors.

Mr. Pierre GODÉ
Vice-Chairman of LVMH

Date of birth: December 4, 1944. French.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: May 14, 2001.

Number of Christian Dior shares held in a personal capacity: 20,200 shares.

Mr. Pierre Godé began his career as a lawyer admitted to the Lille bar and has taught at the Lille and Nice university law faculties.

He has served as Managing Director of Groupe Arnault since 1986.

Current positions and offices

Christian Dior Group/Groupe Arnault

- France:
- 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: 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;
- Association du Musée Louis Vuitton: Permanent Representative of LVMH Fashion Group, Director.

• International:

- 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.

Positions and offices that have terminated after January 1, 2006

• France:

- Groupe Les Echos SA: Permanent Representative of LVMH, Director;
- Sifanor SAS: Member of the Supervisory Committee.

• International:

- LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan): Director.

11. Stock option and bonus share plans

11.1 OPTIONS GRANTED BY THE PARENT COMPANY, CHRISTIAN DIOR

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

Ten share purchase option plans set up by Christian Dior were in force as of December 31, 2010. The exercise price of options is calculated in accordance with applicable laws. Each plan has a term of ten years. Share purchase options may be exercised after the end of a period of three to four years from the plan's commencement date.

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

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

Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, at least one of the three performance conditions shows a positive change compared to 2008.

Options granted to other beneficiaries in 2009 may only be exercised if, in fiscal years 2009 and 2010, at least one of the three performance conditions shows a positive change compared to 2008.

The performance condition was met in 2009 and 2010.

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

In relation to options granted under plans set up since 2008, if either the Chairman of the Board of Directors or the Chief Executive Officer decides to exercise his options, he must retain possession, until the conclusion of his term of office, of a number of shares determined on the basis of the exercise date and corresponding to a percentage of his total gross compensation.

11.1.1 Share purchase option plans

Date of Shareholders' Meeting	05/30/1996	05/30/1996	05/14/2001	05/14/2001	05/14/2001	05/14/2001	05/14/2001	05/11/2006	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**02/15/2000**	**02/21/2001**	**02/18/2002**	**02/18/2003**	**02/17/2004**	**05/12/2005**	**02/15/2006**	**09/06/2006**	**01/31/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted	**100,200** [1]	**437,500**	**504,000**	**527,000**	**527,000**	**493,000**	**475,000**	**20,000**	**480,000**	**484,000**	**332,000**	**4,379,700**
o/w Company officers [2]	65,000 [1]	308,000	310,000	350,000	355,000	315,000	305,000	-	285,000	320,000	150,000	**2,763,000**
Bernard Arnault [3]	50,000 [1]	220,000	220,000	220,000	220,000	220,000	220,000	-	200,000	200,000	100,000	**1,870,000**
Denis Dalibot [3]	3,500 [1]	15,000	20,000	25,000	25,000	25,000	35,000	-	35,000	70,000	-	**253,500**
Pierre Godé [3]	15,000 [1]	65,000	65,000	65,000	65,000	20,000	-	-	-	-	-	**295,000**
Sidney Toledano [3]	7,000 [1]	30,000	35,000	40,000	45,000	50,000	50,000	-	50,000	50,000	50,000	**407,000**
o/w Top ten employees [2]	31,000 [1]	121,000	153,000	143,000	128,000	124,000	144,000	20,000	133,000	147,000	159,000	**1,303,000**
Number of beneficiaries	20	17	24	25	26	27	24	1	28	25	26	
Earliest option exercise date	02/15/2005	02/21/2004	02/18/2005	02/18/2006	02/17/2007	05/12/2008	02/15/2009	09/06/2009	01/31/2011	05/15/2012	05/14/2013	
Expiry date	02/14/2010	02/20/2011	02/17/2012	02/17/2013	02/16/2014	05/11/2015	02/14/2016	09/05/2016	01/30/2017	05/14/2018	05/13/2019	
Purchase price *(EUR)*	56.70	45.95	33.53	29.04	49.79	52.21	72.85 [4]	74.93	85.00	73.24 [4]	52.10	
Number of options exercised in 2010	296,000	322,500	27,500	2,000	114,500	78,000	47,000	-	-	-	-	**887,500**
Number of options expired in 2010	-	-	-	-	6,000	-	-	-	2,000	2,000	2,000	**12,000**
Total number of options exercised as of 12/31/2010	390,000	387,500	423,998	391,998	167,500	105,000	59,000	-	-	-	-	**1,924,996**
Total number of options expired as of 12/31/2010	10,800	10,000	15,000	25,000	56,000	33,000	30,000	-	37,000	2,000	2,000	**220,800**
OPTIONS OUTSTANDING AS OF DECEMBER 31, 2010	**-**	**40,000**	**65,002**	**110,002**	**303,500**	**355,000**	**386,000**	**20,000**	**443,000**	**482,000**	**330,000**	**2,534,504**

(1) Number of options as of the plan's commencement date, without any restatement for the July 2000 four-for-one stock split.
(2) Number of options allocated to active company officers/employees as of the plan's commencement date.
(3) Active company officers as of 2010.
(4) Exercise prices for Italian residents for plans commencing on February 15, 2006 and May 15, 2008 are 77.16 euros and 73.47 euros respectively.

Exercise of existing share purchase options does not entail any dilution for shareholders.

11.1.2 Share subscription option plans

None.

11.2 OPTIONS GRANTED BY THE SUBSIDIARY, LVMH

11.2.1 Share purchase option plans

Date of Shareholders' Meeting	06/08/1995	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	
Date of Board of Directors' meeting	**01/19/2000**	**01/23/2001**	**03/06/2001**	**05/14/2001**	**09/12/2001**	**01/22/2002**	**05/15/2002**	**01/22/2003**	**Total**
Total number of options granted	**376,110** (1)	**2,649,075**	**40,000**	**552,500**	**50,000**	**3,284,100**	**8,560**	**3,213,725**	**10,174,070**
o/w Company officers (2)	122,500 (1)	987,500	-	450,000	-	1,215,000	-	1,220,000	**3,995,000**
o/w Top ten employees (2)	81,000 (1)	445,000	40,000	102,500	50,000	505,000	8,560	495,000	**1,727,060**
Number of beneficiaries	552	786	1	4	1	993	2	979	
Earliest option exercise date	01/19/2003	01/23/2004	03/06/2004	05/14/2004	09/12/2004	01/22/2005	05/15/2005	01/22/2006	
Expiry date	01/18/2010	01/22/2011	03/05/2011	05/13/2011	09/11/2011	01/21/2012	05/14/2012	01/21/2013	
Purchase price *(EUR)*	80.10	65.12	63.53	61.77	52.48	43.30 (3)	54.83	37.00 (3)	
Number of options exercised in 2010	486,650	1,465,570	20,000	438,378	-	1,530,147	-	668,085	**4,608,830**
Number of options expired in 2010	1,077,800	500	-	-	-	-	-	500	**1,078,800**
Total number of options exercised as of 12/31/2010	518,400	2,122,880	40,000	538,378	-	2,764,995	3,000	2,756,347	**8,744,000**
Total number of options expired as of 12/31/2010	1,183,050	307,650	-	-	-	221,678	-	127,550	**1,839,928**
OPTIONS OUTSTANDING AS OF DECEMBER 31, 2010	**-**	**218,545**	**-**	**14,122**	**50,000**	**297,427**	**5,560**	**329,828**	**915,482**

(1) Number of options as of the plan's commencement date, without any restatement for the July 2000 five-for-one stock split.
(2) Number of options allocated to active company officers/employees as of the plan's commencement date.
(3) Exercise price in euros for Italian and American residents:

Plans	Exercise price for Italian residents	Exercise price for American residents
01/22/2002	45.70	43.86
01/22/2003	38.73	-

Exercise of existing share purchase options does not entail any dilution for shareholders.

11.2.2 Share subscription option plans

Date of Shareholders' Meeting	05/15/2003	05/15/2003	05/11/2006	05/11/2006	05/11/2006	05/11/2006	05/14/2009	
Date of Board of Directors' meeting	**01/21/2004**	**05/12/2005**	**05/11/2006**	**05/10/2007**	**05/15/2008**	**05/14/2009**	**07/29/2009**	**Total**
Total number of options granted	**2,747,475**	**1,924,400**	**1,789,359**	**1,679,988**	**1,698,320**	**1,301,770**	**2,500**	11,143,812
o/w Company officers [(1)]	972,500	862,500	852,500	805,875	766,000	541,000	-	**4,800,375**
o/w Top ten employees [(1)]	457,500	342,375	339,875	311,544	346,138	327,013	2,500	**2,126,945**
Number of beneficiaries	906	495	520	524	545	653	1	
Earliest option exercise date	01/21/2008	05/12/2009	05/11/2010	05/10/2011	05/15/2012	05/14/2013	07/29/2013	
Expiry date	01/20/2014	05/11/2015	05/10/2016	05/09/2017	05/14/2018	05/13/2019	07/28/2019	
Purchase price *(EUR)*	55.70 [(2)]	52.82 [(2)]	78.84 [(2)]	86.12	72.50 [(2)]	56.50 [(2)]	57.10	
Number of options exercised in 2010	896,120	699,968	408,390	-	-	8,000	-	**2,012,478**
Number of options expired in 2010	700	21,950	34,310	26,327	22,844	11,676	-	**117,807**
Total number of options exercised as of 12/31/2010	1,277,245	968,647	408,390	-	-	8,000	-	**2,662,282**
Total number of options expired as of 12/31/2010	101,650	86,225	83,560	62,760	49,919	13,201	-	**397,315**
OPTIONS OUTSTANDING AS OF DECEMBER 31, 2010	**1,368,580**	**869,528**	**1,297,409**	**1,617,228**	**1,648,401**	**1,280,569**	**2,500**	**8,084,215**

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

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

The potential dilutive effect resulting from the allocation of these options represents 1.65% of LVMH share capital. However, since a number of shares equivalent to the number of shares issued in connection with the exercise of options is retired, there is no dilutive effect for shareholders.

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

11.3.1 Options granted

No option plans were created in 2010.

11.3.2 Options exercised by senior executive officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Bernard Arnault	Christian Dior	02/15/2000	200,000	56.70
	"	02/21/2001	220,000	45.95
	LVMH	01/23/2001	600,000	65.12
	"	01/22/2002	600,000	43.30
	"	05/12/2005	187,670	52.82
Sidney Toledano	Christian Dior	02/21/2001	30,000	45.95

11.3.3 Options exercised by other company officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Denis Dalibot	Christian Dior	02/18/2002	18,500	33.53
Pierre Godé	Christian Dior	02/15/2000	60,000	56.70
	LVMH	01/23/2001	40,000	65.12
	"	01/22/2003	50,000	37.00

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

Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Christian Dior	02/15/2000	26,000	56.70
"	02/21/2001	7,500	45.95
"	02/18/2002	9,000	33.53
"	02/18/2003	2,000	29.04
"	02/17/2004	41,000	49.79
"	05/12/2005	71,000	52.21
"	02/15/2006	34,000	72.85
LVMH	01/19/2000	185,000	80.10
"	01/23/2001	222,000	65.12
"	03/06/2001	20,000	63.53
"	01/22/2002	232,822	43.30
"	01/22/2003	160,800	37.00
"	01/22/2004	151,000	55.70
"	05/12/2005	170,000	52.82
"	05/11/2006	82,500	78.84

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

Beneficiaries of bonus shares are selected among the employees of the Group's subsidiaries on the basis of their level of responsibility and their individual performance.

For French residents for tax purposes, The allocation of bonus shares to their beneficiaries is definitive after a two-year vesting period, which is followed by a two-year holding period, after which beneficiaries are free to sell them. Bonus shares allocated to beneficiaries who are not French residents for tax purposes have been definitive after a vesting period of four years and are freely transferable at that time.

In 2010, the scheme combines the allocation of traditional bonus shares and the allocation of performance bonus shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance bonus shares are only allocated if Christian Dior's consolidated financial statements for the 2010 and 2011 fiscal years show a positive change compared to fiscal year 2009 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin. The performance condition was met with respect to the 2010 fiscal year.

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

Date of Shareholders' Meeting	05/15/2008		
Date of Board of Directors' meeting	**04/15/2010**		
	Bonus shares	**Performance bonus shares**	**Total**
Number of shares provisionally allocated	**22,761**	**67,419**	**90,180**
o/w Company officers [(1)]	-	40,500	**40,500**
Bernard Arnault	-	27,000	27,000
Sidney Toledano	-	13,500	13,500
o/w First ten employees [(1)]	14,322	21,048	**35,370**
Number of beneficiaries	26	28	
Vesting date	04/15/2012 [(2)]	04/15/2012 [(2)]	
Date as of which the shares may be sold	04/15/2014	04/15/2014	
Number of share allocations vested in 2010	-	-	-
Number of share allocations expired in 2010	-	-	-
Total number of share allocations vested as of 12/31/2010	-	-	-
Total number of share allocations expired as of 12/31/2010	-	-	-
REMAINING BONUS SHARE ALLOCATIONS AS OF DECEMBER 31, 2010	**22,761**	**67,419**	**90,180**

(1) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(2) Definitive allocation on April 15, 2014 for beneficiaries who are not French residents for tax purposes.

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

11.5 BONUS SHARES AND PERFORMANCE BONUS SHARES GRANTED BY THE SUBSIDIARY, LVMH

Date of Shareholders' Meeting	05/15/2008	05/15/2008	05/15/2008	05/15/2008		
Date of Board of Directors' meeting	**05/15/2008**	**05/14/2009**	**07/29/2009**	**04/15/2010**		
	Bonus shares	**Bonus shares**	**Bonus shares**	**Bonus shares**	**Performance bonus shares**	**Total**
Number of shares provisionally allocated	**162,972**	**311,209**	**833**	**195,069**	**274,367**	**944,450**
o/w Company officers (1)	-	-	-	-	108,837	**108,837**
o/w First ten employees (1)	32,415	48,165	833	27,372	67,350	**176,135**
Number of beneficiaries	347	642	1	627	639	
Vesting date	05/15/2010	05/14/2011 (3)	07/29/2011	04/15/2012 (3)	04/15/2012 (3)	
Date as of which the shares may be sold	05/15/2012	05/14/2013	07/29/2013	04/15/2014	04/15/2014	
Number of share allocations vested in 2010	149,590	-	-	-	-	**149,590**
Number of share allocations expired in 2010	6,856	7,009	-	-	-	**13,865**
Total number of share allocations vested as of 12/31/2010	151,874	2,333 (2)	-	-	-	**154,207**
Total number of share allocations expired as of 12/31/2010	11,098	8,534	-	-	-	**19,632**
REMAINING BONUS SHARE ALLOCATIONS AS OF DECEMBER 31, 2010	**-**	**300,342**	**833**	**195,069**	**274,367**	**770,611**

(1) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(2) Anticipated allocation following the death of the beneficiary.
(3) Definitive allocation on May 14, 2013 and April 15, 2014 for beneficiaries who are not French residents for tax purposes.

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

11.6 BONUS SHARES GRANTED DURING THE YEAR TO COMPANY OFFICERS AND THE GROUP'S TOP TEN EMPLOYEES

11.6.1 Provisional allocations of performance bonus shares to senior executive officers

Beneficiaries	**Company granting the shares**	**Date of the plan**	**Number of bonus shares**	**Value of shares** *(EUR)*
Bernard Arnault	Christian Dior	04/15/2010	27,000	2,167,830
	LVMH	04/15/2010	40,235	3,497,629
Sidney Toledano	Christian Dior	04/15/2010	13,500	1,083,915

See also the table shown on page 53 the other terms and conditions of allocation.

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

Beneficiary	Company granting the shares	Date of the plan	Performance bonus shares
Pierre Godé	LVMH	04/15/2010	20,118

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

11.6.3 Bonus shares vested to senior executive officers and other company officers

No bonus shares were allocated definitively in 2010.

11.6.4 Bonus shares vested during the year to the Group's ten employees (1) other than company officers, having received the largest number of shares

Company granting the shares	Plan commencement date	Number of shares
LVMH	May 15, 2008	33,782

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

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

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

- capital structure of the Company: the Company is controlled by Groupe Arnault, which controlled 69.96% of the capital and 82.86% of the voting rights exercisable in Shareholders' Meetings as of December 31, 2010;
- share issuance and buybacks: under various resolutions, the Shareholders' Meeting has delegated to the Board of Directors full powers to:
  - increase the share capital, with or without shareholders' preferential rights and via public offer or private placement, in a total nominal amount not to exceed 80 million euros, or 22% of the Company's current share capital,
  - grant share subscription options, within the limit of 3% of the share capital, and
  - allocate bonus shares, to be issued, within the limit of 1% of the share capital,
  - acquire Company shares up to 10% of the share capital.

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

13. Group reporting on employee - related issues

Work performed by the Human Resources Department in 2010 aimed at reinforcing the quality and reliability of social reporting within the Group focused in particular on the development of an e-learning module, which was made available to all participants in the social reporting process. The purpose of this training module is to familiarize users with the objectives of social reporting, deepen understanding of key indicators, and refine the calculation methodology used. Control procedures were also reinforced at each organizational entity through the implementation of an electronic signature system at the final validation of social reporting documents.

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

A descriptive sheet is available for each social indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data. In addition, information system controls are in place throughout reporting procedures in order to verify the reliability and consistency of data entered.

Workforce information provided below relates to all consolidated companies of the Christian Dior Group, including LVMH's share in joint ventures.

Other social indicators were calculated for a scope of 558 organizational entities covering more than 99.7% of the worldwide workforce and encompass all staff employed during the year, including those employed by joint ventures.

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

13.1 ANALYSIS AND DEVELOPMENT OF THE WORKFORCE

13.1.1 Breakdown of the workforce

The Group's total workforce as of December 31, 2010 amounted to 86,818 employees, an increase of 8% compared to 2009. Of this total, 76,956 employees worked under permanent contracts and 9,862 worked under fixed-term contracts. Part-time employees represented 19% of the total workforce, or 16,133 individuals. The portion of staff outside France increased by 2 points on the previous year to 77% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce in 2010 comprised 76,002 employees, a rise of 4% on 2009. The main changes are due to the opening of new stores, mainly in the United States and China. The Fashion and Leather Goods, Perfumes and Cosmetics and Selective Retailing business groups thus saw average workforce increases of between 4% and 6%. Among the changes in the scope of consolidation, we should note the disposal of the La Brosse et Dupont group in September 2010.

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

Breakdown by business group

Total headcount as of December 31 (1)	2010	%	2009	%	2008	%
Christian Dior Couture	3,276	4	3,208	4	3,256	4
Wines and Spirits	6,063	7	6,032	7	6,438	8
Fashion and Leather Goods	25,013	29	23,012	28	22,467	28
Perfumes and Cosmetics	17,715	20	17,374	22	17,163	21
Watches and Jewelry	2,332	3	2,091	3	2,261	3
Selective Retailing	30,998	36	27,389	34	27,347	34
Other	1,421	1	1,404	2	1,411	2
TOTAL	**86,818**	**100**	**80,510**	**100**	**80,343**	**100**
Average headcount during the period (2)						
Christian Dior Couture	3,051	4	3,145	4	3,140	4
Wines and Spirits	6,204	8	6,230	9	6,470	9
Fashion and Leather Goods	22,744	30	21,414	29	20,793	29
Perfumes and Cosmetics	16,951	22	16,269	22	15,908	22
Watches and Jewelry	2,175	3	2,133	3	2,161	3
Selective Retailing	23,500	31	22,587	31	22,945	31
Other	1,377	2	1,370	2	1,202	2
TOTAL	**76,002**	**100**	**73,148**	**100**	**72,619**	**100**

(1) Total permanent and fixed-term headcount.
(2) Average permanent and fixed-term headcount on full-time equivalent basis.

Breakdown by geographic region

Total headcount as of December 31 (1)	2010	%	2009	%	2008	%
France	20,515	23	20,289	25	20,818	26
Europe (excluding France)	18,143	21	17,459	22	17,749	22
United States	19,918	23	16,817	21	17,020	21
Japan	4,943	6	5,129	6	5,301	7
Asia (excluding Japan)	19,051	22	16,875	21	15,713	19
Other	4,248	5	3,941	5	3,742	5
TOTAL	**86,818**	**100**	**80,510**	**100**	**80,343**	**100**
Average headcount during the period (2)						
France	19,654	26	19,575	27	20,031	28
Europe (excluding France)	16,181	21	15,996	22	15,551	22
United States	14,064	18	13,252	18	13,966	19
Japan	4,993	7	5,199	7	5,319	7
Asia (excluding Japan)	17,272	23	15,477	21	14,546	20
Other	3,838	5	3,649	5	3,206	4
TOTAL	**76,002**	**100**	**73,148**	**100**	**72,619**	**100**

(1) Total permanent and fixed-term headcount.
(2) Average permanent and fixed-term headcount on full-time equivalent basis.

Breakdown by professional category

Total headcount at December 31 (1)	2010	%	2009	%	2008	%
Managers	14,736	17	13,794	17	13,593	17
Technicians – Team leaders	8,413	10	8,348	11	8,306	10
Office and sales personnel	51,920	60	46,851	58	46,498	58
Labor and production workers	11,749	13	11,517	14	11,946	15
TOTAL	**86,818**	**100**	**80,510**	**100**	**80,343**	**100**
Average headcount during the period (2)						
Managers	14,232	19	13,679	19	12,987	18
Technicians – Team leaders	8,310	11	8,250	11	7,935	11
Office and sales personnel	41,913	55	39,899	55	40,424	56
Labor and production workers	11,547	15	11,320	15	11,273	15
TOTAL	**76,002**	**100**	**73,148**	**100**	**72,619**	**100**

(1) Total permanent and fixed-term headcount.
(2) Average permanent and fixed-term headcount on full-time equivalent basis.

Average age and breakdown by age

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

(%)	Global workforce	France	Europe (1)	United States	Japan	Asia (2)	Other markets
Age: less than 25 years	13.1	6.4	9.7	18.2	5.9	20.4	13.8
25 – 29 years	20.9	14.8	18.5	20.9	20.5	29.1	24.3
30 – 34 years	18.4	16.1	20.4	15.6	29.2	18.2	21.5
35 – 39 years	14.9	16.1	17.7	11.7	21.4	12.0	15.2
40 – 44 years	11.2	14.1	13.1	9.5	11.2	7.9	10.6
45 – 49 years	9.0	12.7	9.4	8.5	6.7	6.2	6.4
50 – 54 years	6.4	10.8	5.8	6.4	3.6	3.5	4.4
55 – 59 years	4.2	7.5	3.7	4.7	1.3	1.9	2.5
60 years and over	1.9	1.5	1.7	4.5	0.2	0.8	1.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average age	**36**	**39**	**37**	**36**	**35**	**33**	**34**

(1) Excluding France.
(2) Excluding Japan.

Average length of service and breakdown by length of service

The average length of service within the Group is 11 years in France and ranges from five to seven years in the other geographic regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a high turnover rate. It is also the result of recent expansion by Group companies into high-growth markets, where there is a greater fluidity of employment.

(%)	Global workforce	France	Europe (1)	United States	Japan	Asia (2)	Other markets
Length of service: less than 5 years	59.2	37.6	57.4	71.5	46.9	73.1	74.9
5 – 9 years	18.8	20.8	22.5	16.1	33.0	13.4	12.4
10 – 14 years	9.8	14.4	10.5	7.2	12.4	6.7	7.2
15 – 19 years	4.5	7.7	4.3	2.4	4.4	3.5	1.9
20 – 24 years	3.8	9.0	2.7	1.6	2.4	2.1	1.8
25 – 29 years	1.8	4.7	1.1	0.7	0.6	0.6	0.9
30 years and over	2.1	5.8	1.5	0.5	0.3	0.6	0.9
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	**7**	**11**	**6**	**5**	**7**	**5**	**5**

(1) Excluding France.
(2) Excluding Japan.

13.1.2 Recruitment policy

The Christian Dior Group is enjoying strong growth, prompting the recruitment of external talent, seen by the Group as a key management task and a determining element for the success of each of its entities in the short, medium and long term.

For businesses where creativity and know-how are of utmost importance, it is clearly essential to be able to enlist the highest performing, most appropriate and promising talent. In this highly competitive business environment, it is the quality of teams and of each of their members that makes the difference.

Since 2009, the Group has decided to make the career opportunities within what the Group calls its "ecosystem" better known. This has a unique appeal in the luxury world, and motivates the best talent to join one of the Group companies. It is also a system of values founded upon the delegation of responsibility, an entrepreneurial spirit, and a network of skills and expertise organized around the quest for excellence. A corporate communications campaign on various venues online (banners on the Web sites of LinkedIn, Financial Times, MBA Exchange, etc.) was extended in 2010 to social networking sites, achieving excellent results in terms of visibility and interactions with the LVMH recruitment site.

This determination to give the Group the means to continually reinforce its image as an employer of choice is already very widely recognized in France. In 2010, LVMH retained its status as the most preferred employer by upcoming graduates of leading French business schools in two major surveys: Trendence, and for the fifth consecutive year, Universum.

In a globalized world, the circulation of people and ideas, the worldwide reach of educational opportunities and the development of emerging markets prompt companies to identify the best resources wherever they may be found, sometimes following pathways quite distinct from traditional recruitment avenues.

In spite of the large number of unsolicited applications, this remains a proactive approach that seeks out the best talent available around the world. To this end, LVMH's group Managing Director gave a presentation in October 2010 to 150 MBA students in New York.

For many years, the Christian Dior Group has cultivated and maintained key partnerships with the most highly regarded universities and business schools across all continents. For example, the Group maintains close ties with ESSEC (through the endowment of a chair in luxury brand marketing), with HEC (as sponsor of an orientation seminar for international students), and with INSEAD (through participation in work on China).

In addition, the Group's membership in CEMS (a strategic global alliance of leading business schools and multinational companies) gives access to graduates of all nationalities from top institutions in more than 20 countries.

Lastly, the Group maintained its close relations with leading fashion schools, the Institut Français de la Mode in Paris, Central Saint Martins College of Arts and Design in London, Parsons the New School for Design in New York, and the Hong Kong Polytechnic University School of Design.

In order to communicate most effectively about the Group's values and its professions and meet the increasingly exacting demands of students, the Group has organized a series of "LVMH Rendez-Vous" events over the last two years. Apart from providing an opportunity to present the Group and its businesses, these meetings serve to expose interested candidates to the universe of the Group's artisanal brand marketing. Following events at Harvard, London Business School, and IMD in Lausanne, in October 2010 a group of students preparing MBAs at three of the Group's partners in Asia – INSEAD, NUS and Nanyang – were invited to take part in an "LVMH Rendez-Vous" in Singapore. Selected by our Human Resources teams, these students had the chance to work on the development and management of luxury brands, using forum content developed at LVMH House. As one of the participants remarked, "this format, very different from the corporate presentations of other companies, allowed us to understand the Group's strategy, and even better, genuinely get to grips with its unique culture, at the intersection of innovation and tradition."

In all, about a hundred events of various kinds are organized every year at universities and specialized schools around the world, with a view to familiarizing students with the Group and its brands.

As part of the FuturA program, an international initiative to nurture and recruit experienced, talented individuals, the Group's "Recruitment Days" were brought to the United States and Asia. The methodology behind these full-day events, which is based on the principle of real on-the-job scenarios, has proven its effectiveness for the identification of high-potential talents. It is also very much appreciated by the applicants, each and every one of whom receives personalized feedback on their participation. The integration of these new management-level staff members is the focus of special efforts so that these individuals, in joining other young, high-potential managers already identified within the Group, are entrusted with assignments permitting them to demonstrate and develop their talents and enjoy good visibility at the Christian Dior Group. In this way, the Group strives on a constant basis to serve as a breeding ground for talent of the highest quality, of exemplary diversity in terms of nationalities, skills and professions, in order to create the senior management teams of the future.

The Christian Dior Group aims to serve as a model corporate citizen in terms of its human resources practices, especially with regard to the recruitment of future staff members. The Group's recruitment practices must reflect the Group's values and the highest standards of responsibility and respect for all, on a daily basis everywhere in the world. To this end, the Group's human resources teams use a Code of Conduct for recruitment. Intended to be applied by all recruitment process participants, this Code of Conduct reflects the goals, standards and best practices to be observed by each company in terms of the respect for applicants and the effectiveness of methods, regardless of the type of position, the profession or the country involved. Various initiatives have also been implemented to foster greater professionalism in terms of the identification and selection of future staff members: notably, reinforcement of the offer of training in the context of recruitment, sharing of evaluation tools and methods to be used in interviews in order to ensure the objectivity of the evaluation to the greatest extent possible, and the development of recruitment days.

Since 2008, the Group has employed the services of an independent firm to test the responses of the Group's Human Resources personnel to applications submitted in response to adverts on its Web site. This firm makes use of a particularly rigorous methodology, meeting the highest ethical standards, to analyze responses to applicants whose profiles might tend to result in discrimination. As part of a random selection process following statistical principles, 18% of job offers were tested in this manner. In 2010, out of 848 opportunities posted, no discriminatory practices were observed in the processing of applications.

13.1.3 Movements during the year: joiners, leavers and internal mobility

In 2010, 19,811 individuals were hired under permanent contracts, including 2,393 in France. A total of 4,803 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end of year holiday season and the harvest season, are the two main reasons for using fixed-term contracts.

Departures from Group companies in 2010 (all causes combined) affected a total of 15,029 employees working under permanent contracts, of which more than 43% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignations (69.5% of total departures), individual layoffs (14.8% of total departures) and layoffs due to economic conditions (5.8% of total departures). The exceptional sweep of the worldwide economic crisis had significantly reduced movements of personnel in 2009. The sharp upturn in the luxury goods sector in 2010 led to a substantial increase in joiners and leavers, which rose by 57% and 13% compared to the prior year, respectively.

The overall turnover rate as of December 31, 2010 thus increased by 6.5% from its level a year earlier and continues to show marked differences across geographic regions: the highest rates are recorded in North America and Asia, where labor markets are more fluid.

Turnover by geographic region

(%)	**2010**	**France**	**Europe (4)**	**United States**	**Japan**	**Asia (5)**	**Other markets**	**2009**	**2008**
Total turnover (1)	**19.5**	**10.1**	**16.6**	**28.2**	**8.8**	**26.8**	**22.0**	**18.3**	**25.1**
Of which:									
voluntary turnover (2)	13.6	4.3	11.6	21.2	7.5	19.7	16.8	11.5	18.6
involuntary turnover (3)	5.3	4.6	4.5	6.5	1.1	7.0	5.0	6.4	5.9

(1) All reasons.
(2) Resignations.
(3) Redundancies/end of trial period.
(4) Excluding France.
(5) Excluding Japan.

Breakdown of movements [1] of employees working under permanent contracts by business group and geographic region

	Joiners			Leavers		
(number)	2010	2009	2008	2010	2009	2008
By business group						
Christian Dior Couture	849	491	1,038	779	657	812
Wines and Spirits	526	242	868	637	623	750
Fashion and Leather Goods	4,964	3,267	5,427	3,461	3,221	3,693
Perfumes and Cosmetics	4,213	2,709	4,283	3,185	2,665	2,812
Watches and Jewelry	472	294	459	355	482	339
Selective Retailing	8,648	5,509	11,607	6,470	5,557	9,713
Other	139	110	151	142	123	376
TOTAL	**19,811**	**12,622**	**23,833**	**15,029**	**13,328**	**18,495**
By geographic region						
France	2,393	1,479	3,001	1,944	1,793	2,554
Europe (excluding France)	3,429	2,194	4,282	2,746	2,748	2,973
United States	5,922	3,233	8,535	4,296	3,950	7,243
Japan	412	387	831	383	542	582
Asia (excluding Japan)	6,626	4,507	6,323	4,805	3,580	4,643
Other	1,029	822	861	855	715	500
TOTAL	**19,811**	**12,622**	**23,833**	**15,029**	**13,328**	**18,495**

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

The Christian Dior Group has made internal mobility, whether geographic or functional, one of the pillars of its human resources policy. The diversity of its brands, their strong identities as well as their expertise in their respective fields, each with its own very specific characteristics, foster these two types of mobility and offer many paths to professional fulfillment suited to the aspirations and capabilities of each employee.

More than 1,200 career moves through internal mobility were accomplished in 2010, which means that half of all manager positions were filled internally. Among key points worth noting, two-thirds of key positions are currently occupied by internally recruited talent and 20% of career moves in 2010 were to another Group House.

The Christian Dior Group also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially by pursuing qualifying training or degree programs. A total of 4,054 staff members were promoted in 2010, representing about 5.3% of the workforce employed under permanent contract.

13.2 WORK TIME

13.2.1 Work time organization

Worldwide, 15% of employees benefit from variable or adjusted working hours and 38% work as a team or alternate their working hours.

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

Employees affected (1) *(%)*	Global workforce	France	Europe (2)	United States	Japan	Asia (3)	Other markets
Variable or adjusted schedules	15	36	15	5	15	1	1
Part-time	19	11	21	41	1	7	17
Teamwork or alternating hours	38	9	11	70	83	57	41

(1) Percentages are calculated on the basis of the total headcount in France (employees under both permanent and fixed-term contracts). For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, in which case the percentages are calculated with respect to the total headcount.
(2) Excluding France.
(3) Excluding Japan.

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

Employees affected (1) *(%)*	Workforce France	Managers	Technicians and team leaders	Office and sales personnel	Labor and production workers
Variable or adjusted schedules	36	35	53	53	2
Part-time	11	3	6	23	7
Teamwork or alternating hours	9	-	6	1	32
Employees benefiting from time off in lieu	12	-	19	18	13

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

13.2.2 Overtime

The cost of the volume of overtime is 40.0 million euros, or an average of 1.5% of the worldwide payroll. This cost varies between 0.9% and 1.8% of the payroll depending on the geographic region.

Percentage of overtime by region

(% of payroll)	Global workforce	France	Europe (1)	United States	Japan	Asia (2)	Other markets
Overtime	1.5	1.5	1.7	1.3	1.8	1.6	0.9

(1) Excluding France.
(2) Excluding Japan.

13.2.3 Absenteeism

The worldwide absentee rate of the Group for employees working under permanent and fixed-term contracts is 4.8%. It decreased by nearly 8% compared with the previous year (5.2% in 2009 and 4.5% in 2008). The two main causes of absence are illness (2.3%) and maternity leave (1.4%). The overall absentee rate of the European entities is twice as high as that recorded in other geographic regions.

Absentee rate (1) by region and by reason

(%)	Global workforce	France	Europe (2)	United States	Japan	Asia (3)	Other markets
Illness	2.3	3.7	3.6	1.1	0.4	1.4	1.1
Work/work-travel accidents	0.2	0.3	0.2	0.2	-	-	0.1
Maternity	1.4	1.6	2.5	0.5	2.6	0.8	0.8
Paid absences (family events)	0.5	0.2	0.4	0.1	0.6	1.1	0.1
Unpaid absences	0.4	0.6	0.3	0.2	0.2	0.7	0.3
OVERALL ABSENTEE RATE	**4.8**	**6.4**	**7.0**	**2.1**	**3.8**	**4.0**	**2.4**

(1) Number of days absent divided by the theoretical number of days worked.
(2) Excluding France.
(3) Excluding Japan.

13.3 COMPENSATION

Group companies offer attractive and motivating compensation packages. International salary surveys, in relation to specific professions and sectors, are carried out annually and are used to ensure that the Group maintains a favorable position against the market on a permanent basis. By means of variable pay components based on both individual performance and that of the Group, managers have a vested interest in the success of its companies.

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

The study conducted in 2010 on the breakdown of levels of individual performance found that the distribution was identical for women and men.

Most of the Group's French companies pay all of their employees very substantial amounts in profit sharing and/or incentives. Finally, in 2010 the Group maintained its program for granting of bonus shares, to encourage the loyalty of staff members making the greatest contribution to its performance.

13.3.1 Average salary

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

Employees concerned *(%)*	2010	2009	2008
Less than 1,500 euros	3.9	7.6	10.4
1,501 to 2,250 euros	33.8	32.9	28.9
2,251 to 3,000 euros	22.3	22.1	24.1
Over 3,000 euros	40.0	37.4	36.6
TOTAL	**100.0**	**100.0**	**100.0**

13.3.2 Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	2010	2009	2008
Gross payroll – Fixed term or permanent contracts	2,665.8	2,422.1	2,331.5
Employers' social security contributions	691.9	630.2	609.6
Temporary staffing costs	118.8	89.1	135.2
TOTAL PERSONNEL COSTS	**3,476.5**	**3,141.4**	**3,076.3**

Outsourcing and temporary staffing costs increased appreciably compared to the previous year, accounting for 6.0% of the total payroll worldwide, including employer's social security contributions.

13.3.3 Incentive schemes, profit sharing and company savings plans

All companies in France with at least 50 employees have an incentive scheme, profit sharing or company savings plan. These plans accounted for a total expense of 92.6 million euros in 2010, paid in respect of 2009, a slight decrease compared to previous years.

(EUR millions)	2010	2009	2008
Profit sharing	53.5	68.2	62.9
Incentive	32.8	31.6	39.2
Employer's contribution to company savings plans	6.3	5.5	5.6
TOTAL	**92.6**	**105.3**	**107.7**

13.4 EQUALITY AND DIVERSITY

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

In concrete terms, these commitments are demonstrated by Human Resources teams at all Group companies through various actions. The ongoing analysis, by an independent firm, of a sampling of job offers published on the Web site lvmh.fr, helps to keep a watchful eye on recruitment practices, by evaluating and confirming their objectivity. In order to round out awareness actions, nearly 650 managers serving as tutors and mentors for new staff members have been trained in the prevention of discrimination and the management of diversity. Through their "JobStyle" initiatives, Sephora and Make Up For Ever help job seekers with special challenges find employment: young people lacking qualifications, those from minority ethnic backgrounds, applicants seeking vocational retraining, people with disabilities. In 2010, more than 300 job seekers received coaching and were prepared for job interviews through individual and group image-building workshops.

At the 2010 edition of the Trophées de la Diversité, LVMH was once again honored with the Special Jury Prize, in recognition of its actions in favor of the employment of disabled persons. Also this past year, Sephora received the Special Jury Prize at the third edition of the Trophée National de l'Entreprise Citoyenne in recognition of its "JobStyle" coaching workshops for job seekers. This year's list of awards is testament to the policies pursued in all Group companies.

13.4.1 Equality of opportunity for men and women

Creativity and diversity are two of the Christian Dior Group's founding values, and women naturally find their place in the Group: 74% of the workforce is female. This strong feminine presence is an essential characteristic of the Group. It is related to the fact that 85% of Group customers are women but it is also explained by the very nature of the Christian Dior Group's businesses. Women are particularly prominent in Perfumes and Cosmetics (84%), Selective Retailing (81%) and Fashion and Leather Goods (73%). Conversely, the majority of staff in Wines and Spirits are men, representing 65% of the workforce in this business group.

Furthermore, women make up 61% of managers within the Group and more than 30% of Group Houses' Executive Committee members are female. Six Group companies are chaired by women: Krug, Fred, Loewe, Montres Dior, Kenzo Parfums, and Acqua di Parma.

Proportion of female employees in new joiners (1) and in the Group's active workforce

	Joiners			Group employees		
(% of women)	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Breakdown by business group						
Christian Dior Couture	70	75	77	72	74	75
Wines and Spirits	46	40	44	35	35	35
Fashion and Leather Goods	70	67	70	73	73	73
Perfumes and Cosmetics	86	87	83	84	82	82
Watches and Jewelry	56	64	57	57	57	55
Selective Retailing	81	82	70	81	80	80
Other	50	45	60	44	47	57
Breakdown of personnel by professional category						
Managers	61	59	57	62	60	59
Technicians – Team leaders	70	71	68	68	69	69
Office and sales personnel	81	82	76	81	81	81
Labor and production workers	66	56	61	64	63	64
Breakdown by geographic region						
France	72	71	70	68	68	68
Europe (excluding France)	78	75	79	75	75	76
United States	79	80	66	76	76	74
Japan	81	77	79	78	77	77
Asia (excluding Japan)	77	78	74	76	76	76
Other markets	74	77	73	65	63	62
TOTAL	**77**	**77**	**72**	**74**	**73**	**73**

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

Equality of opportunity also prevails in career advancement. Accordingly, 72% of staff promoted in 2010 were women.

The quest for gender equality, an agent of transformation with respect to diversity generally, encouraging the complementarity of sensitivities and professional behaviors, colors all major human resources management actions. The Group's Human Resources Department develops a full range of programs designed to facilitate access by women to positions of greater responsibility: monitoring of remuneration practices, management of international mobility, access to management training, diversity considerations in the context of succession planning for key positions or in the recruitment of managers. As part of these efforts, in May 2010 more than 200 senior executives and managers attended a gender equality presentation given by Brigitte Grésy, France's general inspector for social affairs, rapporteur of the Committee on the Image of Women in the Media, and author of a 2009 report commissioned by the French Labor Ministry on gender equality in the workplace. In addition, the Group has developed strong ties with associative networks and movements, such as HEC au Féminin and Business & Professional Women International (BPWI).

Lastly, Hennessy, Moët Hennessy Diageo and Le Bon Marché all signed collective agreements in 2010 relating to gender equality, including provisions on workplace conditions, equal pay, career development, and achieving a better balance between private and professional life.

13.4.2 Actions in favor of older employees

Access to employment by older staff and their retention are areas of constant concern for the Group. Workgroups formed at the instigation of the Group's Human Resources Department have sought to implement a global approach to the management and professional development of older staff, and Group companies have been able to adapt this policy to their specific characteristics. In this connection, among the priorities identified, 80% of the Group's Houses took on quantified commitments to end-of-career planning, while 68% vowed to improve workplace conditions.

In France, 30 actions plans and 12 collective agreements have been implemented to promote the recruitment, employment and career development of staff over the age of 50. Louis Vuitton and Parfums Givenchy are among Group companies that have developed international "Senior-Junior" mentoring schemes to ensure the successful transmission of unequaled know-how.

Human resources managers at all of the brands have received training in the conduct of a mid-career interview, following a program established by the Group's Human Resources Department, in order to better manage the careers of older employees and to offer all staff over the age of 50 a specially designed career development assessment.

A posture and movement training program is also implemented at all production sites to prevent musculoskeletal disorders and to assist older employees through constant efforts to improve workplace conditions. Measures in favor of the employment of older staff have already been implemented in several Group companies: Parfums Givenchy, Guerlain, Moët & Chandon and Le Bon Marché have signed agreements relating to the anticipatory management of jobs and skills with union representatives in order to organize and develop the career prospects of older employees. Givenchy has introduced a mentor system to facilitate the transfer of know-how, pairing the premier d'atelier (the head of the design studio) or the second d'atelier (the former's deputy) with a tutor or an apprentice. Kenzo has adopted a procedure for preventing discrimination on the basis of age during the recruitment process. Since 2007, Moët Hennessy has been working with a recruitment consultancy specializing in the placement of older employees. All Group companies have developed specific plans in relation to older staff.

Worldwide, 12.5% of the Group's active workforce are over the age of 50. In France, this population accounts for 19.8% of employees.

13.4.3 Employment of disabled persons

Mission Handicap LVMH, a joint initiative by 30 Group Houses, provides added impetus for the promotion of policies facilitating the employment of disabled persons. Training and awareness efforts intensified in 2010, through 25 events in 15 companies covering about 70% of their employees: a sensory deprivation workshop ("In Pitch Blackness") for 240 researchers at LVMH Research's summer university (raising awareness of visual deficiencies), HandiChat (recruitment of disabled persons online via direct interactions with companies), mystery shopping, etc.

The Christian Dior Group is particularly attentive to the need to ensure that employees who become disabled are able to continue working, as illustrated by the specially designed facilities at Moët & Chandon, Parfums Christian Dior and Guerlain, which allow staff members with medical limitations to continue to work in their jobs under appropriate conditions. Over the last two years, more than 80 employees affected by disabilities have thus been accommodated at their workstations thanks to these specially equipped workshops.

In the area of recruitment, the Group has developed a methodology based on real-life scenarios for disabled applicants: the "Handi-Talents" assessment centers. These innovative recruitment sessions pay no heed to the applicants' résumés but instead seek to objectify the recruitment process and identify transferable skills and competencies of individuals having followed atypical career paths. Forty disabled employees were hired in 2010, a third more than in 2009.

In keeping with the international reach of its business activities, the Group sees to it that its policies with respect to the employment of persons with disabilities are consistently applied outside France as well: in Spain, Loewe has forged a partnership, staffed by employee volunteers, with two associations working to integrate persons with mental disabilities into the workplace, using innovative pedagogical methods, in particular dog training and painting. In Japan, the employment of disabled staff at Louis Vuitton and Marc Jacobs stores has led to the adjustment of a number of training programs and the adaptation of job requirements.

Disabled staff represents 1.1% of the Group's workforce worldwide. This proportion has been increasing steadily for several years in France, where 2.8% of Group employees are persons with disabilities. In addition, services sub-contracted to sheltered workshops totaled about 5.5 million euros in 2010, equivalent to the addition of more than 140 indirect jobs.

13.5 PROFESSIONAL DEVELOPMENT OF EMPLOYEES

The Christian Dior Group strives to give its employees the means to help them develop their own career paths. The annual review of the Group's talent pool and its succession planning (Organizational Management Review) is one of the key processes in analyzing and building the added value of human capital across the Group. This review focuses the attention of Group companies by defining key positions, internal resources and requirements needed to ensure the growth of the Group's Houses. This process also supports the professional development of staff within the Group by identifying career opportunities in the medium or long term and by putting together individual development plans to prepare staff for their future responsibilities. The Group also makes use of frequent performance appraisals. These appraisals serve to reveal employees' strong points as well as areas in need of improvement, to better understand their professional development ambitions and to outline concrete actions that will assist them with their career plans. An e-learning module, combining videos and interactive exercises, was developed in 2010, targeting 14,700 managers within the Group worldwide and designed to facilitate the implementation of these performance management and professional development procedures.

The Group offers an environment particularly conducive to career development. The Group's breadth and size make possible a wide range of career trajectories, across varied sectors and professions, a broad spectrum of brands and companies, and a multitude of geographical locations. Thanks to internal mobility, employees take on new responsibilities, enhance their professional skill sets, develop their personalities and fulfill their aspirations. In order to facilitate mobility within the Group, systematic and regular reviews are organized in order to align opportunities for new positions with individuals interested in developing their careers. Significant results were able to be obtained over the last several years: more than 1,300 career moves through internal mobility were accomplished in 2010, which means that half of all manager positions were filled internally. Across the Group, two-thirds of all individuals serving in key positions represent talent that was sourced internally.

Training serves as a powerful career-building driver, enabling the acquisition or enhancement of skills and favoring exchanges both inside and outside the Group. In this regard, the forums held at LVMH House in London make a novel contribution to the sharing of knowledge across the Group in terms of the management of brands, product creativity and innovation as well as customer relations in the luxury goods industry. In 2010, 17 forums were organized, bringing together 400 participants representing 29 countries and 30 brands. With a 35% increase in LVMH managers attending these forums compared to 2009, the Group continues to ensure the large-scale dissemination among its staff in supervisory positions of best practices identified by its senior executives. LVMH House has also implemented new managerial training modules in the various geographic regions where the Group is present, with the notable launch of its "Clients Insight Forums" in the United States and Asia. Complementing these fundamental forums, a certain number of brands have collaborated with LVMH House on the creation of similar sessions tailored to their businesses, including Fendi, Moët & Chandon, Loewe and DFS. As the development of leadership potential remains a priority in the Group's training efforts, members of the Executive Committee have given generously of their time by taking part in leadership forums designed for high-level managers. In 2010, the Group also launched its first leadership development program, which will be rolled out in Asia, the United States, and Europe, thus allowing the Group's brands to offer this type of training to all levels of management. Furthermore, two sessions of a new "Strategic HR" forum, designed and prepared by LVMH House and specifically intended for the Group's Human Resources community, were held in 2010, with the aim being to extend its reach to the 120 key managers in this function over the next three years. Combining both economic and operational management approaches and addressing the themes specific to the human resources function, these forums also deal with organizational effectiveness, change management, and intercultural communication.

Furthermore, the Group offers a wide range of training programs to its employees in order to support their professional development within the Group. In 2010, nearly 2,200 management-level staff participated in internships and in-house seminars offered at the Group's four main training centers in France, Japan, elsewhere in Asia, and the United States.

Other new programs were developed by the Group in 2010. "LVMH Experience", which is offered to managers having just recently joined the Group, is a true voyage of discovery through the stores and brands of the Group, an exploration of its strategy and philosophy. As they pursue their careers at LVMH and in order to accelerate their professional development, these same managers take part in the "LVMH Perspectives" program, which explores two facets: the self-knowledge required to be able to build their own future at the Group's brands over the medium term and exposure to the strategic challenges faced in LVMH's five business groups through exchanges with key managers at these companies.

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

Global workforce	**2010**	**2009**	**2008** (1)
Training investment *(EUR millions)*	64.8	55.6	60.1
Portion of total payroll *(%)*	2.4	2.3	2.6
Number of days training per employee	2.5	2.3	2.7
Average cost of training per employee *(EUR)*	735	685	748
Employees trained during the year *(%)*	64.6	58.9	63.4

(1) In 2008, a new more restrictive definition of training initiatives was applied for global social reporting purposes.

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

In 2010, training expenses incurred by the Group's companies throughout the world represented a total of 64.8 million euros, or 2.4% of total payroll. Following a decline seen in 2009 due to the difficult economic environment, indicators relating to the Group's overall training effort registered a significant increase in 2010 and have returned to levels comparable to those recorded in previous years.

The average training investment per full-time equivalent person amounts to nearly 735 euros. In 2010, the total number of training days amounted to 222,260 days, representing an equivalent of around 1,010 people receiving full-time training for the entire year.

Other indicators, such as the training penetration date and the average number of days training per employee also improved in comparison to 2009. Thus a total of 65% of employees received at least one day of training during the year and the average number of days training came to 2.5 days per employee. The training investment is spread across all professional categories and geographic regions in accordance with the table below.

Breakdown of training investment by geographic region and professional category

	France	Europe (1)	United States	Japan	Asia (2)	Other markets
Training investment *(EUR millions)*	26.0	11.1	11.1	5.1	9.9	1.6
Portion of total payroll *(%)*	3.2	2.0	1.8	2.3	2.6	1.8
Employees trained during the year *(%)*	63	55	58	86	74	73
Of which: Executives and managers	71	61	44	75	72	59
Technicians and team leaders	66	54	32	80	79	84
Office and sales personnel	51	54	66	89	74	73
Labor and production workers	65	54	41	91	78	83

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

Moreover, the Group organizes integration and awareness seminars for new hires focusing on its culture, its values, its key management principles and knowledge of its brands. Nearly 20,100 employees attended seminars of this type in 2010.

13.6 HEALTH AND SAFETY

In 2010, there were a total of 883 work accidents resulting in leave of absence which resulted in 17,178 lost working days. 320 commuting accidents were also recorded, resulting in 7,028 lost working days.

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

		Number of accidents	Frequency rate (1)	Severity rate (2)
Breakdown by business group				
Christian Dior Couture		20	3.05	0.08
Wines and Spirits		124	9.67	0.23
Fashion and Leather Goods		174	3.68	0.07
Perfumes and Cosmetics		134	3.93	0.06
Watches and Jewelry		11	2.30	0.03
Selective Retailing		394	7.45	0.15
Other		26	8.59	0.11
Breakdown by geographic region				
France		413	13.06	0.30
Europe (excluding France)		144	4.16	0.07
United States		142	4.54	0.10
Japan		9	0.90	0.01
Asia (excluding Japan)		144	3.82	0.04
Other		31	3.86	0.06
Group	**2010**	**883**	**5.77**	**0.11**
	2009	839	5.92	0.13
	2008	1,023	6.81	0.13

(1) The Frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked (3).
(2) The Severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked (3).
(3) For companies located outside France, the total number of hours worked per employee is estimated at 2,000 on a full-time equivalent basis.

The Group invested nearly 15 million euros in Health and Safety in 2010. This includes expenses for occupational medical services, small protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training, noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 46 million euros in 2010, representing 1.7% of the Group's gross payroll worldwide.

More than 18,300 Group company employees received safety training worldwide.

The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace. Accordingly, the Group developed a new plan for the prevention of psychosocial risks in 2010, covering the following points: diagnostics/barometers (Hennessy), Steering Committees, awareness raising and training for affected staff, support units (Parfums Christian Dior, Veuve Clicquot, Guerlain, etc.), work organization reviews, balance between private and professional life, organization overhauls, harassment prevention.

Moët & Chandon, Le Bon Marché and Sephora have signed agreements on the prevention of psychosocial risks calling in some cases for the creation of a dedicated monitoring center, involving the participation of the occupational health services and the Health, Safety and Working Conditions Committee (CHSCT). Louis Vuitton has also developed a prevention program encompassing all of its entities. Other innovative initiatives have been taken, in collaboration with occupational health services staff: for example, holistic massages for the production staff at Guerlain's sites.

13.7 EMPLOYEE RELATIONS

13.7.1 Status of collective agreements

In France, Group companies have works councils, employee representatives, as well as Health and Safety Committees. The Group Committee was formed in 1985.

In 2010, employee representatives attended 1,350 meetings:

Nature of the meetings	Number
Works council	505
Employee representatives	472
Health and Safety Committee	189
Other	184
TOTAL	**1,350**

As a result of these meetings, 115 company-wide agreements were signed (such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans). Specific agreements related to the employment of disabled persons, professional equality between women and men, anticipatory management of jobs and skills, labor-management dialogue, and the prevention of psychosocial risks have been signed at Group companies.

13.7.2 Social and cultural activities

In 2010, in France, the Group allocated a budget of over 14.6 million euros, or 1.8% of total payroll expenses, to social and cultural activities in France via contributions to works councils.

Total catering costs for all Group employees represent a budget of 12.0 million euros.

13.8 RELATIONS WITH THIRD PARTIES

13.8.1 Relations with suppliers

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

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

Among many initiatives by Group companies illustrating this commitment, Moët & Chandon, for example, establishes a specifications document presented for signature to its subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues. Audits are also carried out on suppliers. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the ILO conventions: no child labor, no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor. Donna Karan International has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of industrial relations and labor law and for the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. The company has also introduced a Vendor Compliance Agreement, which calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, TAG Heuer requires that all new international suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

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

In 2010, this work resulted in the creation of a shared supplier database for the Perfumes and Cosmetics business group and the establishment of a common reference guide for supplier assessment. This reference guide will facilitate exchanges between the various Group companies and follow-ups on social and environmental audits, their findings, and any action plans put in place.

In 2010, 262 social audits were carried out, nearly 95% of which by specialized external service providers, at 217 of our suppliers. Nearly one-quarter of these audits showed results in line with our standards and 46% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 26% and 2% of audits performed, respectively. In all, 109 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. Occasionally, Group brands are compelled to take more extreme measures. For example, the Perfumes and Cosmetics business group has declined to continue working with a specific site operated by one of its suppliers that did not meet the standards of its Code of Conduct for workplace safety and overtime compensation. Additionally, the Donna Karan brand has terminated its relationships with two of its suppliers.

In the interest of continued improvement in this area, all of the Group's Houses will continue their supplier audit programs in 2011, together with follow-ups on action plans. Apart from meetings at the Group level for the sharing of experiences, three workgroups (Europe, Americas and Asia) have been created to facilitate and increase the frequency of exchanges within each region. A new initiative for the optimization of transport at the Group level will also be launched in 2011.

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

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

Non-disciplinary layoffs, including those due to economic conditions, represent 5.5% of total departures.

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

Moët & Chandon's actions to promote diversity were unanimously applauded by the Champagne region's Equal Opportunities Commission, chaired by its prefect.

As major employers in several labor markets, the Group's companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations or non-governmental organizations to help with the social and professional integration of the underprivileged.

13.8.3 Relations with educational institutions and apprenticeship associations

The Christian Dior Group continues to nurture many partnerships and develop its multiple ties with educational institutions to raise the profile of the Group's professions internationally and encourage young people to pursue careers in these fields. Over the years, the Group has forged strong ties with the Institut Français de la Mode, in relation to the training of its employees and the recruitment of the institute's graduates, whose dual specialization is appreciated. LVMH is also a privileged partner of **CEMS,** the Global Alliance in Management Education, and takes part in many actions in favor of graduates of top universities in more than 20 countries. Key Group companies give presentations on the campuses of these universities several times a year. The schedule of these events in France and abroad may be accessed on LVMH's Web site.

The Group also devotes resources and establishes partnerships to encourage access by young people from disadvantaged backgrounds to its professions and allow them to reach their maximum potential. In France, many initiatives to promote the occupational integration of young people are undertaken to allow all employees to participate actively in the Group's commitment to society. For example, in partnership with *"Nos Quartiers ont des Talents"*, about a hundred senior-level staff members have mentored 146 young graduates from underprivileged neighborhoods. These graduates have been able to land their first job in half the time. In the same vein, LVMH has signed a partnership agreement with the city of Montfermeil, one of the most proactively oriented of Paris suburbs, to facilitate the social advancement of young people from underprivileged neighborhoods, by welcoming trainees and older role models. Similarly, in Cosmetic Valley, the production site of Parfums Christian Dior has hired and trained a group of employees from vulnerable populations, in partnership with the local association PARE.

Illustrating the Group's partnership with the Institut d'Études Politiques (Sciences Po) in conjunction with its affirmative-action program *"Conventions d'Éducation Prioritaire"*, for the last two years senior-level staff from the Group have served on the admissions jury for youths from schools located in underprivileged areas.

From time to time, Group managers give talks at secondary schools in the Paris suburbs through a partnership with the French corporate-sponsored equal educational opportunity network (*Réseau national des entreprises pour l'égalité des chances dans l'éducation*, RNEECE).

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

Other initiatives are pursued around the world by Group companies. In India, Moët Hennessy employees are encouraged to give of their time to assist street children and ensure that they attend school. In China, Moët Hennessy Diageo has mentored a group of young secondary school pupils from Sichuan province since the earthquake in 2009, with remedial assistance provided by its employees and the funding of educational materials. Similarly, through the operation "Hand in Hand for Haiti" launched in the aftermath of the earthquake in January 2010, DFS has been contributing to the rebuilding of a school complex for the most disadvantaged children in the town of Saint-Marc. In South America, Moët Hennessy do Brasil participates in initiatives promoting the professional integration of struggling youths or those from underprivileged backgrounds and Moët Hennessy Argentina offers educational programs for the families of its employees in partnership with training organizations.

In order to promote the integration of young people through education regardless of their background or origin, LVMH funds ten scholarships offered by the association *"Promotion des Talents"*. In the same spirit, Hennessy funds scholarships for African-American students in the United States.

Lastly, as a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications. In 2010, more than 550 employees were able to take advantage of work-study arrangements in France. Eighty percent of those offered a professionalization contract have found stable employment afterwards. As of December 31, 2010, there were 543 young people working under apprenticeship or professionalization contracts in all of the Group's French companies.

13.9 COMPLIANCE WITH INTERNATIONAL CONVENTIONS

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

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

14. Effects of operations on the environment

The reporting scope for environmental indicators included the following sites in 2010:

- Production facilities, warehouses and administrative sites: for LVMH, 175 of the 191 sites owned and/or operated by companies controlled by the Group are covered. The 16 sites that are not covered correspond primarily to the production facilities of Hublot, and Wen Jun Distillery, in addition to the administrative sites of Benefit, Berluti, Donna Karan, Emilio Pucci, Fresh, Marc Jacobs, and Thomas Pink. The scope of Christian Dior Couture sites covered was expanded considerably during the year: 23 sites in 2010 compared to 5 in 2009. Christian Dior Couture's environmental indicators witnessed a substantial increase due to this expanded coverage.
- Stores: The French stores of Céline and Guerlain, the French stores and certain international stores of Louis Vuitton, Le Bon Marché, DFS stores, the Spanish stores of Loewe, and some French, US and Canadian stores of Sephora are covered. A selection of the French and international stores of Christian Dior Couture are also covered. The reporting scope concerned can vary significantly for the various environmental indicators concerned:
  - energy consumption and greenhouse gas emissions: the reporting scope covers 53% of the total sales area of Sephora's US and Canadian stores; some Christian Dior Couture, Louis Vuitton and DFS stores are not covered;
  - water consumption: the reporting scope covers 28% of the total sales area of Sephora's stores in France. The US and Canadian stores of Sephora are not covered;
  - waste production: the stores of Céline and Fendi, the Spanish stores of Loewe, the French, US and Canadian stores of Sephora and the stores of Louis Vuitton (with the exception of certain Japanese stores) and Christian Dior Couture are not covered;
  - for stores, no other environmental indicator is concerned.

In 2010 the reporting scope for stores covers 41% of the sales area for energy consumption and 16% for water consumption. The environmental indicators of the stores that are not covered are deduced by extrapolation, based on the average of the actual ratios per unit of sales area.

The reporting scope of the stores does not cover the stores operated under franchise by the Group's Perfumes and Cosmetics, and its Fashion and Leather Goods companies.

The changes in the reporting scope with respect to 2009 relate to the integration of Royal Van Lent, Chandon Do Brasil, Numanthia, Louis Vuitton stores and several Christian Dior Couture sites as well as the disposal of La Brosse et Dupont. For Fendi, 2009 data were applied again in 2010.

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

14.1 WATER, ENERGY AND RAW MATERIAL CONSUMPTION REQUIREMENTS

14.1.1 Water consumption

Water consumption analyzed based on the following:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc.; such water consumption generates waste water;
- agricultural requirements: water consumption for vine irrigation outside France, as irrigation is not practiced in France. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. However, it is worth noting that water consumption for agricultural purposes is measured by the sites, producing less precise estimates than for process water consumption.

(in m^3)	2010	2009	Change (%)
Process requirements	1,773,033	2,089,582	-15
Agricultural requirements (vine irrigation)	6,521,146	6,539,212	-

Water consumption used for the process requirements of the Group's companies decreased 15% in absolute terms between 2009 and 2010 and amounted to approximately 1.77 million cubic meters. Water consumption by retail sales areas excluded from the reporting scope (84% of water consumption attributable to retail space) is estimated at 1,129,055 cubic meters. In 2010, a workshop in the Fashion and Leather Goods business group and a store in the Selective Retailing business group used a total of 212,033 cubic meters of water for cooling needs. This water is returned to the environment without undergoing any significant physical, chemical or biological alterations within the workshop and circulated in a closed circuit system at the store. It has not been consolidated by the Group.

Water consumption by business group

Process requirements *(in m^3)*	**2010**	**2009**	**Change** *(%)*
Christian Dior Couture	38,694	15,213	+154 (1)
Wines and Spirits	928,934	1,141,986	-19 (2)
Fashion and Leather Goods	261,641	253,682	+3
Perfumes and Cosmetics	213,450	283,711	-25 (3)
Watches and Jewelry	9,120	8,687	+5
Selective Retailing	295,230	366,516	-19 (4)
Other	25,964	19,787	+31 (5)
TOTAL	**1,773,033**	**2,089,582**	**-15**

(1) Change due to the integration of new Christian Dior Couture sites. On a constant scope basis, water consumption is broadly stable (+4%).
(2) Change due to the decrease in business volumes at certain Glenmorangie sites.
(3) Change due to an improvement in the performance of Parfums Christian Dior production sites.
(4) Change in the number of stores included in the reporting scope.
(5) Change due to the integration of Royal Van Lent.

Water consumption for vineyard irrigation purposes is essential for the preservation of vines in California, Argentina, Australia and New Zealand due to the climate in these areas. This practice is closely supervised by the local authorities that deliver authorizations. The Group has also taken measures to limit consumption:

- recovery of rain water by Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina; reuse of treated waste water by Domaine Chandon Carneros, California; recovery of water run-off by the creation of artificial lakes by Newton and Cape Mentelle;
- drafting of agreements on measures and specifications with respect to water requirements: analyses of ground humidity, leaves, visual vine inspections, adaptation of supplies according to the requirements of each land plot (Domaine Chandon Australia);
- standardized drip method of irrigation: between 73% and 100% of wine-producing regions have now adopted this method;
- weather forecasts for optimized irrigation (weather stations at Domaine Chandon California);
- periodical inspections of irrigation systems to avoid the risk of leakage;
- adoption of the "reduced loss irrigation" technique, which reduces water consumption and actually improves the quality of the grapes, the size of the vine, yielding an enhanced concentration of aroma and color.

14.1.2 Energy consumption

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

In 2010, the subsidiaries included in the reporting scope consumed 579,918 MWh provided by the following sources: 66% electricity, 19% natural gas, 6% heavy fuel oil, 5% fuel oil, 2% butane-propane, 2% steam, and less than 1% renewable energies. This represents an increase of 7% compared to 2009.

This consumption corresponds, in decreasing order of use to Selective Retailing (34%), Wines and Spirits (27%), Fashion and Leather Goods (18%), Perfumes and Cosmetics (12%) and Christian Dior Couture (4%). The remaining 5% is generated by Watches and Jewelry and the other activities of the Group.

Energy consumption by retail sales areas excluded from the reporting scope (59% of total retail space) is estimated at 309,594 MWh.

By way of comparison, for the manufacturing sector in France, electricity and natural gas consumption amount to 123,000,000 MWh and 154,000,000 MWh, respectively (French Ministry of Finance, 2007).

Energy consumption by business group

(in MWh)	2010	2009	Change (%)
Christian Dior Couture	25,493	7,461	+242 (1)
Wines and Spirits	155,882	167,769	-7
Fashion and Leather Goods	104,439	83,180	+26 (2)
Perfumes and Cosmetics	70,816	67,167	+5
Watches and Jewelry	7,217	7,546	-4
Selective Retailing	196,266	197,841	-1
Other	19,805	12,435	+59 (3)
TOTAL	**579,918**	**543,399**	**+7**

(1) Change due to the integration of new Christian Dior Couture sites. On a constant scope basis, energy consumption rose (+9%).
(2) Change due to the integration of new Louis Vuitton sites.
(3) Change due to the integration of Royal Van Lent.

Consumption by energy source in 2010

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Solar thermal energy
Christian Dior Couture	20,161	1,794	-	9	-	3,529	-
Wines and Spirits	59,837	37,233	37,334	14,756	6,722	-	-
Fashion and Leather Goods	76,803	22,116	-	267	4,023	932	298
Perfumes and Cosmetics	39,133	30,635	-	99	-	649	300
Watches and Jewelry	4,393	2,824	-	-	-	-	-
Selective Retailing	167,991	9,347	-	14,118	-	4,810	-
Other	13,578	5,245	2	43	29	908	-
TOTAL	**381,896**	**109,194**	**37,336**	**29,292**	**10,774**	**10,828**	**598**

Two key areas are targeted in particular by the Group: the transportation of both raw materials and finished products as well as the buildings used by the Group. As the lighting in its 2,649 stores is one of the main causes of greenhouse gas emissions within the Group, various research and innovation efforts have been pursued with the aim of reducing energy consumption without in any way compromising the extremely high quality of lighting. As one example, for its refurbishment of the Balthazar men's department, Le Bon Marché installed a highly innovative lighting system combining metal halide bulbs and LEDs which, without diminishing the overall lighting quality, has already brought consumption down to 30 W per square meter. The refurbishment of the Parfums Christian Dior counter at Galeries Lafayette Haussmann is another example, incorporating LED systems, thus reducing energy consumption for direct lighting to 50 W per square meter.

As a proponent of renewable energies, Louis Vuitton, for example, installed 2,000 square meters of solar membrane roofing and 64 solar panels at its Cergy 1 warehouse in early October 2010, with estimated annual energy production of 90 MWh. TAG Heuer has also announced the installation of 750 square meters of European-manufactured solar panels on the roofs of its four buildings in La Chaux-de-Fonds, one of the largest such installations in all of French-speaking Switzerland. Annual energy production is expected to reach 100,000 kWh.

In 2010, Christian Dior Couture renovated its Haussmann-era headquarters on the Avenue Montaigne in Paris, following the recommendations of an energy performance consulting firm. Wall insulation and the installation of new windows have improved the building's thermal performance by about 20%.

14.1.3 Raw material consumption

Given the variety of the Group's operations and the many different types of raw materials used, the only significant, relevant criterion used by all of the Group's brands retained for the analysis of raw material consumption is the quantity, measured in metric tons, of primary and secondary packaging used for consumer goods placed on the market:

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

The packaging used for transport is excluded from this analysis.

Packaging placed on the market

(in metric tons)	**2010**	**2009**	**Change (%)**
Christian Dior Couture	203	74	+174 (1)
Wines and Spirits	148,145	115,950	+28 (2)
Fashion and Leather Goods	5,711	4,764	+20 (2)
Perfumes and Cosmetics	21,974	20,800	+6 (2)
Watches and Jewelry	440	386	+14 (2)
Selective Retailing	1,327	1,327	-
TOTAL	**177,800**	**143,301**	**+24**

(1) This increase is due to the extension of the Christian Dior Couture reporting scope. On a constant scope basis, packaging placed on the market decreased by 30%, as a result of rationalization and a lighter packaging range.
(2) Change due to increase in business volumes.

Breakdown of the total weight of packaging placed on the market, by type of material, in 2010

(in metric tons)	**Glass**	**Paper-cardboard**	**Plastic**	**Metal**	**Other packaging material**
Christian Dior Couture	-	179	7	-	17
Wines and Spirits	125,656	17,547	2,296	1,315	1,331
Fashion and Leather Goods	-	4,724	7	14	966
Perfumes and Cosmetics	11,815	4,171	4,562	600	826
Watches and Jewelry	-	177	-	-	263
Selective Retailing	232	140	871	49	35
TOTAL	**137,703**	**26,938**	**7,743**	**1,978**	**3,438**

The Group's Houses have at their disposal various customized tools and training programs, to help them to take environmental factors fully into account when designing their products. Eco-design involves reductions in packaging weight and volume, the selection of ingredients and raw materials, the use of more energy-efficient production processes, and efforts to ensure compliance with the REACH Regulation. Among other examples, in 2010 the Champagne houses used bottles made of lightweight glass for their non-vintage brut products, thus reducing glass tonnage by 1,755 metric tons, a saving of 792 metric tons of CO_2 equivalent. Bodegas Chandon in Argentina also reduced the weight of its bottles, representing a saving of 1,576 metric tons of glass, or 693 metric tons of CO_2 equivalent. For Kenzo Flower, Parfums Kenzo created two completely innovative solutions for the replenishment of empty perfume bottles – refills with minimal packaging and in-store fragrance fountains. At the 2010 edition of Eco-Emballages, Parfums Kenzo was awarded the top prize in the Company Partnerships category, in recognition of these two initiatives.

14.2 SOIL USE CONDITIONS, EMISSIONS INTO THE AIR, WATER AND SOIL

14.2.1 Soil use

Soil pollution arising from old manufacturing facilities (cognac, wine and champagne production, trunk production) is insignificant. The more recent production facilities are generally located on farmland with no history of pollution. Finally, the Group's manufacturing operations require very little soil use, except for wine production.

Integrated grape growing *(viticulture raisonnée)* is an advanced method that combines cutting-edge technology with traditional methods, covering all stages of the wine producing process. This method, used for several years by Wines and Spirits, was developed further this year. For example, Moët & Chandon and Veuve Clicquot are developing their "third way" approach, combining the use of synthetic products, applied during the critical flowering period, and organic products, applied at the beginning and the end of the season when vines are less vulnerable to attacks by pests. The use of plant protection products has been further reduced by 15-20% this year thanks to the adaptation of doses employed in the fight against mildew depending on the height of the vegetation. The French state has introduced Ecophyto 2018, a plan that seeks to gradually reduce the use of plant protection products in agriculture by 50% by 2018. The test phase of this plan has been launched and Hennessy has filed an application to be accepted as a participant. For its part, the "Green Team" created by Domaine Chandon California has invested considerable efforts in the preservation of California's natural habitats, especially those located near its Carneros estate. Following an audit of its soil composition, current grape-growing practices in its vineyards, and its anti-erosion plan, Carneros South Ranch obtained Fish Friendly Farming certification for all of its producing vineyards.

14.2.2 Greenhouse gas emissions

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

Estimated greenhouse gas emissions in tons of CO_2 (carbon dioxide) equivalent correspond to the site energy consumption emissions, as defined in Section 14.1.2. These include direct emissions (on-site combustion) and indirect emissions (from the generation of electricity and vapor used by the sites). CO_2 emission factors are updated every year for each energy source, notably for electricity. This update may lead to significant changes.

Breakdown of emissions by business group in 2010

		of which:			
(in metric tons of CO_2 equivalent)	**CO_2 emissions in 2010**	**Direct CO_2 emissions**	**Indirect CO_2 emissions**	**CO_2 emissions in 2009**	**Change** *(%)*
Christian Dior Couture	12,424	372	12,052	912	+1,262 (1)
Wines and Spirits	37,380	23,763	13,617	46,226	-19
Fashion and Leather Goods	25,199	5,566	19,633	20,222	+25 (2)
Perfumes and Cosmetics	11,635	6,338	5,297	11,432	+2
Watches and Jewelry	742	582	160	887	-16
Selective Retailing	72,281	5,752	66,529	76,186	-5
Other	3,021	1,099	1,922	1,318	+129 (3)
TOTAL	**162,682**	**43,472**	**119,210**	**157,183**	**+3**

(1) This increase is due to the extension of the Christian Dior Couture reporting scope, in addition to the integration of consumption in countries with a high level of energy dependence on fossil fuel resources.
(2) Change due to the integration of new Louis Vuitton sites.
(3) Change due to the integration of Royal Van Lent.

Greenhouse gas emissions generated by retail sales areas excluded from the reporting scope (59% of total retail space) are estimated at 162,983 metric tons of CO_2 equivalent.

The Group has long stressed the importance of addressing climate change in its business activities and has carried out Bilan Carbone® assessments of the following brands since 2002: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Make Up For Ever, DFS, Sephora and Le Bon Marché. The action plans resulting from the findings and objectives of these assessments continue to contribute to improvements with respect to the fight against climate change. Guerlain carried out a new Bilan Carbone® assessment in 2009 and set itself three objectives for 2010: environmental management at its sites, eco-design, and biodiversity. In two years, the perfume house has already reduced its CO_2 emissions by 15%. Following the global Bilan Carbone® assessment conducted by Sephora, the retail chain's US subsidiary carried out its own Bilan Carbone® assessment in 2010, as a first step in its climate change action plan organized around energy consumption reduction targets relating to lighting systems in its stores. In the first half of 2010, Christian Dior Couture conducted its Bilan Carbone® on a worldwide basis. Energy consumption by its boutiques, goods transport and travel by staff were identified as priority areas in the resulting action plan.

In recognition of its commitments, in 2010 LVMH obtained a score of 75 on the 100-point scale used by the Carbon Disclosure Project 2010, which rates companies on the integration of climate change awareness within their strategies and their progress in limiting greenhouse gas emissions. Apart from the fact that this score represents a three-point improvement compared to 2009, LVMH was also ranked among the top twenty French companies in the Carbon Disclosure Leadership Index (CDLI) France for 2010.

14.2.3 Discharges to water

The most significant and relevant emissions of note are the discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations. The Group's other business groups have a very limited impact on water quality. Eutrophization is the excessive build-up of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has partnership agreements. The following operations are considered as treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application. In 2010, COD discharges decreased by 35.7%.

COD after treatment *(in metric tons)*	**2010**	**2009**	**Change** *(%)*
Wines and Spirits	2,107	3,291	-36 (1)
Perfumes and Cosmetics	18	14	+29 (2)
TOTAL	**2,125**	**3,305**	**-36**

(1) Change due to the decrease in business volumes at certain Glenmorangie sites.
(2) Change due to the increase in business volumes and the improvement in the measurement of discharges.

As a particularly precious resource for the Group's businesses, and especially for the activities of its Wines and Spirits and Perfumes and Cosmetics business groups, water is the focus of considerable attention: each year, ambitious goals are set to limit consumption and renewed efforts are made to curtail discharges into water. All of this requires that the best technologies available be employed, whether in relation to water reuse systems, more economical processes and/or closed-loop cycle technologies, or even zero-discharge systems. Water is an essential and fundamental element for all group businesses, and in particular for those of the Wines and Spirits business group. Bodegas Chandon has developed an extremely effective process for the recycling of waste-water generated by vinification for use in irrigating its fields: this year, 5 hectares planted with eucalyptus and 1.3 hectares planted with Cabernet Sauvignon grapes were irrigated using this process.

14.2.4 Waste

Group companies continued their efforts with respect to the sorting and recovery of waste. On average, 92% of the waste was recovered in 2010 (93% in 2009). In parallel, waste production increased by 3% in 2010.

Recovered waste is waste for which the final use corresponds to one of the following channels:

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

Among other developments, 2010 saw the inauguration of *Centre Environnemental de Déconditionnement et Recyclage Écologique* (CEDRE), a new recovery and recycling facility to handle waste generated by the Perfumes and Cosmetics houses and by Sephora. This French center is able to receive several types of waste: obsolete packaging materials, surplus advertising materials, testers used in stores, and empty packaging returned to stores by customers. In its first year of operation, the facility managed to process 800 metric tons of waste and was able to pass on the various materials resulting from its processes – glass, cardboard, wood, metal, plastics, alcohol and cellophane – to a network of specialized recyclers.

Through its ambitious environmental "g2 Revolution" program, Sephora North America has reinforced its commitment to the recycling of fragrances, skincare, and make-up products that may no longer be marketed, but also make-up accessories, small electrical devices and even the waste generated by demonstration workshops.

Waste produced

(in metric tons)	Waste produced in 2010	Of which: hazardous waste produced in 2010 (1)	Waste produced in 2009	Change in waste produced *(%)*
Christian Dior Couture	495	4	273	+81 (3)
Wines and Spirits	37,795	196	38,482	-2
Fashion and Leather Goods	7,504	73	6,391	+17 (4)
Perfumes and Cosmetics	6,819	776 (2)	6,301	+8
Watches and Jewelry	215	17	214	-
Selective Retailing	3,607	17	3,978	-9
Other	1,323	111	647	+104 (5)
TOTAL	**57,758**	**1,194**	**56,286**	**+3**

(1) Waste to be sorted and treated separately from other "common" waste (boxes, plastic, wood, paper, etc.).
(2) Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.
(3) This increase is due to the extension of the Christian Dior Couture reporting scope.
(4) Change due to the integration of new Louis Vuitton sites.
(5) Change due to the integration of Royal Van Lent.

Waste recovery in 2010

(%)	Re-used	Material recovery	Energy recovery	Total recovery
Christian Dior Couture	-	60	21	81
Wines and Spirits	33	60	4	97
Fashion and Leather Goods	5	42	18	65
Perfumes and Cosmetics	6	64	26	96
Watches and Jewelry	-	55	23	78
Selective Retailing	9	66	12	87
Other	-	52	48	100
TOTAL	**24**	**58**	**10**	**92**

14.3 LIMITATION OF DAMAGE TO ECOSYSTEM BALANCE, NATURAL HABITATS, AND PROTECTED ANIMAL AND PLANT SPECIES

Fashion and Leather Goods, and Watches and Jewelry implemented procedures to improve compliance with the convention on international trade in endangered species (CITES). Through a system of import-export permits, this convention was set up to prevent certain species of endangered fauna and flora against overexploitation.

The Research & Development teams of the Perfumes and Cosmetics business group have been working in the field of ethnobotany for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. As such, Parfums Christian Dior continues to develop its “Jardins de Dior” whose aim is to ensure that ingredients with the potential to be particularly interesting for cosmetics are sourced and prepared in strict observance of four main values: active ingredients offering a high level of performance; genuine traceability of these ingredients, from their sourcing context to their use; a strong commitment to ethics; and, of course, the protection of the environment. An example of this approach is the partnership maintained since 2006 with an association in Madagascar representing individuals who gather longoza, a species of wild ginger used as one of the ingredients in the eye-care product Capture Totale, enables the financing of large-scale initiatives, such as the creation of a Maison du Riz and improvements in school facilities. To date, seven Jardins have been officially established around the world. Through the Orchidarium, its worldwide orchid research platform, Guerlain has strengthened its partnership with TianZi, the biodiversity research and development center founded nearly ten years ago by Dr. Joseph Margraf. Located at the heart of Yunnan province in China, this center conducts research on the reforestation and protection of an ecosystem containing thousands of species and is home in particular to Guerlain’s Réserve Exploratoire.

14.4 ENVIRONMENTAL PROTECTION METHODS WITHIN THE GROUP

14.4.1 Organization

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

The Group undertakes to adopt the following environmental measures:

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

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

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

The Group’s Environmental Charter requires that all Group Houses adapt this document for their internal purposes so as to reflect the nature of their own operations. Not only have all the Houses begun implementing their own environmental management systems, but an ever increasing number of them have established their own Environmental Committees to supervise the deployment of this approach across their organizations.

Each Group House has appointed an environmental management representative. They meet as part of the LVMH Environment Commission coordinated by the Group’s environment management team once every three months and post their conclusions on the Group’s Environment Extranet page, LVMH Mind, which is accessible to all employees.

In 2010, almost all of the companies, in all of the Group’s business groups, continued their employee training and awareness programs this year. These programs comprised 12,577 hours in 2010, a 27% decrease compared to 2009 (17,260 hours). This decrease was mainly due to the implemented environmental management systems’ becoming fully operational.

New executives at the Group are briefed in the Group's environmental policy, the available tools and its environmental safety network as part of their orientation seminar.

Beyond these initiatives, the Group's Houses also disseminate written information concerning the environment. Over the years, awareness of the relevant issues has been raised successfully among most of the Group's employees. For example, Guerlain maintains a Sustainable Development Steering Committee bringing together representatives of all of its departments, expanded this year to include fourteen members from all geographic regions. In order to raise the awareness of its employees, Guerlain has organized several workshops on specific topics, including bees, biodiversity and the training of sales representatives. For its part, Louis Vuitton develops games and visual campaigns coinciding with major national and international meetings devoted to the environment or sustainable development so as to alert its employees to challenges in these areas. In the United States, in honor of Earth Day 2010, Louis Vuitton launched its Earth Day Corporate Contest, with the aim of identifying the best proposal from its staff to reduce the human impact on the environment, along with other special events within the company. Hennessy continues to communicate on the theme of water conservation. In 2010, the House organized a contest among its staff on the use of water worldwide and implemented a number of efforts targeting its suppliers.

Christian Dior Couture organized its sustainable development week in 2010 around the theme of biodiversity. An exhibition intended to raise awareness among staff explored the very strong links that exist between natural resources and Dior's products. The aim of this exhibition was to illustrate this natural capital as a strategic value for the House of Dior and convey the importance of protecting these resources.

14.4.2 Evaluation and certification programs

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

The Group requires all Houses to put in place environmental management systems. All of the Cognac, Champagne and vodka Houses have now obtained ISO 14001 certification, each having passed a follow-up or renewal audit in 2010 without any noted compliance shortcomings or observations. From Australia to California, the Group's Wines and Spirits Houses garnered a number of distinctions in 2010. Cape Mentelle became the first wine estate in Western Australia to achieve membership in EntWine Australia, a certification scheme recognizing compliance with exacting environmental standards. It also won the inaugural Best Sustainable Practices Award at the Western Australia Wine Industry Awards. This prize recognizes the efforts pursued by the winery in both its vineyards and in the area of vinification. In the United States, by the end of 2010 Domaine Chandon California had nearly completed all of the steps to become certified as a Napa Green winery, the most exhaustive scheme verifying best practices by winemakers. Having obtained ISO 14001 certification for its French logistics sites, its headquarters at the Pont Neuf in Paris, and its Barbera workshop in Spain, Louis Vuitton continued its efforts in this area in 2010 by focusing on its French workshops and its facilities in Fiesso, Italy. Lastly, after its international center in Saint-Jean de Braye, Parfums Christian Dior obtained certification this year for its distribution facility in Singapore.

The Group's Watches and Jewelry branch is a member of the Responsible Jewellery Council (RJC), an organization bringing together more than 260 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system, which applies to all members involved in the diamond and gold jewelry supply chain and requires that compliance with the system be verified by accredited, independent auditors. Certification is currently in progress within the Watches and Jewelry business group for TAG Heuer, Hublot, Zenith, Chaumet and Fred, as well as the business group's retail subsidiaries in the United Kingdom, Japan and the United States. Christian Dior Couture has also been a member of the Responsible Jewellery Council since January 2010 and is working to obtain certification by this organization.

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

14.4.3 Measures to ensure compliance with applicable laws and regulations

Group companies are audited on a regular basis, either by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2010, 40% of all manufacturing, logistics and administrative sites were audited, for a total of 39 external audits and 37 internal audits. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations.

This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, e.g. a waste sorting inspection, performed periodically by the Group companies on their sites. Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 sites were evaluated in 2010.

The Group continues to put in place its action plans relating to the REACH Regulation and makes every effort to anticipate future developments. The workgroup set up by the Group's environmental department promotes the collection of feedback and exchanges between all parties. With respect to this regulation, all Group entities have prepared and/or made the necessary changes to contractual and commercial documents and have sent questionnaires to their suppliers. Each company has established a REACH Committee whose role is to raise awareness among staff members so that they are able to give precise answers to any questions that may be posed. The growing public demand for information concerning the products they purchase is a widespread challenge that has notably inspired the French state to develop an approach whose purpose is to raise consumer awareness of the environmental impact of products beginning on July 1, 2011. The Christian Dior Group is an active participant in these efforts, particularly in relation to its Perfumes and Cosmetics and Fashion and Leather Goods businesses.

14.4.4 Expenses incurred to anticipate the effects of operations on the environment

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

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

Environmental protection expenses in 2010 break down as follows:

- operating expenses: 7.0 million euros;
- capital expenditure: 6.1 million euros.

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

No provision was established for environmental risks in fiscal year 2010.

14.4.6 Objectives assigned by the Group to its subsidiaries abroad

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

14.4.7 Consumer safety

The Group's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products is clear: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. It is for this reason that, since 1989, none of the Perfumes and Cosmetics companies have conducted tests on animals for the products they put on the market, thus well in advance of the official ban on animal testing imposed by European Union legislation in 2004. The Group has played a decisive role in the development of alternative methods for testing product safety as a participant in European programs (EPAA, ECVAM, Colipa, FP7, etc.) or through partnerships with university researchers working in this area. This strategy has allowed the Group's Perfumes and Cosmetics companies to simultaneously meet the twofold demand: consumer safety and respect for animal life. The development of alternative methods is a genuine scientific challenge and the Group has made clear that it will continue to devote all efforts necessary to comply with legislation, ensure consumer safety and respect animal life.

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

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

The Group has been working over the last several months to set up procedures to ensure its readiness once the new regulation enters into application. This text is considered by experts as one of the most rigorous among those governing the production and marketing of cosmetic products worldwide. It covers all substances used by the cosmetics industry and imposes that a risk assessment be carried out for each product by a qualified party and under its responsibility, taking into account actual conditions of use. In addition, the European Commission's Scientific Committee on Consumer Products (SCCP) evaluates the safety of substances used in cosmetic products on an ongoing basis.

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

- the GHS (Globally Harmonized System) which aims to harmonize the classification and labeling of chemicals;
- the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which streamlines and improves the EU's pre-existing legislative framework on chemicals. The main aims of REACH are to ensure a high level of protection of human health and the environment against the risks that can be posed by chemicals, to promote alternative testing methods and the free circulation of substances on the internal market, and to enhance competitiveness and innovation.

The Group is in compliance with this new legislation. The Group remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of Scientific Committees, and the recommendations of industry associations. Not only are the Group's products compliant with the most rigorous regulations in the world, such as those of the European Union, the United States, and Japan, but they also comply with the regulations of all countries where they are marketed. Moreover, all Group products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. The Group also requires that its suppliers adhere to these same guidelines.

Honoring its commitments in this area for the last several years, the Group has accompanied this policy with an approach that aims to anticipate developments in international regulations. The Group thus refrains from using certain cosmetic ingredients, even though they may be in use by other manufacturers, if their safety does not seem to be fully guaranteed. This anticipatory perspective is made possible thanks to the efforts of our experts, who regularly take part in the workgroups of national and European authorities and are very active in professional organizations. This monitoring and anticipation of regulatory developments has led the Group to prohibit the use of many substances and to reformulate some of its products.

In the area of environmental protection, developments in scientific knowledge and regulations may sometimes result in the substitution of certain ingredients. For example, the Group decided that triclosan would no longer be used in its products due to its potential risk to the environment, although the safety of consumers exposed to this ingredient received a favorable assessment from European scientific authorities (Scientific Steering Committee and SCCP) in 2002. Today, none of the products marketed by the Group contain this ingredient. This is also the case for phtalates and formaldehyde-releasing preservatives.

The Group's policies in this area are guided by compliance with regulations in force, but also by the anticipation of future regulations through the application of strict guidelines. These extremely high standards allow us to guarantee the safety of our cosmetic products but do not cease to apply when the products are released into the market. A cosmetovigilance network set up by the Group handles the analysis of all claims received from consumers. Any claim, whether relating to a simple intolerance or a severe allergic reaction, is given due consideration by a specialized team. Studies of each case by professional researchers allow for the determination of any causal link between the effect observed and the product used. Visits to a dermatologist may be offered to consumers. Study findings are included in the product safety file made available to the competent authorities. Furthermore, the analysis of these claims and the review of cosmetovigilance cases prompts us to explore new areas of research and improve the quality of our products.

15. 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.

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

Following the announcement by LVMH in October 2010 of its entry into the capital of Hermès International, the *Autorité des Marchés Financiers* indicated that it would be launching an investigation into the market and financial disclosures relating to Hermès and LVMH securities.

In January 2011, the Paris Administrative Court cancelled 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 parallel with this, considering the public interest vocation of the project, the French parliament has launched a review of a bill of law which would validate the cancelled building permits on the grounds advanced by the Administrative Court.

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.

16. Subsequent events

No significant subsequent events occurred between December 31, 2010 and February 3, 2011, the date on which the financial statements were approved for publication by the Board of Directors.

[Updated after the date of the Board of Directors' meeting that approved the financial statements for publication:

Pursuant to an agreement concluded on March 6, 2011, the Bulgari family, majority shareholder of the Italian House established in 1884 by Sotirio Bulgari, has decided to join forces with the LVMH group in order to reinforce the long term development of the Bulgari Group. Bulgari occupies a strong leadership position in the jewelry and watch segment, while playing an important role in the fragrance, cosmetic and accessories segments as well.

Under the agreement, which was approved unanimously by the Boards of Directors of LVMH Moët Hennessy - Louis Vuitton SA and Bulgari SpA, the controlling family investment in the share capital of Bulgari SpA, which comprises 152.5 million shares (50.43% of the share capital) before exercising the entitlement to acquire additional shares, will be tendered to LVMH. This contribution will be remunerated by issuing 16.5 million new LVMH shares; the Bulgari family will thus become the second-largest family shareholder of the LVMH group. Moreover, after this contribution is completed, in view of the fact that Bulgari SpA is listed on the Milan stock exchange, LVMH will submit a public purchase offer at the price of 12.25 euros per share for the shares held by minority shareholders, in compliance with Italian stock market regulations. Under this agreement, the price paid by LVMH for the entire share capital of Bulgari amounts to 4.3 billion euros, of which 1.9 billion euros is represented by new LVMH shares to be issued, and 2.4 billion euros will be financed in cash and by issuing financial debt.

The Bulgari family will furthermore be entitled to appoint two representatives to the LVMH Board of Directors and Francesco Trapani, CEO of Bulgari SpA, will join the Executive Committee of LVMH and will assume in the second half of 2011 the management of the LVMH Watches and Jewelry business group.]

17. Recent developments and prospects

The Christian Dior Group is very well placed to continue to deliver robust growth in all of its businesses in 2011. 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 Christian Dior Group enters 2011 with confidence and continues to set itself the goal of strengthening its leadership position in the worldwide luxury goods market.

Report of the Chairman of the Board of Directors

This report, which has been drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, was submitted in draft form to the Performance Audit Committee and was approved by the Board of Directors at its meeting of February 3, 2011.

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

1. Corporate governance

1.1 BOARD OF DIRECTORS

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

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

The AFEP/MEDEF Code of Corporate Governance for Listed Companies is applied by the Company. This document may be viewed on the AFEP/MEDEF web site: www.code-afep-medef.com.

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

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

The Charter of the Board of Directors and the internal rules governing the two Committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties.

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

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

1.2 MEMBERSHIP AND MISSIONS

- During its meeting of February 3, 2011 the Board of Directors proposed to submit resolutions to the Shareholders' Meeting of March 31, 2011 for the appointments of Messrs. Bernard Arnault, Pierre Godé and Sidney Toledano as Directors.
- The Board of Directors, subject to the decisions of the Shareholders' Meeting of March 31, 2011, will thus consist of eleven members: Mrs. Ségolène Gallienne, and Messrs. Bernard Arnault, Antoine Bernheim, Denis Dalibot, Renaud Donnedieu de Vabres, Pierre Godé, Eric Guerlain, Christian de Labriffe, Jaime de Marichalar y Sáenz de Tejada, Sidney Toledano and Alessandro Vallarino Gancia. Six of whom: Mrs. Ségolène Gallienne and Messrs. Antoine Bernheim, Renaud Donnedieu de Vabres, Eric Guerlain, Christian de Labriffe and Jaime de Marichalar y Sáenz de Tejada are considered as independent and hold no interests in the Company.

  Personal information relating to the Directors is included in the section "Management Report of the Board of Directors".

  During its meeting of February 3, 2011 the Board of Directors reviewed the status of each Director currently in office as well as each proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code of Governance of Listed Companies, and considered that:

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

  (ii) Mr. Antoine Bernheim is to be considered, given his personal situation, as an independent Director, despite having served as a board member of the Company's Board of Directors for more than twelve years, on the Board of Directors of LVMH and on the Boards of Directors of other companies that are subsidiaries of Groupe Arnault and the LVMH group;

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

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

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

(vi) Mr. Jaime de Marichalar y Sáenz de Tejada is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Board of Directors of a subsidiary of the LVMH group and his capacity of Advisor to the Chairman of the LVMH group for Spain.

- Over the course of the 2010 fiscal year, the Board of Directors met three times as convened by its Chairman, by written notice sent to each of the Directors at least one week in advance of the meeting. The average attendance rate of Directors at these meetings was 84%.
- The Board approved the annual and half-yearly consolidated and parent company financial statements and reviewed the compensation of senior executives and company officers, the establishment of a bonus share plan, the authorization for third party guarantees and the renewal of the authorization to issue bonds. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, organization, and procedures, making the necessary changes to its Charter and the Internal Rules and Regulations of the Performance Audit Committee, in particular with regard to the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted, as well as the requirement to request an evaluation by an independent expert before entering into any significant related party transactions.

  The Board of Directors also decided to make a portion of the Directors' fees paid to its members contingent upon their attendance at its meetings and at those of the Committees to which they belong, making the necessary changes to its Charter. In addition, the Board instituted procedures to ensure that renewals of Directors' appointments are more uniform over time.
- In its meeting of February 3, 2011, the Board of Directors reviewed its membership and carried out a fully documented review of its work, organization and procedures. It also amended its Charter and the Internal Regulations of its Committees, in particular so as to take into account the findings of the AMF's Report on Audit Committees as updated in July 2010.

  The Board came to the conclusion that its composition is in line with regard to its percentage of external Directors, the breakdown of share capital, and with respect to the diversity and complementarity of the skills and experiences of its members. The appointment of Mrs. Ségolène Gallienne as Director by the Shareholders' Meeting of April 15, 2010 is representative of the commitment to progress towards a balanced representation of women and men on the Board of Directors.

  The Board noted:

- it had received the information required for the fulfillment of its missions in timely fashion and that each Director, in addition to any discussions during Board meetings, had been able to ask questions to executive management and obtain the requested details and explanations;
- the Group's financial position was presented in a clear and detailed manner when the annual and half-yearly financial statements were submitted for the Board's approval.

  The ways in which the Group may respond to the ongoing changes in the economic and financial environment gave rise to exchanges between Directors and Executive Management.

  Lastly, the broad outlines of the Group's financial communication were the subject of discussions by the Board.

1.3 EXECUTIVE MANAGEMENT

The Board of Directors decided to dissociate the roles of Chairman of the Board of Directors and Chief Executive Officer.

It did not limit the powers vested in the Chief Executive Officer.

1.4 PERFORMANCE AUDIT COMMITTEE

The main tasks of the Performance Audit Committee are the monitoring of the process of preparing financial information, the effectiveness of internal control and risk management procedures, as well as the statutory audit of the individual company and consolidated financial statements by the external auditors. The Committee oversees the procedure for the selection of external auditors and ensures their independence.

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

The Performance Audit Committee met three times in 2010. All of these meetings were attended by all of the members of the

Committee, with the exception of one meeting where one of the members of the Committee was unable to attend.

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

In 2010, the work of the Performance Audit Committee principally involved a detailed review of the annual and interim parent company and consolidated financial statements as well as the accounting options applied, together with an examination of the Company's exposure to risk, the procedures used to manage risk, and its off-balance sheet commitments. In addition, the Performance Audit Committee held a meeting specifically dedicated to monitoring the effectiveness of internal control and risk management procedures within the Group, which was attended by Christian Dior Couture's Chief Financial Officer and its Head of Internal Audit as well as LVMH's Head of Internal Audit.

1.5 NOMINATIONS AND COMPENSATION COMMITTEE

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

- proposals on compensation, benefits in kind, bonus shares and share subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the allocation of Directors' fees paid by the Company;
- opinions on candidates for the positions of Director, Advisory Board member or member of the Executive Management of the Company or of Christian Dior Couture.

It currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Antoine Bernheim (Chairman), Denis Dalibot and Eric Guerlain.

The Committee met twice during the 2010 fiscal year, with all members in attendance. In particular, it issued proposals on the distribution of directors' fees, the compensation and benefits in kind to be received by the Chief Executive Officer in respect of his functions at Christian Dior Couture, and the granting of bonus shares subject to performance conditions to the Chairman of the Board of Directors and the Chief Executive Officer. Furthermore, it decided in favor of the implementation of a medium-term incentive scheme for Mr. Sidney Toledano. It examined the recommendations made by the Nominations and Compensation Committee of LVMH in favor of the directors of LVMH that are company officers at Christian Dior as well as the decisions of LVMH's Board of Directors. It also issued an opinion on the proposed appointment of Mrs. Ségolène Gallienne as Director and on the renewal of the appointments of Directors whose terms of office were due to expire in 2010. Lastly, it approved the granting of an exceptional bonus to Mr. Sidney Toledano, which was paid in part in 2010, with the remainder to be paid in 2011.

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

Prior to the meeting of the Board of Directors held on February 3, 2011, the Committee issued recommendations, notably with respect to (i) the variable compensation to be received by the Chief Executive Officer for 2010 and (ii) the fixed compensation and benefits in kind to be granted for 2011 by Christian Dior Couture to Mr. Sidney Toledano as Chief Executive Officer. Furthermore, the Committee issued an opinion on the nominations to be put to a vote at the Shareholders' Meeting.

1.6 ADVISORY BOARD

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

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

There are currently no Advisory Board members.

1.7 PARTICIPATION IN SHAREHOLDERS' MEETINGS

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of dual voting rights to registered shares, are defined in Articles 17 to 23 of the bylaws (see the "Governance" section of the Annual Report).

1.8 INFORMATION THAT MIGHT HAVE AN IMPACT ON A TAKEOVER BID OR EXCHANGE OFFER

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the "Management Report of the Board of Directors".

1.9 COMPENSATION POLICY FOR COMPANY OFFICERS

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

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

This amount is divided among the members of the Board of Directors, in accordance with the rule defined by the Board of Directors, based on the proposal of the Directors' Nominations and Compensation Committee, namely:

(i) two units for each Director;

(ii) one additional unit for serving as a Committee member;

(iii) two additional units for serving as both a Committee member and a Committee Chairman;

(iv) two additional units for serving as Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount allocated to be paid as Directors' fees by the total number of units to be distributed.

At its meeting of February 4, 2010, the Board of Directors decided that a portion of Directors' fees to be paid to its members would be contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board Meetings the Director in question does not attend. In addition, for Committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of meetings by Committee to which the Director in question participates which he or she does not attend.

In respect of the 2010 fiscal year, Christian Dior paid a total gross amount of 133,608 euros in Directors' fees to the members of its Board of Directors.

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

Other compensation

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

Compensation and benefits awarded to company officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the achievement of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and the extent of their international operations.

A portion of the compensation paid to executive management of the Company and the executive management of the principal subsidiaries and operating units is based on the attainment of both financial and qualitative targets. For the Chief Executive Officer, quantitative and qualitative objectives carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow, with each of these items representing one-third of the total determination. The variable portion is capped at 120% of the fixed portion for the Chief Executive Officer.

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

A non-competition indemnity, authorized by the Board of Directors on February 8, 2008, pursuant to Article L. 225-42-1 of the French Commercial Code, is set forth in the employment contract – currently suspended – entered into by Mr. Sidney Toledano with Christian Dior Couture, under the terms of which, in the event of his departure, he would receive, over a period of twenty-four months, an indemnity equivalent to the gross average monthly salary received over the previous twelve months.

Notwithstanding this clause, no other senior executive officer of the Company currently benefits from provisions granting them a specific compensation payment should they leave the Company or derogations from the rules governing the exercise of share purchase options or the definitive allocation of bonus shares subject to performance conditions.

Company officers are eligible for stock option or performance bonus share plans instituted by the Company. The information relating to the allocation terms and conditions of these plans is presented in the section entitled "Management Report of the Board of Directors".

Upon their retirement, certain Group senior executive officers and, where applicable, company officers may receive a supplemental retirement benefit provided that they assert at the same time their entitlement to their basic retirement benefits under compulsory pension schemes. This supplemental payment corresponds to a specific percentage of the beneficiary's salary, to which a ceiling is applied on the basis of the reference salary determined by the French social security scheme. Provisions recognized in 2010 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30.3 of the consolidated financial statements.

An exceptional remuneration may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount of this remuneration shall be determined by the Board of Directors and reported to the Company's external auditors.

2. Implementation of risk management and internal control procedures

The Christian Dior Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) and which the *Autorité des Marchés Financiers* (French market regulator – AMF) has taken as the basis for its Reference Framework.

Under the impetus of the Board of Directors, the Performance Audit Committee and Executive Management, the purpose of the internal control procedures that are applied within the Group is to provide reasonable assurance that the following objectives will be achieved:

- to ensure that management and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities by its management bodies, applicable laws and regulations, and the Company's internal values, rules, and regulations;
- to ensure that the accounting, financial, and management information communicated to the management bodies of Group companies reflect a fair view of these companies' activity and financial position.

One of the objectives of the internal control system is to prevent and control risks resulting from the Company's activity and the risk of error or fraud, particularly in the areas of accounting and finance. As with any control system, however, it cannot provide an absolute guarantee that these risks are completely eliminated.

Christian Dior's internal control takes into consideration the Group's specific structure. Christian Dior is a holding company that controls two main assets: a 42.4% equity stake in LVMH, and a 100% equity stake in Christian Dior Couture. LVMH is a listed company, whose Chairman is also Chairman of Christian Dior, with several directors serving at both companies. Christian Dior Couture has a Board of Directors whose composition is similar to that of Christian Dior. The sections below on internal control deal with procedures relating to Christian Dior Couture, followed by those relating to the holding company, Christian Dior SA. Procedures relating to LVMH are described in the report filed by that company, which may be consulted as a supplement to this report.

2.1 CHRISTIAN DIOR COUTURE

Christian Dior Couture (hereafter the Company) creates, produces and distributes all of the brand's products internationally. It also engages in retail activities in the various markets through its 55 subsidiaries.

Given this dual role, internal control is applied directly to Christian Dior Couture, and in an oversight capacity to all subsidiaries.

2.1.1 Definition

The purpose of the internal control procedures that are applied, in line with the COSO framework, is to provide reasonable assurance that the following objectives will be achieved:

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

This involves, therefore, ensuring that management-related and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities by its management bodies, applicable laws and regulations, and the Company's internal values, rules, and regulations.

It also involves ensuring that the accounting, financial, and management information communicated to the Company's management bodies reflect a fair view of the Company's activity and financial position.

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

2.1.2 Limits of internal control

No matter how well designed and applied, the internal control mechanism cannot provide an absolute guarantee that the Company's objectives will be achieved. All internal control systems have their limits due notably to the uncertainties of the outside world, individual judgment or malfunctions resulting from human or other errors.

2.1.3 Internal control components

The internal control system is based on the definition and identification of the following components:

- a general control environment;
- a risk assessment system;
- appropriate controls;
- an information and communications system that enables responsibilities to be exercised efficiently and effectively. The risk management system identifies and assesses the main risks likely to affect the achievement of the operational and financial objectives, as well as the objectives relating to compliance with the laws and regulations in force.

Risks are classified by category (strategic, operational, financial, legal and intangible) and key process.

Risks are mapped according to their frequency and intensity. Controls devised for these risks are put in place in order to limit their impact, although their absolute elimination cannot be guaranteed.

Controls rely on the following resources:

- a consolidation standards manual fully updated to take account of the new tools for reporting consolidated financial data and the transition to presentation formats by type of income statement;
- communication of all the operational procedures applicable to all point-of-sale operations presented in their entirety in a specific manual, an updated version of which was released in 2010, including in particular procedures adapted to the local specificities of the Group's main markets;
- integrated point-of-sale management software (deployed across the whole distribution network) which standardizes store control rules and provides head office with detailed sales information on each store in the network;
- delegations of powers that are limited, precise, managed and known to the actors involved in terms of both expenditure commitments and rules;
- a separation of the scheduling of expenditures and payments;
- the organization of training seminars, focusing on subsidiary management.

2.1.4 Departments involved in internal control

- The Legal Department conducts upstream checks:
  - prior to the signing of any substantial agreement negotiated by the head office or subsidiaries;
  - on the length of time third-party designs and brands have been in existence.
- Executive Management and the Finance Department closely monitors management information so that it can intervene in the process of defining objectives then oversee their realization through:
  - three-year strategic plans;
  - the annual budget;
  - monthly reports on actual data compared with budget with in-depth and formalized analyses of any discrepancies.
- Executive Management and the Finance Department are also responsible for training all financial personnel worldwide (internal or external administrative departments) in order to ensure the strict application of IAS and Group rules.
- Senior executive officers maintain a regular presence at subsidiaries and on their management bodies, in particular at board level.
- Store Committees have been set up to formally authorize the signature of commercial leases and investments in the distribution network. They are made up of the Chairman, the Chief Executive Officer in charge of the network, the Chief Financial Officer, the Management Control Director, the Chief Legal Officer and the architects.
- Lastly, internal audit covers the following main areas:

- points of sale: review of the main processes of store management (sales, pricing, cash flow, inventories, administration and security, personnel, external purchases, supplies);
- country headquarters: review of main cycles (purchases of goods, external purchases and expense claims, human resources, inventories and logistics, information systems, investments, accounting and finance);
- the accounts departments of countries responsible for producing subsidiaries' financial reports: audit of financial reports prepared by back offices and monitoring of the application of the Christian Dior Couture Group's accounting principles.
- raising the awareness of management in relation to internal control, which involved a number of specific actions in 2010: the organization of a training seminar, the implementation of an annual self-assessment process, and the formal commitment by regional managers to internal control through various aspects.

On completion of audit assignments, reports containing recommendations are presented to the Chairman and to the management of the subsidiaries. Implementation of the recommendations made is closely monitored.

2.1.5 Internal controls related to financial and accounting information

Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems.

- **Accounting and Consolidation** is responsible for updating and distributing group-wide accounting standards and procedures. It oversees their application and establishes appropriate training programs. It is in charge of producing consolidated and individual company financial statements on a quarterly, half-yearly and annual basis.
- **Management Control** is responsible for coordinating the budget process and its revisions during the year as well as for the three-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.
- **Information Systems** disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies. It develops and maintains a telecommunications system shared by the Group. Finally, it coordinates policy for system and data security and preparation of emergency contingency plans.

Accounting and management policies

Subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated.

Management reporting

Each year, all of the Group's consolidated entities produce a three-year plan, a complete budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget, and to foster ongoing communication between companies and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at the parent company, specialized by geographic region and product category, is in permanent contact with the subsidiaries, thus ensuring better knowledge of performance and management decisions as well as appropriate control.

2.1.6 Outlook for 2011

- Implementation of a three-year audit plan, with the aim of covering the majority of the Group's most significant subsidiaries by the end of this period: the anticipated plan may be adjusted in response to changes in the economic or political environment or realignments in internal strategy.
- Migration of accounting applications within an ERP solution (SAP), which will facilitate the monitoring of cost commitments, while also making the year-end closing process more efficient, among other benefits.
- Cross-functional review tasks, with the objective of reinforcing the standardization of processes and controls applied at the headquarters and in the subsidiaries.

2.2 CHRISTIAN DIOR

2.2.1 Control environment

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

The business of Christian Dior SA is therefore essentially dedicated to:

- protecting the legal title of these two equity holdings;
- exercising the rights and authority of a majority shareholder, notably by its:
  - presence at the Board Meetings and Shareholders' Meetings of the subsidiaries,
  - monitoring of dividends paid by the subsidiaries,
  - control of the subsidiaries' financial performance;
- providing accurate financial information, in line with applicable laws, given its status as a listed company.

Given the limited number of tasks described above, and its membership of a Group with the necessary administrative skills, Christian Dior uses the Group's specialized services in the areas specific to a holding company, namely legal, financial and accounting matters. An assistance agreement has been entered into with Groupe Arnault SAS.

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

2.2.2 Risk control

Risk control is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted.

2.2.3 Control activities

Key elements of internal control procedures

Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegation of powers, which are known by the counterparties involved, with sub-delegations reduced to a minimum;
- upstream legal control before signing agreements;
- separation of the expense and payment functions;
- secured payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Legal and operational control exercised by the parent company over the subsidiaries

Asset control

Securities held by the subsidiaries are subject to a quarterly reconciliation between the Company's Accounting Department and the Securities departments of the companies concerned.

Operational control

Christian Dior exercises operational control over its subsidiaries through the following:

- legal bodies, Boards of Directors and Shareholders' Meetings, at which the Company is systematically represented;
- management information used by managers of Christian Dior in the process of defining objectives and monitoring their fulfillment:
  - three-year and annual budget plans,
  - monthly reporting presenting results compared to budget and variance analysis,
  - quarterly meetings to analyze performance.

2.2.4 Information and communication systems

The strategic plans in terms of information and communication systems of the parent company Christian Dior are coordinated by the Finance Department.

Aspects of internal control such as the segregation of duties and access rights are integrated at the time of implementation of new information systems.

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

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

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

This report, based on the contribution of the above-mentioned internal control and risk management stakeholders, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its Meeting of February 3, 2011.

Conclusion

In response to the regulatory developments, over and above its existing internal control mechanism, in 2010 the Christian Dior Group reinforced continuing efforts to improve its internal control and risk management.

3. Statutory Auditors' report

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE *(CODE DE COMMERCE)*, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHRISTIAN DIOR

MAZARS

Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie

SA with share capital of €8,320,000

Statutory Auditors
Member of the Versailles
regional organization

ERNST & YOUNG et Autres

41, rue Ybry
92576 Neuilly-sur-Seine Cedex

SAS with variable share capital

Statutory Auditors
Member of the Versailles
regional organization

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and to submit for the Board of Director's approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weakness in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work is properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres	
Simon Beillevaire	Jeanne Boillet	Olivier Breillot

This is a free translation into English of the Statutory Auditors' report issued in French and is provided for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Consolidated financial statements

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1. Consolidated income statement

(EUR millions, except for earnings per share)	*Notes*	2010	2009	2008
Revenue	*22-23*	**21,123**	**17,745**	**17,933**
Cost of sales		(7,449)	(6,422)	(6,305)
Gross margin		**13,674**	**11,323**	**11,628**
Marketing and selling expenses		(7,544)	(6,422)	(6,490)
General and administrative expenses		(1,792)	(1,545)	(1,517)
Profit from recurring operations	*22-23*	**4,338**	**3,356**	**3,621**
Other operating income and expenses	*24*	(166)	(192)	(153)
Operating profit		**4,172**	**3,164**	**3,468**
Cost of net financial debt		(197)	(242)	(322)
Other financial income and expenses		763	(155)	(26)
Net financial income (expense)	*25*	**566**	**(397)**	**(348)**
Income taxes	*26*	(1,476)	(867)	(904)
Income (loss) from investments in associates	*7*	7	2	8
Net profit before minority interests		**3,269**	**1,902**	**2,224**
Minority interests		2,008	1,207	1,428
Net profit – Group share		**1,261**	**695**	**796**
Basic Group share of net earnings per share *(EUR)*	*27*	**7.06**	**3.90**	**4.46**
Number of shares on which the calculation is based		178,524,828	178,243,418	178,304,484
Diluted Group share of net earnings per share *(EUR)*	*27*	**7.03**	**3.89**	**4.43**
Number of shares on which the calculation is based		179,161,811	178,475,792	178,932,178

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	2010	2009	2008
Net profit before minority interests	**3,269**	**1,902**	**2,224**
Translation adjustments	694	(127)	250
Tax impact	89	(20)	25
	783	**(147)**	**275**
Change in value of available for sale financial assets	294	114	(186)
Amounts transferred to income statement	38	(11)	(66)
Tax impact	(35)	(26)	21
	297	**77**	**(231)**
Change in value of hedges of future foreign currency cash flows	(20)	128	128
Amounts transferred to income statement	(29)	(118)	(211)
Tax impact	14	(2)	47
	(35)	**8**	**(36)**
Change in value of vineyard land	206	(53)	172
Tax impact	(71)	18	(59)
	135	**(35)**	**113**
Gains and losses recognized in equity	**1,180**	**(97)**	**121**
Comprehensive gains and losses	**4,449**	**1,805**	**2,345**
Minority interests	2,720	1,138	1,532
COMPREHENSIVE GAINS AND LOSSES, GROUP SHARE	**1,729**	**667**	**813**

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	2010	2009	2008 [(1)]
Brands and other intangible assets – net	*3*	11,772	11,370	11,199
Goodwill net	*4*	5,660	4,901	5,054
Property, plant and equipment – net	*6*	7,060	6,395	6,345
Investments in associates	*7*	226	215	219
Non-current available for sale financial assets	*8*	3,891	540	375
Other non-current assets		338	766	858
Deferred tax	*26*	699	555	714
Non-current assets		**29,646**	**24,742**	**24,764**
Inventories and work in progress	*9*	6,139	5,802	5,963
Trade accounts receivable	*10*	1,629	1,515	1,721
Income taxes		105	224	235
Other current assets	*11*	1,270	1,237	1,734
Cash and cash equivalents	*13*	2,408	2,533	1,077
Current assets		**11,551**	**11,311**	**10,730**
TOTAL ASSETS		**41,197**	**36,053**	**35,494**

Liabilities and equity

(EUR millions)	*Notes*	2010	2009	2008 [(1)]
Share capital		363	363	363
Share premium account		2,205	2,205	2,205
Treasury shares and related derivatives		(190)	(265)	(256)
Revaluation reserves		538	378	354
Other reserves		3,437	3,107	2,595
Cumulative translation adjustment		89	(219)	(167)
Group share of net profit		1,261	695	796
Equity – Group share	*14*	7,703	6,264	5,890
Minority interests	*16*	11,867	9,857	9,281
Total equity		**19,570**	**16,121**	**15,171**
Long term borrowings	*17*	4,268	5,163	4,615
Provisions	*18*	1,176	995	977
Deferred tax	*26*	4,254	4,023	4,016
Other non-current liabilities	*19*	3,944	3,086	3,254
Non-current liabilities		**13,642**	**13,267**	**12,862**
Short term borrowings	*17*	2,578	2,164	2,522
Trade accounts payable		2,349	1,956	2,348
Income taxes		451	224	308
Provisions	*18*	346	354	326
Other current liabilities	*20*	2,261	1,967	1,957
Current liabilities		**7,985**	**6,665**	**7,461**
TOTAL LIABILITIES AND EQUITY		**41,197**	**36,053**	**35,494**

(1) The balance sheet as of December 31, 2008 has been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2.

4. Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	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, 2007 [(1)]	**181,727,048**	**363**	**2,205**	**(240)**	**(263)**	**163**	**36**	**234**	**2,838**	**5,336**	**8,510**	**13,846**
Gains and losses recognized in equity					96	(102)	(18)	41		17	104	121
Net profit									796	796	1,428	2,224
Comprehensive gains and losses					**96**	**(102)**	**(18)**	**41**	**796**	**813**	**1,532**	**2,345**
Stock option plan and similar expenses									27	27	27	54
(Acquisition)/disposal of treasury shares and related derivatives				(16)					25	9	(64)	(55)
Capital increase in subsidiaries										-	5	5
Interim and final dividends paid									(287)	(287)	(618)	(905)
Effects of changes in control of consolidated entities										-	20	20
Effects of acquisition and disposal of minority interests' shares									(8)	(8)	8	-
Effects of purchase commitments for minority interests										-	(139)	(139)
As of December 31, 2008	**181,727,048**	**363**	**2,205**	**(256)**	**(167)**	**61**	**18**	**275**	**3,391**	**5,890**	**9,281**	**15,171**
Gains and losses recognized in equity					(52)	34	3	(13)		(28)	(69)	(97)
Net profit									695	695	1,207	1,902
Comprehensive gains and losses					**(52)**	**34**	**3**	**(13)**	**695**	**667**	**1,138**	**1,805**
Stock option plan and similar expenses									25	25	27	52
(Acquisition)/disposal of treasury shares and related derivatives				(9)					(22)	(31)	11	(20)
Capital increase in subsidiaries										-	29	29
Interim and final dividends paid									(287)	(287)	(603)	(890)
Effects of changes in control of consolidated entities										-	11	11
Effects of acquisition and disposal of minority interests' shares											(8)	(8)
Effects of purchase commitments for minority interests										-	(29)	(29)
As of December 31, 2009	**181,727,048**	**363**	**2,205**	**(265)**	**(219)**	**95**	**21**	**262**	**3,802**	**6,264**	**9,857**	**16,121**
Gains and losses recognized in equity					308	129	(12)	43		468	712	1,180
Net profit									1,261	1,261	2,008	3,269
Comprehensive gains and losses					**308**	**129**	**(12)**	**43**	**1,261**	**1,729**	**2,720**	**4,449**
Stock option plan and similar expenses									27	27	26	53
(Acquisition)/disposal of treasury shares and related derivatives				75					(28)	47	155	202
Capital increase in subsidiaries										-	12	12
Interim and final dividends paid									(375)	(375)	(698)	(1,073)
Effects of changes in control of consolidated entities										-	(3)	(3)
Effects of acquisition and disposal of minority interests' shares									25	25	(87)	(62)
Effects of purchase commitments for minority interests									(14)	(14)	(115)	(129)
As of December 31, 2010	**181,727,048**	**363**	**2,205**	**(190)**	**89**	**224**	**9**	**305**	**4,698**	**7,703**	**11,867**	**19,570**

(1) Equity as of December 31, 2007 has been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2.

5. Consolidated cash flow statement

(EUR millions)	*Notes*	2010	2009	2008
I - OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		4,172	3,164	3,468
Net increase in depreciation, amortization and provisions, excluding tax and financial items		837	863	749
Other unrealized gains and losses, excluding financial items		(117)	(41)	(34)
Dividends received		20	21	17
Other adjustments		(1)	(43)	(59)
Cash from operations before changes in working capital		**4,911**	**3,964**	**4,141**
Cost of net financial debt: interest paid		(195)	(250)	(271)
Income taxes paid		(905)	(906)	(877)
Net cash from operations before changes in working capital		**3,811**	**2,808**	**2,993**
Change in inventories and work in progress		(110)	115	(829)
Change in trade accounts receivable		(14)	216	(19)
Change in trade accounts payable		298	(373)	122
Change in other receivables and payables		106	191	(11)
Total change in working capital		**280**	**149**	**(737)**
Net cash from operating activities		**4,091**	**2,957**	**2,256**
Purchase of tangible and intangible fixed assets		(1,103)	(783)	(1,071)
Proceeds from sale of tangible and intangible fixed assets		33	26	100
Guarantee deposits paid and other operating investments		(8)	(6)	(9)
Operating investments		**(1,078)**	**(763)**	**(980)**
Net cash from (used in) operating activities and operating investments (free cash flow)		**3,013**	**2,194**	**1,276**
II - FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets		(1,724)	(93)	(155)
Proceeds from sale of non-current available for sale financial assets		70	49	185
Impact of purchase and sale of consolidated investments	*2.4*	(61)	(277)	(668)
Net cash from (used in) financial investments		**(1,715)**	**(321)**	**(638)**
III - TRANSACTIONS RELATING TO EQUITY				
Capital increases subscribed by minority interests		121	42	11
Purchase and proceeds from sale of treasury shares and related derivatives by the Group		193	21	(146)
Interim and final dividends paid by Christian Dior SA	*14.3*	(375)	(287)	(287)
Interim and final dividends paid to minority interests in consolidated subsidiaries	*16*	(697)	(604)	(618)
Acquisitions and disposals of minority interests	*2.4*	(185)	-	-
Net cash from (used in) transactions relating to equity		**(943)**	**(828)**	**(1,040)**
IV - FINANCING ACTIVITIES				
Proceeds from borrowings		654	2,826	2,555
Repayment of borrowings		(1,386)	(2,496)	(2,549)
Purchase and proceeds from sale of current available for sale financial assets		(32)	321	(47)
Net cash from (used in) financing activities		**(764)**	**651**	**(41)**
V - EFFECT OF EXCHANGE RATE CHANGES		**170**	**(114)**	**59**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**(239)**	**1,582**	**(384)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*13*	**2,235**	**653**	**1,037**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*13*	**1,996**	**2,235**	**653**
Transactions generating no change in cash:				
- acquisition of assets by means of finance leases		6	12	11

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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, 2010 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2010. These standards and interpretations have been applied consistently to the fiscal years presented. The 2010 consolidated financial statements were approved for publication by the Board of Directors on February 3, 2011.

1.2 Changes in the accounting framework in 2010

Standards, amendments and interpretations for which application is mandatory in 2010

The standards, amendments and interpretations applicable to the Group that have been implemented since January 1, 2010 relate to:

- IFRS 3 (Revised) on accounting for business combinations;
- IAS 27 (Revised) on the preparation of consolidated financial statements;
- amendment to IAS 17 relating to land leases;
- IFRIC 16 relating to hedges of a net investment in a foreign operation;
- amendment to IAS 39 on items which are eligible for hedge accounting.

These standards, amendments and interpretations do not have a significant impact on the Group's consolidated financial statements.

Impacts of the amendment to IAS 38 Intangible assets

Since fiscal year 2009, advertising and promotion expenses are recorded upon the receipt or production of goods or upon completion of services rendered. Previously, such costs were recognized as expenses for the period in which they were incurred; the cost of media campaigns in particular was time-apportioned over the duration of these campaigns and the cost of samples and catalogs was recognized when they were made available to customers. The impact of this change in accounting policy on consolidated equity amounts to 94 million euros as of January 1, 2007, when the retrospective application of this amendment started; this amount breaks down as follows:

(EUR millions)	**Impact as of January 1, 2007**
Intangible assets	(13)
Goodwill	6
Property, plant and equipment	(7)
Deferred tax	40
Inventories and work in progress	(3)
Other current assets	(117)
Consolidated equity	(94)
Including:	
Group share	(41)
minority interests	(53)

Other current assets mainly relate to prepaid expenses recognized in respect of samples and advertising materials (primarily for Perfumes and Cosmetics).

Net profit for fiscal year 2008 was not restated retrospectively, as the impact of applying IAS 38 as amended was considered to be similar to the impact as of January 1, 2007.

Standards, amendments and interpretations for which application is optional in 2010

The following standards, amendments and interpretations applicable to the Group, whose mandatory application date is January 1, 2011, were not applied early in 2010; they relate to:

- amendments to IFRS 7 on financial instrument disclosures;
- amendments to IAS 24 on related party disclosures and transactions.

The application of these standards, amendments and interpretations in 2011 is not expected to have a material impact on the Group's consolidated financial statements.

1.3 First-time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The Christian Dior Group has retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH. IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied with the exception of the entire real estate holdings of Christian Dior Couture;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- foreign currency translation of the financial statements of foreign subsidiaries: 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, the date before which application is not mandatory.

1.4 Use of estimates

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

1.5 Methods of consolidation

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

Jointly controlled companies are consolidated on a proportionate basis.

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

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

1.6 Foreign currency translation of the financial statements of subsidiaries outside the euro zone

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

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

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.7 Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of inter-company transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long term inter-company financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives which are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value at the balance sheet date and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as a revaluation reserve) 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.

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 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 its acquisition cost less estimated residual value, which corresponds to the 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:

- 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 such assets 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 specific management team. Smaller scale cash generating units, e.g. a group of stores, may be distinguished within a particular business segment.

The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period (with the exception of Christian Dior Couture, 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. Moreover, a final value is also estimated, 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 mainly comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets include temporary investments in shares, shares of "SICAV", "FCP" and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as cash and cash equivalents (see Note 1.16).

Available for sale financial assets are measured at their listed value at balance sheet date in the case of quoted investments, and at their 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 corresponding 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 cognac, 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.

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 capital amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the 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 value of current available for sale financial assets, cash and cash equivalents in addition to the market value at the balance sheet date of related foreign exchange derivatives at that date.

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.

Fair value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

1.20 Christian Dior and LVMH treasury shares and related derivatives

Christian Dior treasury shares

Christian Dior shares 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 (see Note 14.2) using the FIFO method. Gains and losses on disposal are taken directly to equity.

LVMH treasury shares and related derivatives

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

From January 1, 2010, in accordance with the amendment to IFRS 3, changes in the percentage of the Christian Dior Group's ownership interest in LVMH will be taken to equity. As the provisions of this amendment will be applied prospectively, goodwill recognized as of December 31, 2009 will be maintained as assets on the balance sheet.

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

1.21 Pensions, medical costs and other employee or retired employee commitments

When payments are made by the Group in respect of retirement indemnities, pensions, medical costs and other commitments to third party organizations which assume the payment of 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 benefits, 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.

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

Deferred tax assets and liabilities are not discounted.

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

1.23 Revenue recognition

Revenue

Revenue mainly comprises retail 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 and Selective Retailing, as well as certain Perfumes and Cosmetics and Watches and Jewelry 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 LVMH and Diageo, LVMH 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 expected benefit granted to beneficiaries calculated on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted, using the Black & Scholes method.

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, and the amount of dividends expected to accrue during the vesting period.

For such plans, the 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. After the vesting period has expired, the change in the expected benefit resulting from the change in the LVMH share price is recorded in the income statement until the instrument is settled.

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 percentage interest of consolidated entities and the impairment of brands and goodwill, as well as any significant amount of gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

1.27 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of all existing purchase options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), would be employed to re-purchase Christian Dior shares at a price corresponding to their average trading price over the period. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

NOTE 2 - CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES

2.1 Fiscal year 2010

Wines and Spirits

In December 2010, the Group sold the Montaudon champagne house, which was acquired in 2008 (see below). 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. Provisional goodwill, determined on the basis of the portion of the net assets acquired by the Group, amounted to 76 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 31 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 was deducted from Group equity, corresponding to an amount of 81 million euros.

2.2 Fiscal year 2009

Wines and Spirits

In August 2009, the Group acquired from Groupe Arnault for 238 million euros a 50% stake in the wine estate Château Cheval Blanc (Gironde, France), producer of the eponymous premium Saint-Émilion wine classified as *premier grand cru classé A*. Château Cheval Blanc has been consolidated on proportionate basis since August 2009. The table below summarizes the final purchase price allocation, on the basis of Château Cheval Blanc's balance sheet as of August 12, 2009:

(EUR millions)	Allocation of purchase price	Carrying amount
Brand	183	-
Wines and vineyard land	35	-
Other tangible assets	3	4
Inventories	9	4
Working capital, excluding inventories	(11)	(8)
Net financial debt	8	8
Deferred tax	(76)	-
Net assets acquired (50%)	**151**	**8**
Goodwill	87	
TOTAL COST OF ACQUISITION	**238**	

Goodwill corresponds to Château Cheval Blanc's winemaking know-how, together with the synergies generated by its integration within the Wines and Spirits business group.

2.3 Fiscal year 2008

Wines and Spirits

- In February 2008, the Group acquired the entire share capital of the Spanish winery Bodega Numanthia Termes, a producer of wines from the Toro region, for total consideration of 27 million euros. This acquisition was consolidated with effect from March 2008.
- In December 2008, the Group acquired the entire share capital of the Montaudon champagne house, owner of its eponymous brand, for total consideration of 30 million euros, including earn out payments estimated at 4 million euros. This acquisition was consolidated with effect from January 1, 2009.

Watches and Jewelry

In April 2008, the Group acquired the entire share capital of the Swiss watchmaker Hublot for total consideration of 306 million euros (486 million Swiss francs), including 2 million euros in acquisition costs. Hublot was fully consolidated with effect from May 2008. The table below summarizes the final purchase price allocation, on the basis of Hublot's balance sheet as of May 1, 2008:

(EUR millions)	**Allocation of purchase price**	**Carrying amount**
Brand	219	-
Property, plant and equipment	7	7
Other non-current assets	1	2
Inventories	39	43
Working capital, excluding inventories	(3)	(5)
Net financial debt	(3)	(3)
Deferred tax	(54)	(6)
Provisions	(22)	-
Net assets acquired	**184**	**38**
Goodwill	122	
TOTAL COST OF ACQUISITION	**306**	

The goodwill mainly represents the company's expertise in designing and manufacturing timepieces, and the synergies arising from the brand's integration into the distribution network of the Watches and Jewelry business group.

Other activities

- The equity stake in the Les Echos media group, acquired in December 2007, was fully consolidated with effect from January 1, 2008. The total consideration paid in 2007 for 100 percent of the share capital was 244 million euros, including 4 million euros in acquisition costs and excluding the assumption by the Group of Pearson's financial debt with respect to the Les Echos group, which amounted to 107 million euros.

The table below summarizes the purchase price allocation, on the basis of the balance sheet for the Les Echos group as of January 1, 2008:

(EUR millions)	Allocation of purchase price	Carrying amount
Brands and other intangible assets	147	5
Property, plant and equipment	4	4
Other non-current assets	2	2
Working capital	(29)	(26)
Receivable vis-à-vis Pearson, assigned to the Group	107	107
Cash and cash equivalents	21	21
Deferred tax	(48)	(1)
Provisions	(14)	(8)
Net assets acquired	**190**	**104**
Goodwill	161	
TOTAL COST OF ACQUISITION	**351**	

Brands and other intangible assets essentially comprise the financial daily *Les Echos* and subscriber databases. These intangible assets are amortized over periods of no more than fifteen years. The amount recognized for goodwill mainly represents the human capital formed by the editorial teams of the Les Echos group, which cannot be isolated on the balance sheet.

- The business of the financial daily *La Tribune,* sold in February 2008, was deconsolidated with effect from this date.
- In October 2008, the Group acquired a 90% equity stake in Royal Van Lent, the Dutch designer and builder of yachts sold under the Royal Van Lent – Feadship brand, with the remaining 10% stake of the share capital being subject to a purchase commitment. Royal Van Lent was fully consolidated with effect from October 2008. The table below summarizes the final allocation of the purchase price of 362 million euros, including acquisition costs in the amount of 3 million euros, on the basis of Royal Van Lent's balance sheet as of October 1, 2008:

(EUR millions)	Allocation of purchase price	Carrying amount
Brands and other intangible assets	92	-
Non-current assets	5	5
Inventories and work in progress	47	47
Other current assets	18	18
Non-current liabilities	(11)	(9)
Current liabilities	(15)	(16)
Deferred tax	(23)	-
Minority interests	(14)	(14)
Net assets acquired	**99**	**31**
Goodwill	263	
TOTAL COST OF ACQUISITION	**362**	

Goodwill represents the company's know-how in the design and building of luxury yachts, as well as its relations with customers forged over time.

Christian Dior Couture

In January 2008, Christian Dior Couture acquired 87% of the capital of John Galliano SA, a company specializing in the creation and concession under license of fashion items and luxury products, for total consideration of 17 million euros.

2.4 Cash impact of changes in the percentage of ownership in consolidated entities

(EUR millions)	2010	2009	2008
Purchase price of consolidated investments	(269)	(287)	(778)
Positive cash balance/(net overdraft) of companies acquired	(10)	9	153
Proceeds from sale of consolidated investments	38	1	-
(Positive cash balance)/net overdraft of companies sold	(5)	-	(43)
CASH IMPACT OF CHANGES IN THE PERCENTAGE OF OWNERSHIP IN CONSOLIDATED ENTITIES	**(246)**	**(277)**	**(668)**

- 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 acquisitions of consolidated investments on the Group's cash and cash equivalents broke down as follows:
  - 238 million euros for the acquisition of 50% of Cheval Blanc;
  - 24 million euros for the acquisition of minority interests in certain subsidiaries of Sephora Europe.
- In 2008, the main impacts of acquisitions of consolidated investments on the Group's cash and cash equivalents broke down as follows:
  - 303 million euros for the acquisition of Hublot group;
  - 236 million euros for the acquisition of Royal Van Lent company;
  - 29 million euros for the acquisition of Montaudon;
  - 27 million euros for the acquisition of Bodega Numanthia Termes;
  - cash and cash equivalents of the Les Echos group in the amount of 21 million euros.
  - lastly, 17 million euros for the acquisition of John Galliano SA.

Amounts in respect of the sale of consolidated investments mainly correspond to impacts of the disposal of La Tribune.

2.5 Impact of acquisitions on period net profit

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

If the 2008 acquisitions had been carried out as of January 1, the impact on the consolidated income statement would have been as follows:

(EUR millions)	2008 Published consolidated income statement	Pro forma restatements	2008 Pro forma consolidated income statement
Revenue	17,933	100	18,033
Profit from recurring operations	3,621	9	3,630
Net profit, Group share	796	4	800

NOTE 3 - BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	2010			2009	2008 (1)
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	9,806	(426)	9,380	9,152	8,920
Trade names	3,339	(1,362)	1,977	1,853	1,909
License rights	32	(30)	2	15	15
Leasehold rights	373	(236)	137	117	121
Software	490	(346)	144	111	110
Other	289	(157)	132	122	124
TOTAL	**14,329**	**(2,557)**	**11,772**	**11,370**	**11,199**
of which: assets held under finance leases	14	(14)	-	-	-

(1) See Note 1.2 Application of IAS 38 as amended.

3.1 Movements in the year

Movements during the year ended December 31, 2010 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, 2009	**9,538**	**3,119**	**1,043**	**13,700**
Acquisitions	1	-	139	140
Disposals and retirements	-	-	(47)	(47)
Changes in the scope of consolidation	(2)	-	-	(2)
Translation adjustment	269	220	49	538
AS OF DECEMBER 31, 2010	**9,806**	**3,339**	**1,184**	**14,329**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2009	**(386)**	**(1,266)**	**(678)**	**(2,330)**
Amortization expense	(34)	-	(109)	(143)
Impairment expense	-	-	-	-
Disposals and retirements	-	-	34	34
Changes in the scope of consolidation	-	-	4	4
Translation adjustment	(6)	(96)	(20)	(122)
AS OF DECEMBER 31, 2010	**(426)**	**(1,362)**	**(769)**	**(2,557)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2010	**9,380**	**1,977**	**415**	**11,772**

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 770 million euros as of December 31, 2010.

3.2 Movements in prior years

Net carrying amount *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2007 [(1)]	**8,519**	**1,819**	**303**	**10,641**
Acquisitions	-	-	119	119
Disposals and retirements	(3)	-	(3)	(6)
Changes in the scope of consolidation	360	-	35	395
Amortization expense	(21)	-	(102)	(123)
Impairment expense	-	-	-	-
Translation adjustment	64	90	9	163
Other movements	1	-	9	10
As of December 31, 2008	**8,920**	**1,909**	**370**	**11,199**
Acquisitions	-	-	83	83
Disposals and retirements	-	-	(1)	(1)
Changes in the scope of consolidation	277	-	2	279
Amortization expense	(32)	-	(101)	(133)
Impairment expense	-	-	-	-
Translation adjustment	(1)	(56)	-	(57)
Other movements	(12)	-	12	-
AS OF DECEMBER 31, 2009	**9,152**	**1,853**	**365**	**11,370**

(1) See Note 1.2 Application of IAS 38 as amended.

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

Changes in the scope of consolidation for the year ended December 31, 2008 were mainly attributable to the acquisition of Hublot in the amount of 219 million euros and the acquisition of the Les Echos media group for 147 million euros. See also Note 2.

3.3 Brands and trade names

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

	2010			2009	2008
(EUR millions)	**Gross**	**Amortization and impairment**	**Net**	**Net**	**Net**
Christian Dior Couture	34	-	34	34	47
Wines and Spirits	2,980	(35)	2,945	2,937	2,755
Fashion and Leather Goods	3,895	(338)	3,557	3,543	3,565
Perfumes and Cosmetics	1,286	(22)	1,264	1,262	1,264
Watches and Jewelry	1,386	(6)	1,380	1,167	1,166
Selective Retailing	3,292	(1,316)	1,976	1,853	1,909
Other activities	272	(71)	201	209	123
BRANDS AND TRADE NAMES	**13,145**	**(1,788)**	**11,357**	**11,005**	**10,829**

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, 2010 are:

- Wines and Spirits: Hennessy, Moët & Chandon champagnes, Veuve Clicquot, Krug, Château d'Yquem, Château Cheval Blanc, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Donna Karan New York, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up for Ever, Benefit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché;
- 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 the De Beers jewelry trade name developed as a joint-venture with the De Beers group, are not capitalized in the balance sheet.

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

	2010			2009	2008 (1)
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
Goodwill arising on consolidated investments	5,157	(1,118)	4,039	3,962	3,968
Goodwill arising on purchase commitments for minority interests	1,621	-	1,621	939	1,086
TOTAL	**6,778**	**(1,118)**	**5,660**	**4,901**	**5,054**

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

	2010			2009	2008 [1]
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**5,999**	**(1,098)**	**4,901**	**5,054**	**5,404**
Changes in the scope of consolidation	(55)	76	21	19	687
Changes in purchase commitments for minority interests	701	-	701	(95)	(1,060)
Change in impairment	-	(54)	(54)	(56)	(31)
Translation adjustment	133	(42)	91	(21)	54
AS OF DECEMBER 31	**6,778**	**(1,118)**	**5,660**	**4,901**	**5,054**

(1) See Note 1.2 Application of IAS 38 as amended.

Changes in the scope of consolidation in fiscal year 2010 are mainly attributable to the acquisition of a 70% equity stake in Sack's in the amount of 76 million euros, net of the effect resulting from the disposal of La Brosse et Dupont of 46 million euros. The translation adjustment is mainly attributable to goodwill recognized in US dollars and Swiss francs, as a result of changes in the exchange rates of these currencies with respect to the euro during the fiscal year. The adjustment relates to Donna Karan, DFS and the Miami Cruiseline activity for the US dollar, and to TAG Heuer and Hublot for the Swiss franc.

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

Changes in the scope of consolidation for 2008 were attributable to the impact of the consolidation of the Les Echos media group for 161 million euros, the Royal Van Lent acquisition in the amount of 331 million euros, and the Hublot acquisition for 109 million euros. See also Note 2.

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 2010. 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 2010, for the determination of these forecast cash flows are as follows:

	2010		2009		2008	
Business group	**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%	8.2%	2%	10.6%	2%
Wines and Spirits	7.5 to 11.6%	2%	7.5 to 11.6%	2%	7.3 to 11.4%	2%
Fashion and Leather Goods	8.7 to 12.8%	2%	8.7 to 12.8%	2%	8.9 to 13%	2%
Perfumes and Cosmetics	8%	2%	8%	2%	9.1 to 11.5%	2%
Watches and Jewelry	9.5 to 10.8%	2%	9.5 to 10.8%	2%	11 to 12.3%	2%
Selective Retailing	7.5 to 8.6%	2%	7.5 to 8.6%	2%	8 to 9.1%	2%
Other	7.5% to 10%	2%	7.5%	2%	6.7 to 8%	2%

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.

Considering the uncertainty surrounding the economic environment at the close of 2010, discount rates used in 2010 are identical to those of 2009. 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, 2010 the carrying amount of nine business segments (see Note 1.12) is close to their value in use. 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 retained as of December 31, 2010, would give rise to impairment charges as detailed below:

(EUR millions)	Intangible assets with indefinite lives as of 12/31/2010	Sensitivity Post-tax discount rate +0.5%	Growth rate -0.5%
Wines and Spirits	520	(26)	(15)
Fashion and Leather Goods	159	(20)	(11)
Selective Retailing	190	(19)	(15)
Other business groups	128	(12)	(10)
TOTAL	**997**	**(77)**	**(51)**

A change of 0.5 points in post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates retained as of December 31, 2010 would not induce any risk of impairment for the other business segments of the Group.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2010 Gross	Depreciation and impairment	Net	2009 Net	2008 (1) Net
Land	1,042	-	1,042	940	944
Vineyard land and producing vineyards	1,919	(91)	1,828	1,611	1,613
Buildings	1,972	(905)	1,067	973	969
Investment property	359	(61)	298	287	293
Machinery and equipment	4,911	(3,194)	1,717	1,658	1,641
Other tangible fixed assets (including assets in progress)	1,754	(646)	1,108	926	885
TOTAL	**11,957**	**(4,897)**	**7,060**	**6,395**	**6,345**
o/w: assets held under finance leases	251	(133)	118	140	150
historical cost of vineyard land and producing vineyards	630	(92)	538	531	480

(1) See Note 1.2 Application of IAS 38 as amended.

6.1 Movements in the year

Movements in property, plant and equipment during 2010 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, 2009	**1,695**	**2,712**	**343**	**4,473**	**1,495**	**10,718**
Acquisitions	5	159	3	363	417	947
Change in the market value of vineyard land	206	-	-	-	-	206
Disposals and retirements	(3)	(11)	(2)	(285)	(51)	(352)
Changes in the scope of consolidation	2	(16)	-	(9)	(8)	(31)
Translation adjustment	11	134	9	242	70	466
Other movements, including transfers	3	36	6	127	(169)	3
AS OF DECEMBER 31, 2010	**1,919**	**3,014**	**359**	**4,911**	**1,754**	**11,957**

Accumulated 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, 2009	**(84)**	**(799)**	**(56)**	**(2,815)**	**(569)**	**(4,323)**
Depreciation expense	(6)	(76)	(5)	(500)	(107)	(694)
Impairment expense	-	-	-	-	-	-
Disposals and retirements	1	7	1	274	40	323
Changes in the scope of consolidation	(1)	6	-	8	5	18
Translation adjustment	(1)	(28)	(1)	(154)	(37)	(221)
Other movements, including transfers	-	(15)	-	(7)	22	-
AS OF DECEMBER 31, 2010	**(91)**	**(905)**	**(61)**	**(3,194)**	**(646)**	**(4,897)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2010	**1,828**	**2,109**	**298**	**1,717**	**1,108**	**7,060**

Purchases of property, plant and equipment reflect investments by Louis Vuitton, Christian Dior Couture, Sephora and DFS in their retail networks, those of Parfums Christian Dior, the Champagne houses and Glenmorangie in their production equipment, as well as real estate investments dedicated to administrative or commercial use.

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, 2007 [(1)]	**1,426**	**1,847**	**286**	**1,433**	**672**	**5,664**
Acquisitions	24	50	-	429	487	990
Disposals and retirements	(3)	(32)	-	(17)	(15)	(67)
Depreciation expense	(6)	(58)	(5)	(393)	(88)	(550)
Impairment expense	-	-	-	-	-	-
Change in the market value of vineyard land	173	-	-	-	-	173
Changes in the scope of consolidation	1	13	-	7	1	22
Translation adjustment	(6)	82	7	31	14	128
Other, including transfers	4	11	5	151	(186)	(15)
As of December 31, 2008	**1,613**	**1,913**	**293**	**1,641**	**885**	**6,345**
Acquisitions	4	51	3	322	346	726
Disposals and retirements	(1)	(3)	-	(8)	(10)	(22)
Depreciation expense	(6)	(69)	(4)	(437)	(97)	(613)
Impairment expense	-	-	-	-	-	-
Change in the market value of vineyard land	(53)	-	-	-	-	(53)
Changes in the scope of consolidation	43	16	-	1	(1)	59
Translation adjustment	3	(24)	(3)	(11)	(5)	(40)
Other, including transfers	8	29	(2)	150	(192)	(7)
AS OF DECEMBER 31, 2009	**1,611**	**1,913**	**287**	**1,658**	**926**	**6,395**

(1) See Note 1.2 Application of IAS 38 as amended.

Property, plant and equipment acquisitions in fiscal years 2009 and 2008 consisted mainly of investments by Louis Vuitton, Christian Dior Couture, Sephora and DFS in their retail networks in addition to investments by Hennessy, Veuve Clicquot and Moët & Chandon in their production equipment. Additionally, in 2009, Parfums Christian Dior invested in new display counters and production facilities.

NOTE 7 - INVESTMENTS IN ASSOCIATES

	2010			2009	2008
(EUR millions)	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	**215**	**-**	**215**	**219**	**132**
Share of net profit (loss) for the period	7	-	7	2	8
Dividends paid	(5)	-	(5)	(9)	(7)
Changes in the scope of consolidation	-	-	-	8	84
Translation adjustment	9	-	9	(5)	2
SHARE OF NET ASSETS OF ASSOCIATES AS OF DECEMBER 31	**226**	**-**	**226**	**215**	**219**

As of December 31, 2010, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns a property held for rental in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA; total rents invoiced by Mongoual SA to the Group amounted to 16 million euros in 2010 (16 million euros in 2009 and 15 million euros in 2008);
- a 45% equity stake in the group owning Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia, acquired in October 2008; sales by the Perfumes and Cosmetics business group to Ile de Beauté amounted to 33 million euros in 2010 (22 million euros in 2009, 11 million euros from October to December 2008);
- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development, acquired during the first half of 2009.

The 23.1% equity stake in the French retailer of video games Micromania was sold in 2008.

NOTE 8 - NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

	2010			2009	2008
(EUR millions)	Gross	Impairment	Net	Net	Net
TOTAL	**3,949**	**(58)**	**3,891**	**540**	**375**

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

	2010			
(EUR millions)	Total	of which Hermès	2009	2008
As of January 1	**540**	**68**	**375**	**823**
Acquisitions	2,756	2,717	89	62
Disposals at net realized value	(70)	-	(38)	(114)
Changes in market value	(114)	(215)	93	(14)
Changes in impairment	(12)	-	(1)	(34)
Reclassifications from Other non-current assets to non-current available for sale financial assets	775	775	-	-
Other reclassifications	(3)	-	29	(352) (1)
Changes in the scope of consolidation	-	-	(2)	-
Translation adjustment	19	-	(5)	4
AS OF DECEMBER 31	**3,891**	**3,345**	**540**	**375**

(1) This amount corresponds to the acquisition price of Les Echos group, reclassified under consolidated investments. See Note 2.

Over the course of fiscal year 2010, the Group raised its ownership interest in the share capital of Hermès International (hereafter referred to as "Hermès") to 20.21%, amounting to 3,345 million euros based on the Hermès share price on the Paris stock exchange as of December 31, 2010.

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

- 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.

As a result of the settlement of the ELS, the Group recognized in the 2010 income statement a pre-tax gain, net of transaction costs, in the amount of 1,004 million euros representing, in relation to the above-mentioned number of shares, the difference between the Hermès share price as of the ELS settlement date (the price used for the recognition of these securities as non-current available for sale financial assets) and the Hermès share price as of December 31, 2009 (see Note 25 Net financial income/expense).

As of December 31, 2010, the stake held by the Group in Hermès, corresponding to 21.3 million shares, represented, on the basis of the Hermès share price at that date, an amount of 3.3 billion euros, for a total amount of 3.0 billion euros on initial recognition, or 2.0 billion euros in cash after deducting the gain mentioned above.

Acquisition transactions conducted during fiscal year 2010 corresponded to a cash outflow of 1.7 billion euros. This amount comprises the market price for the securities acquired on the market as well as the reference price determined in 2008 and paid at the settlement of the ELS.

Acquisitions in 2008 included the Montaudon champagne house in the amount of 29 million euros; this acquisition was consolidated in fiscal year 2009. See Note 2.

Disposals in 2008 include in particular the Group's share in the transactions carried out by the investment fund L Capital, notably the sale of its stake in the French video game retailer Micromania.

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, 2010 include the following:

(EUR millions)	Percentage of interest	Net value of securities	Revaluation reserve	Dividends received	Equity (3)	Net profit (3)
Hermès International (France) (1)	20.2%	3,345	344	1	1,790 (4)	289 (4)
Hengdeli Holdings Ltd (China) (1)	6.8%	124	101	1	291 (4)	38 (4)
Tod's Spa (Italy) (1)	3.5%	78	31	5	655 (4)	86 (4)
L Real Estate (Luxembourg) (2)	32.2%	68	(3)	-	211 (5)	- (5)
L Capital 2 FCPR (France) (2)	18.5%	66	11	-	231 (5)	(7) (5)
Sociedad Textil Lonia (Spain) (2)	25%	22	14	4	91 (4)	22 (4)
Other investments		188	32	3		
TOTAL		**3,891**	**530**	**14**		

(1) Market value of securities as of the close of trading on December 31, 2010.
(2) Valuation at estimated net realizable value.
(3) Figures provided reflect company information prior to December 31, 2010, as year-end accounting data was not available at the date of preparation of the consolidated financial statements.
(4) Consolidated data.
(5) Company data.

NOTE 9 - INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2010	2009	2008 [(1)]
Wines and distilled alcohol in the process of aging	3,235	3,189	2,928
Other raw materials and work in progress	770	741	727
	4,005	**3,930**	**3,655**
Goods purchased for resale	670	537	591
Finished products	2,165	2,007	2,325
	2,835	**2,544**	**2,916**
Gross amount	**6,840**	**6,474**	**6,571**
Impairment	(701)	(672)	(608)
NET AMOUNT	**6,139**	**5,802**	**5,963**

(1) See Note 1.2 Application of IAS 38 as amended.

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

	2010			2009	2008 [(1)]
(EUR millions)	Gross	Impairment	Net	Net	Net
As of January 1	**6,474**	**(672)**	**5,802**	**5,963**	**5,000**
Change in gross inventories	110	-	110	(114)	832
Fair value adjustment for the harvest of the period	(3)	-	(3)	13	24
Changes in impairment	-	11	11	(56)	(70)
Changes in the scope of consolidation	(43)	4	(39)	38	88
Translation adjustment	313	(48)	265	(31)	95
Reclassifications	(11)	4	(7)	(11)	(6)
AS OF DECEMBER 31	**6,840**	**(701)**	**6,139**	**5,802**	**5,963**

(1) See Note 1.2 Application of IAS 38 as amended.

The translation adjustment is mainly attributable to inventories held by the Group's distribution subsidiaries in the United States, Japan and elsewhere in Asia, primarily for the Fashion and Leather Goods and Selective Retailing business groups.

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

(EUR millions)	2010	2009	2008
Fair value adjustment for the harvest of the period	36	43	53
Adjustment for inventory consumed	(39)	(30)	(29)
NET EFFECT ON COST OF SALES OF THE PERIOD	**(3)**	**13**	**24**

NOTE 10 - TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2010	2009	2008
Trade accounts receivable – nominal amount	1,839	1,737	1,919
Provision for impairment	(62)	(68)	(62)
Provision for product returns	(148)	(154)	(136)
NET AMOUNT	**1,629**	**1,515**	**1,721**

The amount of the impairment expense in 2010 was 10 million euros (compared to 22 million euros in 2009 and 12 million euros in 2008).

There is no difference between the present value of trade accounts receivable and their carrying amount.

Approximately 62% 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, 2010, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)	Nominal amount of receivables	Provision for impairment	Net amount of receivables
Not due			
less than 3 months	1,562	(12)	1,550
more than 3 months	43	(1)	42
	1,605	**(13)**	**1,592**
Overdue			
less than 3 months	148	(7)	141
more than 3 months	86	(42)	44
	234	**(49)**	**185**
TOTAL	**1,839**	**(62)**	**1,777**

For each of the years presented, no single customer represented revenue exceeding 10% of the Group's consolidated revenue.

NOTE 11 - OTHER CURRENT ASSETS

(EUR millions)	2010	2009	2008
Current available for sale financial assets	219	218	590
Market value of derivatives	209	302	265
Tax accounts receivable, excluding income taxes	277	208	296
Advances and payments on account to vendors	147	117	146
Prepaid expenses [(1)]	201	184	198
Other receivables, net	217	208	239
TOTAL	**1,270**	**1,237**	**1,734**

(1) See Note 1.2 Application of IAS 38 as amended.

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 ASSETS

(EUR millions)	2010	2009	2008
Unlisted securities, shares in non-money market SICAV and funds	32	71	471
Listed securities	187	147	119
TOTAL	**219**	**218**	**590**
Of which: historical cost of current available for sale financial assets	280	336	679

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

(EUR millions)	2010	2009	2008
As of January 1	**218**	**590**	**879**
Acquisitions	55	15	107
Disposals at net realized value	(106)	(343)	(115)
Changes in market value	74	50	(233)
Changes in impairment	(26)	(31)	(92)
Reclassifications (as)/from Non-current available for sale financial assets	-	(59)	-
Changes in the scope of consolidation	-	(1)	1
Translation adjustment	4	(3)	43
AS OF DECEMBER 31	**219**	**218**	**590**

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)	2010	2009	2008
Fixed term deposits (less than 3 months)	579	153	68
SICAV and FCP money market funds	142	103	75
Ordinary bank accounts	1,687	2,277	934
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**2,408**	**2,533**	**1,077**

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)	2010	2009	2008
Cash and cash equivalents	2,408	2,533	1,077
Bank overdrafts	(412)	(298)	(424)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**1,996**	**2,235**	**653**

NOTE 14 - EQUITY

14.1 Share capital

As of December 31, 2010, issued and fully paid-up shares totaled 181,727,048 (181,727,048 shares as of December 31, 2009 and December 31, 2008), with a par value of 2 euros per share, including 124,912,488 shares with double voting rights.

Double voting rights are granted to registered shares held for more than three years (125,095,619 as of December 31, 2009, 126,483,627 as of December 31, 2008).

14.2 Treasury shares and related derivatives

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

(EUR millions)	**2010**	**2009**	**2008**
Christian Dior treasury shares	174	213	200
Christian Dior's share in LVMH-share settled derivatives [(1)]	16	52	56
TREASURY SHARES AND RELATED DERIVATIVES	**190**	**265**	**256**

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

The portfolio of treasury shares settled in Christian Dior shares is allocated as follows:

	2010		**2009**	**2008**
(EUR millions)	**Number**	**Value**	**Value**	**Value**
Share purchase option plans (including expired options)	2,693,848	166	212	199
Bonus share plan	90,180	7	-	-
Other	19,532	1	1	1
CHRISTIAN DIOR SHARES	**2,803,560**	**174**	**213**	**200**

The market value of Christian Dior shares held as of December 31, 2010 amounts to 2.1 million euros.

The portfolio movements of Christian Dior shares in 2010 were as follows:

(EUR millions)	**Number of shares**	**Value**
As of December 31, 2009	**3,600,880**	**213**
Purchase of shares	100,000	8
Purchase options exercised	(887,500)	(46)
Proceeds from disposals	(9,820)	(1)
Gross capital gain (loss) on disposal	-	-
AS OF DECEMBER 31, 2010	**2,803,560**	**174**

14.3 Dividends paid by the parent company Christian Dior

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares. As of December 31, 2010, the amount available for distribution was 2,431 million euros; after taking into account the proposed dividend distribution in respect of the 2010 fiscal year, the amount available for distribution is 2,207 million euros.

(EUR millions, except for data per share in EUR)	2010	2009	2008
Interim dividend for the current year (2010: 0.88 euros; 2009: 0.44 euros; 2008: 0.44 euros)	160	80	80
Impact of treasury shares	(3)	(2)	(2)
	157	**78**	**78**
Final dividend for the previous year (2009: 1.22 euros; 2008: 1.17 euros; 2007: 1.17 euros)	222	213	213
Impact of treasury shares	(4)	(4)	(4)
	218	**209**	**209**
TOTAL GROSS AMOUNT DISBURSED DURING THE PERIOD (1)	**375**	**287**	**287**

(1) Excludes the impact of tax regulations applicable to the beneficiaries.

The final dividend for 2010, as proposed to the Shareholders' Meeting of March 31, 2011 is 1.23 euros per share, representing a total amount of 224 million euros, excluding amount to be deducted in relation to treasury shares owned at date of payment.

14.4 Cumulative translation adjustment

The change in the translation adjustment recognized under equity, Group share and the closing balance, net of hedging effects of net assets denominated in foreign currency, break down as follows by currency:

(EUR millions)	2010	Change	2009	2008
US dollar	(66)	146	(212)	(150)
Swiss franc	165	124	41	40
Japanese yen	58	44	14	26
Hong Kong dollar	19	26	(7)	4
Pound sterling	(33)	4	(37)	(50)
Other currencies	21	38	(17)	(23)
Hedges of foreign currency net assets	(75)	(74)	(1)	(14)
TOTAL, GROUP SHARE	**89**	**308**	**(219)**	**(167)**

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.

The Group manages its financial structure so as to ensure genuine flexibility, allowing it both to seize opportunities and enjoy significant access to markets offering favorable conditions.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 17) to equity;
- net financial debt to cash from operations before changes in working capital;
- long term resources to fixed assets;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- proportion of long term debt in net financial debt.

Long term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

With respect to these indicators, the Group seeks to maintain levels allowing for significant financial flexibility.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through the frequent recourse to several negotiable debt markets (both short and long term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts in undrawn confirmed credit lines.

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

NOTE 15 - STOCK OPTION AND SIMILAR PLANS

Share purchase option plans

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

As of December 31, 2010, no subscription plan had been allocated by Christian Dior SA.

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

In certain circumstances, in particular in the event of retirement, the period of three or five years before options may be exercised is not applicable.

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

Bonus share plans

The Shareholders' Meeting of May 15, 2008 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in July 2011, to grant bonus shares to employees and company officers of the Company or of Group companies, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to the beneficiaries who are French residents for tax purposes becomes definitive after a two-year vesting period, which is followed by a two-year holding period during which the beneficiaries may not sell their shares.

Bonus shares allocated in 2010 to beneficiaries who are not French residents for tax purposes shall be definitive after a vesting period of four years and shall be freely transferable at that time.

Performance conditions

Since 2009, certain share purchase option plans and bonus share plans have been subject to performance conditions that determine whether the beneficiaries are entitled to receive the definitive allocation of these plans.

15.1 Share purchase option plans

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

Plan commencement date	Number of options granted	Exercise price (EUR)	Vesting period of rights	Number of options exercised in 2010	Number of options expired in 2010	Number of options to be exercised as of 12/31/2010
February 15, 2000 (3)	100,200 (1)	56.70 (2)	5 years	296,000 (2)	-	-
February 21, 2001	437,500	45.95	3 years	322,500	-	40,000
February 18, 2002	504,000	33.53	3 years	27,500	-	65,002
February 18, 2003	527,000	29.04	3 years	2,000	-	110,002
February 17, 2004	527,000	49.79	3 years	114,500	6,000	303,500
May 12, 2005	493,000	52.21	3 years	78,000	-	355,000
February 15, 2006	475,000	72.85 (4)	3 years	47,000	-	386,000
September 6, 2006	20,000	74.93	3 years	-	-	20,000
January 31, 2007	480,000	85.00	4 years	-	2,000	443,000
May 15, 2008	484,000	73.24 (5)	4 years	-	2,000	482,000
May 14, 2009	332,000	52.10	4 years	-	2,000	330,000
TOTAL				**887,500**	**12,000**	**2,534,504**

(1) Number of options at the commencement of the plan, without any restatement for the adjustment linked to the four-for-one stock split in July 2000.
(2) Restated following the operations referred to in (1) above.
(3) Plan expired February 14, 2010.
(4) Exercise price for residents of Italy: 77.16 euros.
(5) Exercise price for residents of Italy: 73.47 euros.

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

	2010		2009		2008	
(EUR millions)	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share purchase options outstanding as of January 1	**3,434,004**	**60.33**	**3,229,504**	**60.81**	**2,926,004**	**57.83**
Options granted during the period	-	-	332,000	52.10	484,000	73.24
Expired options	(12,000)	59.95	(30,000)	69.67	(60,000)	70.02
Options exercised during the period	(887,500)	51.58	(97,500)	45.44	(120,500)	33.86
SHARE PURCHASE OPTIONS OUTSTANDING AS OF DECEMBER 31	**2,534,504**	**63.39**	**3,434,004**	**60.33**	**3,229,504**	**60.81**

Share purchase options granted under the plan dated May 14, 2009 may only be exercised if, in fiscal years 2009 and 2010, (or, for senior executive officers, in three of the four fiscal years from 2009 to 2012) either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008. The performance condition, which was met in 2009 and 2010, was also considered to have been met for the future fiscal years, for the purpose of determining the expense for 2010.

15.2 Bonus share plans

The main characteristics of the bonus share plan of April 15, 2010 are as follows:

Grant date	Number of shares allocated initially	Vesting periods of rights	Expired allocations in 2010	Shares vested in 2010	Non-vested shares as of Dec. 31, 2010
April 15, 2010	90,180 (2)	2 or 4 years (1)			90,180
TOTAL					**90,180**

(1) The vesting period is two years for beneficiaries with tax residence in France and four years for beneficiaries with tax residence outside France.
(2) For certain beneficiaries, this plan is subject to performance conditions.

The number of non-vested shares allocated changed as follows during the period:

(number of shares)	2010
Non-vested shares as of January 1	**-**
Allocations of non-vested shares	90,180
Shares vested	-
Expired allocations	-
NON-VESTED SHARES AS OF DECEMBER 31	**90,180**

The bonus share plan launched in 2010 is partly subject to performance conditions for certain beneficiaries. Bonus shares may only be definitively granted if, in fiscal years 2010 and 2011, either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin shows a positive change compared to 2009. The performance condition, which was met for fiscal year 2010, was considered to have been met for fiscal year 2011, for the purpose of determining the expense for 2010.

15.3 Expense for the period

(EUR millions)	2010	2009	2008
Christian Dior share purchase option plans and bonus share plans	9	6	9
LVMH share subscription and purchase option plans, bonus share plans	44	46	44
Cash-settled LVMH-share based incentive plans	6	7	(6)
EXPENSE FOR THE YEAR	**59**	**59**	**47**

The total expense recognized in 2010 for the Christian Dior share purchase plans and allocations of bonus share plans in 2010 was 9 million euros (6 million euros in 2009 and 9 million euros in 2008).

In the calculations presented below, the unit value of each option plan is determined 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	2008 plans
LVMH share price on the grant date *(EUR)*	57.28	75.01
Average exercise price *(EUR)*	56.50	72.51
Volatility of LVMH shares	37.0%	27.5%
Dividend distribution rate	2.8%	2.4%
Risk-free investment rate	2.7%	4.1%

The LVMH share price on the grant date of the 2010 bonus share plan amounted to 90.39 euros.

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

The average unit value of non-vested bonus shares granted in 2010 was 86.93 euros for beneficiaries with tax residence in France and 83.05 euros for beneficiaries with tax residence outside France.

Christian Dior

	May 2009 plan	May 2008 plan
Christian Dior share price on the grant date *(EUR)*	49.67	76.15
Average exercise price *(EUR)*	52.10	73.24
Volatility of Christian Dior shares	45.6%	25.0%
Dividend distribution rate	3.2%	2.1%
Risk-free investment rate	3.0%	4.2%

The Christian Dior share price on the grant date of the 2010 bonus share plan amounted to 83.78 euros.

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

The average unit value of non-vested bonus shares granted in 2010 was 80.29 euros for beneficiaries with tax residence in France and 76.31 euros for beneficiaries with tax residence outside France.

NOTE 16 - MINORITY INTERESTS

(EUR millions)	2010	2009	2008
As of January 1	**9,857**	**9,281**	**8,563**
Impact of application of IAS 38 as amended. See Note 1.2	**-**	**-**	**(53)**
As of January 1, restated	**9,857**	**9,281**	**8,510**
Minority interests' share of net profit	2,008	1,207	1,428
Dividends paid to minority interests	(698)	(603)	(618)
Effects of changes in control of consolidated entities:			
impact of LVMH treasury shares	155	11	(64)
consolidation of Royal Van Lent	-	-	14
other movements	(3)	11	6
Effects of acquisitions and disposals of minority interests' shares:			
acquisition of minority interests in the Samaritaine	(104)	-	-
other movements	17	(8)	8
Total effects of changes in the percentage of interests in consolidated entities	**65**	**14**	**(36)**
Capital increases subscribed by minority interests	12	29	5
Minority interests' share in gains and losses recognized in equity	712	(69)	104
Minority interests' share in stock option plan expenses	26	27	27
Effects of purchase commitments for minority interests	(115)	(29)	(139)
AS OF DECEMBER 31	**11,867**	**9,857**	**9,281**

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, 2007	**(472)**	**205**	**60**	**402**	**195**
Changes for the year	179	(129)	(18)	72	104
As of December 31, 2008	**(293)**	**76**	**42**	**474**	**299**
Changes for the year	(95)	43	5	(22)	(69)
As of December 31, 2009	**(388)**	**119**	**47**	**452**	**230**
Changes for the year	475	168	(23)	92	712
AS OF DECEMBER 31, 2010	**87**	**287**	**24**	**544**	**942**

NOTE 17 - BORROWINGS

17.1 Net financial debt

(EUR millions)	2010	2009	2008
Long term borrowings	4,268	5,163	4,615
Short term borrowings	2,578	2,164	2,522
Gross amount of borrowings	**6,846**	**7,327**	**7,137**
Interest rate risk derivatives	(82)	(87)	(66)
Other derivatives	5	6	(4)
Gross borrowings after derivatives	**6,769**	**7,246**	**7,067**
Current available for sale financial assets	(219)	(218)	(590)
Other financial assets	-	(35)	(30)
Cash and cash equivalents	(2,408)	(2,533)	(1,077)
NET FINANCIAL DEBT	**4,142**	**4,460**	**5,370**

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

The impact of interest rate derivatives is detailed in Note 21.

17.2 Breakdown by nature

(EUR millions)	2010	2009	2008
Bonds and Euro Medium Term Notes (EMTNs)	3,123	3,971	2,934
Finance and other long term leases	132	122	129
Bank borrowings	1,013	1,070	1,552
Long term borrowings	**4,268**	**5,163**	**4,615**
Bonds and Euro Medium Term Notes (EMTNs)	1,015	723	127
Finance and other long term leases	17	23	23
Bank borrowings	347	274	436
Commercial paper	272	200	717
Other borrowings and credit facilities	432	537	714
Bank overdrafts	412	298	424
Accrued interest	83	109	81
SHORT TERM BORROWINGS	**2,578**	**2,164**	**2,522**
TOTAL BORROWINGS	**6,846**	**7,327**	**7,137**
MARKET VALUE OF GROSS BORROWINGS	**7,013**	**7,528**	**7,239**

No amount of financial debt was recognized in accordance with the fair value option as of December 31, 2010, 2009 and 2008. See Note 1.18.

17.3 Bonds and EMTNs

Nominal amount; date of issuance *(EUR millions)*	**Maturity**	**Initial effective interest rate** *(%)* (1)	**2010**	**2009**	**2008**
EUR 1,000,000,000; 2009	2014	4.52	1,021	998	-
EUR 350,000,000; 2009	2014	4.02	347	347	-
CHF 200,000,000; 2008	2015	4.04	161	135	135
CHF 200,000,000; 2008	2011	3.69	161	135	135
EUR 50,000,000; 2008	2011	6.12	50	50	50
EUR 760,000,000; 2005 and 2008 (2)	2012	3.76	755	752	749
CHF 300,000,000; 2007	2013	3.46	243	206	206
EUR 150,000,000; 2006	2011	4.37	150	149	149
EUR 600,000,000; 2004	2011	4.74	609	611	609
EUR 750,000,000; 2003	2010	5.05	-	723 (3)	742
Public bond issues			**3,497**	**4,106**	**2,775**
EUR 250,000,000; 2009	2015	4.59	257	251	-
EUR 150,000,000; 2009	2017	4.81	153	149	-
Private placements in foreign currencies			231	188	286
Private placements (EMTN)			**641**	**588**	**286**
TOTAL BONDS AND EMTNS			**4,138**	**4,694**	**3,061**

(1) Before impact of interest rate hedges set up at the time of, or subsequent to, each issuance.
(2) 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%.
(3) 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 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	2011	1,820	758	2,578	(258)	249	(9)	1,562	1,007	2,569
	2012	865	18	883	(600)	598	(2)	265	616	881
	2013	490	695	1,185	176	(169)	7	666	526	1,192
	2014	1,375	153	1,528	(1,000)	950	(50)	375	1,103	1,478
	2015	422	1	423	(250)	236	(14)	172	237	409
	Thereafter	174	75	249	(150)	141	(9)	24	216	240
TOTAL		**5,146**	**1,700**	**6,846**	**(2,082)**	**2,005**	**(77)**	**3,064**	**3,705**	**6,769**

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

The breakdown by quarter of the amount falling due in 2011 is as follows:

(EUR millions)		Maturing in 2011
Maturity:	First quarter	1,187
	Second quarter	213
	Third quarter	666
	Fourth quarter	512
TOTAL		**2,578**

17.5 Analysis of gross borrowings by currency after hedging

(EUR millions)	2010	2009	2008
Euro	4,779	5,532	5,160
US dollar	352	294	274
Swiss franc	984	797	820
Japanese yen	329	340	503
Other currencies	325	283	310
TOTAL	**6,769**	**7,246**	**7,067**

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, 2010:

- 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 33 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 47 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 33 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 47 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2010, due to the absence of hedging of future interest payments.

17.7 Covenants

As is normal practice for syndicated loans, the Christian Dior Group has signed commitments to maintain a percentage interest and voting rights for certain of its subsidiaries, and to maintain a normal financing ratio in this regard.

Under the terms of certain credit agreements, the Group has undertaken to comply with certain financial ratios (mainly net financial debt to equity; coverage of financial debt by assets). The current level of these ratios ensures that the Group has a real financial flexibility with regard to these commitments.

17.8 Undrawn confirmed credit lines

As of December 31, 2010, unused confirmed credit lines totaled 3.8 billion euros.

17.9 Guarantees and collateral

As of December 31, 2010, borrowings hedged by collateral were less than 200 million euros.

NOTE 18 - PROVISIONS

(EUR millions)	2010	2009	2008
Provisions for pensions, medical costs and similar commitments	267	245	235
Provisions for contingencies and losses	889	725	708
Provisions for reorganization	20	25	34
Non-current provisions	**1,176**	**995**	**977**
Provisions for pensions, medical costs and similar commitments	10	9	7
Provisions for contingencies and losses	279	261	247
Provisions for reorganization	57	84	72
Current provisions	**346**	**354**	**326**
TOTAL	**1,522**	**1,349**	**1,303**

In 2010, the changes in provisions were as follows:

(EUR millions)	2009	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	2010
Provisions for pensions, medical costs and similar commitments	254	57	(34)	-	(4)	4	277
Provisions for contingencies and losses	986	361	(150)	(47)	-	18	1,168
Provisions for reorganization	109	26	(51)	(8)	(1)	2	77
TOTAL	**1,349**	**444**	**(235)**	**(55)**	**(5)**	**24**	**1,522**
Of which: profit from recurring operations		184	(143)	(31)			
net financial income (expense)		45	-	-			
other		215	(92)	(24)			

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

Provisions for pensions, medical costs and similar commitments are examined in Note 28.

NOTE 19 - OTHER NON-CURRENT LIABILITIES

(EUR millions)	2010	2009	2008
Purchase commitments for minority interests	3,687	2,843	2,965
Market value of derivatives	2	22	31
Employee profit sharing (1)	89	81	89
Other liabilities	166	140	169
TOTAL	**3,944**	**3,086**	**3,254**

(1) 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 Château d'Yquem, Château Cheval Blanc and certain Champagne vineyards.

As of December 31, 2010, 2009 and 2008 purchase commitments for minority interests mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, with six-months' advance notice and for 80% of its fair value 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%), Royal Van Lent (10%) and subsidiaries of Sephora in various countries.

NOTE 20 - OTHER CURRENT LIABILITIES

(EUR millions)	2010	2009	2008
Market value of derivatives	146	95	166
Employees and social institutions	725	608	589
Employee profit sharing (1)	72	67	67
Taxes other than income taxes	323	258	250
Advances and payments on account from customers	209	234	208
Deferred payment for tangible and financial non-current assets	184	190	174
Deferred income	76	61	69
Other	526	454	434
TOTAL	**2,261**	**1,967**	**1,957**

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

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 Foreign exchange, interest rate and equity market risk management

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

The Group has implemented a stringent policy, as well as rigorous management guidelines to measure, manage and monitor these market risks.

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

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

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

		2010		2009		2008	
(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*	3,891	3,891	540	540	375	375
Current available for sale financial assets	*12*	219	219	218	218	590	590
Available for sale financial assets (see Note 1.13)		**4,110**	**4,110**	**758**	**758**	**965**	**965**
Other non-current assets, excluding derivatives		276	276	640	640	664	664
Trade accounts receivable	*10*	1,629	1,629	1,515	1,515	1,721	1,721
Other current assets, excluding derivatives, current available for sale financial assets and prepaid expenses	*11*	641	641	533	533	681	681
Loans and receivables (see Note 1.15)		**2,546**	**2,546**	**2,688**	**2,688**	**3,066**	**3,066**
Cash and cash equivalents (see Note 1.16)	*13*	2,408	2,408	2,533	2,533	1,077	1,077
Financial assets, excluding derivatives		**9,064**	**9,064**	**5,979**	**5,979**	**5,108**	**5,108**
Long term borrowings	*17*	4,268	4,425	5,163	5,362	4,615	4,715
Short term borrowings	*17*	2,578	2,588	2,164	2,166	2,522	2,524
Trade accounts payable		2,349	2,349	1,956	1,956	2,348	2,348
Other non-current liabilities, excluding derivatives and purchase commitments for minority interests	*19*	255	255	221	221	258	258
Other current liabilities, excluding derivatives and deferred income	*20*	2,039	2,039	1,811	1,811	1,722	1,722
Financial liabilities, excluding derivatives (see Note 1.18)		**11,489**	**11,656**	**11,315**	**11,516**	**11,465**	**11,567**
Derivatives (see Note 1.19)	*21.3*	**123**	**123**	**311**	**311**	**261**	**261**

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

	2010			2009			2008		
(EUR millions)	Available for sale financial assets	Deriva-tives	Cash and cash equivalents	Available for sale financial assets	Deriva-tives	Cash and cash equivalents	Available for sale financial assets	Deriva-tives	Cash and cash equivalents
Valuation based on:									
Published price quotations	3,750	-	2,408	356	-	2,533	266	-	1,077
Formula based on market data	119	271	-	191	428	-	471	458	-
Private quotations	241	-	-	211	-	-	199	-	-
Other	-	-	-	-	-	-	29	-	-
ASSETS	**4,110**	**271**	**2,408**	**758**	**428**	**2,533**	**965**	**458**	**1,077**
Valuation based on:									
Published price quotations		-			-			-	
Formula based on market data		148			117			197	
Private quotations		-			-			-	
LIABILITIES		**148**			**117**			**197**	

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

- Quoted prices — Level 1
- Formulas based on market data — Level 2
- Private quotations — Level 3

The amount of financial assets valued on the basis on non-observable market data changed as follows in 2010:

(EUR millions)	2010
As of January 1	211
Acquisitions	13
Proceeds from disposals (at net realized values)	(12)
Gains and losses recognized in income statement	(28)
Gains and losses recognized in equity	57
AS OF DECEMBER 31	**241**

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	2010	2009	2008
Interest rate risk					
Assets:	non-current		41	46	36
	current		66	90	80
Liabilities:	non-current		(1)	(21)	(29)
	current		(24)	(28)	(21)
		21.4	**82**	**87**	**66**
Foreign exchange risk					
Assets:	non-current		9	6	17
	current		139	211	185
Liabilities:	non-current		(1)	(1)	(2)
	current		(122)	(57)	(70)
		21.5	**25**	**159**	**130**
Other risks					
Assets:	non-current		12	74	140
	current		4	1	-
Liabilities:	non-current		-	-	-
	current		-	(10)	(75)
			16	**65**	**65**
TOTAL					
Assets:	non-current		62	126	193
	current	*11*	209	302	265
Liabilities:	non-current	*19*	(2)	(22)	(31)
	current	*20*	(146)	(95)	(166)
			123	**311**	**261**

21.4 Derivatives used to manage interest rate risk

The Group manages its interest rate exposure on the basis of total net financial debt. The objective of its management policy is to protect net profit against a sharp rise 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, 2010 break down as follows:

	Nominal amounts by maturity				**Fair value (1)**		
(EUR millions)	**2011**	**2012 to 2015**	**Beyond 2015**	**Total**	**Fair value hedges**	**Unallocated amounts**	**TOTAL**
Interest rate swaps in euros:							
- fixed rate payer	500	166	-	666	(7)	(10)	(17)
- floating rate payer	765	1,850	150	2,765	95	-	95
- floating rate / floating rate	-	152	-	152	-	1	1
Foreign currency swaps	31	117	-	148	-	3	3
TOTAL					**88**	**(6)**	**82**

(1) 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, 2010 break down as follows:

	Nominal amounts by fiscal year of allocation				Market value (1)				
(EUR millions)	2010	2011	There-after	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	TOTAL
Options purchased									
Put USD	247	227	-	474	-	3	-	2	5
Put JPY	50	96	-	146	-	-	-	(1)	(1)
Other	39	7	-	46	1	2	-	1	4
	336	**330**	**-**	**666**	**1**	**5**	**-**	**2**	**8**
Ranges									
Written USD	247	1,961	112	2,320	2	93	-	(1)	94
Written JPY	27	348	62	437	-	(11)	-	(1)	(12)
Other	-	8	-	8	-	-	-	-	-
	274	**2,317**	**174**	**2,765**	**2**	**82**	**-**	**(2)**	**82**
Forward exchange contracts (2)									
USD	315	125	-	440	3	12	(37)	1	(21)
JPY	82	201	53	336	(2)	(2)	-	(2)	(6)
GBP	-	8	-	8	-	-	-	-	-
Other	936	71	-	1,007	(2)	(2)	-	(1)	(5)
	1,333	**405**	**53**	**1,791**	**(1)**	**8**	**(37)**	**(2)**	**(32)**
Foreign exchange swaps (2)									
USD	1,682	-	-	1,682	-	-	(37)	(36)	(73)
CHF	232	-	-	232	-	-	(25)	(1)	(26)
GBP	(9)	-	-	(9)	-	-	-	1	1
JPY	(6)	-	-	(6)	-	-	(1)	34	33
Other	(746)	-	-	(746)	(1)	-	-	33	32
	1,153	**-**	**-**	**1,153**	**(1)**	**-**	**(63)**	**31**	**(33)**
TOTAL					**1**	**95**	**(100)**	**29**	**25**

(1) Gain/(Loss).
(2) Sale/(Purchase).

The impact on income statement of gains and losses on hedges of future cash flows as well as the future cash flows hedged, using these instruments, will be recognized in 2011; the amount will depend on exchange rates at this date.

The impacts of a variation of 10% in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar with respect to the euro on the net profit for fiscal year 2010, equity (excluding net profit), and the market value of derivatives as of December 31, 2010, including 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%
Impact on net profit	10	(91)	5	(5)	11	(11)	101	(100)
Impact on equity, excluding net profit	206	(228)	57	(58)	115	(128)	105	(115)
Impact on market value of derivatives	(112)	92	(7)	6	(69)	56	(59)	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 2010, mainly comprising options and ranges.

As of December 31, 2010, at Group level, forecast cash collections for 2011 are hedged in the proportion of 82% in US dollars and 81% in Japanese yen.

21.6 Financial instruments used to manage equity risk

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, share prices and volatility. Considering nominal values of 28 million euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2010 would induce a net impact on the Group's profit for an amount of 0.3 million euros. Derivatives used to manage equity risk outstanding as of December 31, 2010 had a positive fair value of 16 million euros. Most of these instruments mature in 2014.

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 (0.3 billion euros) or (b) by comparing the amount of the short term portion of its net financial debt before hedging (2.6 billion euros) and net of cash and cash equivalents (2.4 billion euros). Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.8 billion euros.

The Group's liquidity is based on the amount of its investments, the amount of its 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, 2010, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2011	2012	2013	2014	2015	Over 5 years	TOTAL
Bonds and EMTNs	1,152	863	515	1,405	425	161	4,521
Bank borrowings	372	132	758	155	-	4	1,421
Other borrowings and credit facilities	440	-	-	-	-	-	440
Finance and other long term leases	24	22	20	18	17	354	455
Commercial paper	272	-	-	-	-	-	272
Bank overdrafts	412	-	-	-	-	-	412
Gross financial debt	**2,672**	**1,017**	**1,293**	**1,578**	**442**	**519**	**7,521**
Other financial liabilities (1)	2,121	35	33	36	18	51	2,294
Trade accounts payable	2,349	-	-	-	-	-	2,349
Other financial liabilities	**4,470**	**35**	**33**	**36**	**18**	**51**	**4,643**
TOTAL FINANCIAL LIABILITIES	**7,142**	**1,052**	**1,326**	**1,614**	**460**	**570**	**12,164**

(1) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 2,039 million euros and to Other non-current liabilities (excluding derivatives and purchase commitments for minority interests) for 255 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 six business groups. Five business groups – Christian Dior Couture, Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes, with each group headed by its own management team. The Selective Retailing business and holding 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 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 [1]	TOTAL
Sales outside the Group	813	3,252	7,549	2,805	964	5,359	381	-	21,123
Sales between business groups	13	9	32	271	21	19	29	(394)	-
TOTAL REVENUE	**826**	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,123**
Profit from recurring operations	35	930	2,555	332	128	536	(159)	(19)	4,338
Other operating income and expenses	(14)	(21)	(30)	(39)	(3)	(26)	(33)	-	(166)
Operating investments [2]	98	97	351	112	47	194	188	-	1,087
Depreciation and amortization expenses	54	97	314	106	29	201	36	-	837
Impairment expense	-	-	21	-	-	17	16	-	54
Brands, trade names, licenses and goodwill [3]	75	4,878	4,746	1,630	1,715	2,729	1,246	-	17,019
Inventories	148	3,626	770	275	403	935	70	(88)	6,139
Other operating assets	473	2,700	2,034	686	336	1,485	2,517	7,808 [4]	18,039
TOTAL ASSETS	**696**	**11,204**	**7,550**	**2,591**	**2,454**	**5,149**	**3,833**	**7,720**	**41,197**
Equity	-	-	-	-	-	-	-	19,570	19,570
Operating liabilities	190	1,069	1,334	971	221	1,188	506	16,148 [5]	21,627
TOTAL LIABILITIES AND EQUITY	**190**	**1,069**	**1,334**	**971**	**221**	**1,188**	**506**	**35,718**	**41,197**

Fiscal year 2009

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [1]	TOTAL
Sales outside the Group	701	2,732	6,273	2,519	747	4,517	256	-	17,745
Sales between business groups	16	8	29	222	17	16	22	(330)	-
TOTAL REVENUE	**717**	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,745**
Profit from recurring operations	13	760	1,986	291	63	388	(144)	(1)	3,356
Other operating income and expenses	(11)	(41)	(71)	(17)	(32)	(19)	(3)	2	(192)
Operating investments [2]	34	96	284	96	26	182	91	-	809
Depreciation and amortization expenses	45	90	268	99	27	175	42	-	746
Impairment expense	-	-	20	20	-	5	11	-	56
Brands, trade names, licenses and goodwill [3]	74	4,278	4,683	1,637	1,450	2,522	1,277	-	15,921
Inventories	158	3,548	701	226	369	738	128	(66)	5,802
Other operating assets	410	2,540	1,855	644	257	1,342	2,243	5,039 [4]	14,330
TOTAL ASSETS	**642**	**10,366**	**7,239**	**2,507**	**2,076**	**4,602**	**3,648**	**4,973**	**36,053**
Equity	-	-	-	-	-	-	-	16,121	16,121
Operating liabilities	171	1,013	1,137	805	176	1,001	497	15,132 [5]	19,932
TOTAL LIABILITIES AND EQUITY	**171**	**1,013**	**1,137**	**805**	**176**	**1,001**	**497**	**31,253**	**36,053**

Fiscal year 2008

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Not allocated and eliminations (1)	TOTAL
Sales outside the Group	749	3,117	5,975	2,664	856	4,361	211	-	17,933
Sales between business groups	16	9	35	204	23	15	17	(319)	-
TOTAL REVENUE	**765**	**3,126**	**6,010**	**2,868**	**879**	**4,376**	**228**	**(319)**	**17,933**
Profit from recurring operations	9	1,060	1,927	290	118	388	(150)	(21)	3,621
Other operating income and expenses	(7)	13	(61)	(28)	(1)	(28)	(38)	(3)	(153)
Operating investments (2)	41	157	338	146	39	228	160	-	1,109
Depreciation and amortization expenses	46	73	236	111	23	148	36	-	673
Impairment expense	-	-	20	-	-	-	11	-	31
Brands, trade names, licenses and goodwill (3) (6)	87	4,092	4,722	1,650	1,434	2,630	1,283	-	15,898
Inventories (6)	209	3,406	850	292	400	776	109	(79)	5,963
Other operating Assets (6)	444	2,564	1,945	725	317	1,390	2,256	3,992 (4)	13,633
TOTAL ASSETS	**740**	**10,062**	**7,517**	**2,667**	**2,151**	**4,796**	**3,648**	**3,913**	**35,494**
Equity (6)	-	-	-	-	-	-	-	15,171	15,171
Operating liabilities	182	1,069	1,141	883	189	1,111	551	15,197 (5)	20,323
TOTAL LIABILITIES AND EQUITY	**182**	**1,069**	**1,141**	**883**	**189**	**1,111**	**551**	**30,368**	**35,494**

(1) 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.
(2) Operating investments correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.
(3) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(4) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of December 31, 2010, they include the 20.2% shareholding in Hermès International, representing an amount of 3,345 million euros, see Note 8 (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", and 522 million euros as of December 31, 2008, of which 449 classified under "Other non-current assets" and 73 classified under "Non-current available for sale financial assets").
(5) Liabilities not allocated include borrowings and both current and deferred tax liabilities.
(6) See Note 1.2 Application of IAS 38 as amended.

22.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2010	2009	2008
France	2,847	2,597	2,747
Europe (excluding France)	4,541	3,918	4,256
United States	4,693	3,913	4,018
Japan	1,851	1,752	1,855
Asia (excluding Japan)	5,207	4,012	3,519
Other markets	1,984	1,553	1,538
REVENUE	**21,123**	**17,745**	**17,933**

Operating investments by geographic region are as follows:

(EUR millions)	2010	2009	2008
France	401	325	509
Europe (excluding France)	246	143	195
United States	144	106	169
Japan	32	18	19
Asia (excluding Japan)	216	165	158
Other markets	48	52	59
OPERATING INVESTMENTS	**1,087**	**809**	**1,109**

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.

Operating investments 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	180	635	1,729	736	204	1,181	78	(95)	4,648
Second quarter	193	667	1,787	705	239	1,238	73	(89)	4,813
Third quarter	221	846	1,948	805	244	1,294	68	(99)	5,327
Fourth quarter	232	1,113	2,117	830	298	1,665	191	(111)	6,335
TOTAL 2010	**826**	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**410**	**(394)**	**21,123**
First quarter	169	540	1,598	663	154	1,085	62	(89)	4,182
Second quarter	171	539	1,390	622	192	1,042	68	(69)	3,955
Third quarter	178	682	1,549	686	187	1,040	68	(81)	4,309
Fourth quarter	199	979	1,765	770	231	1,366	80	(91)	5,299
TOTAL 2009	**717**	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(330)**	**17,745**
First quarter	184	640	1,445	717	211	1,011	56	(84)	4,180
Second quarter	182	652	1,323	645	206	979	54	(69)	3,972
Third quarter	197	746	1,471	719	239	1,015	43	(78)	4,352
Fourth quarter	202	1,088	1,771	787	223	1,371	75	(88)	5,429
TOTAL 2008	**765**	**3,126**	**6,010**	**2,868**	**879**	**4,376**	**228**	**(319)**	**17,933**

NOTE 23 - REVENUE AND EXPENSES BY NATURE

23.1 Revenue

Revenue consists of the following:

(EUR millions)	2010	2009	2008
Revenue generated by brands and trade names	20,725	17,394	17,554
Royalties and license revenue	154	124	130
Income from investment property	81	75	66
Other	163	152	183
TOTAL	**21,123**	**17,745**	**17,933**

23.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2010	2009	2008
Advertising and promotion expenses	2,376	1,885	2,125
Commercial lease expenses	1,354	1,145	1,063
Personnel costs	3,768	3,318	3,198
Research and development expenses	46	45	43

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, 2010, a total of 2,779 stores were operated by the Group worldwide (2,660 in 2009, 2,551 in 2008), 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)	2010	2009	2008
Fixed or minimum lease payments	597	551	504
Variable portion of indexed leases	273	202	175
Airport concession fees – fixed portion or minimum amount	281	246	221
Airport concession fees – variable portion	203	146	163
COMMERCIAL LEASE EXPENSES	**1,354**	**1,145**	**1,063**

Personnel costs consist of the following elements:

(EUR millions)	2010	2009	2008
Salaries and social charges	3,642	3,195	3,120
Pensions, medical costs and similar expenses in respect of defined benefit plans	67	64	31
Stock option plan and related expenses	59	59	47
PERSONNEL COSTS	**3,768**	**3,318**	**3,198**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2010	2009	2008
Net gains (losses) on disposals of fixed assets	(36)	12	11
Restructuring costs	(39)	(100)	(90)
Impairment or amortization of brands, trade names, goodwill and other property	(87)	(91)	(57)
Other, net	(4)	(13)	(17)
OTHER OPERATING INCOME AND EXPENSES	**(166)**	**(192)**	**(153)**

In 2010, net losses on disposals mainly relate 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.

In 2008, other operating income and expenses comprised capital gains realized on the sale of various assets in the amount of 11 million euros and costs for the restructuring of industrial and commercial processes in the amount of 90 million euros. These amounts related to the discontinuation of certain product lines, the closure of retail stores considered as insufficiently profitable and the reorganization of the operations of Glenmorangie. The latter notably included the gradual withdrawal from activities performed on behalf of third parties and the disposal of certain assets, notably the industrial facility in Broxburn (United Kingdom) as well as the Glen Moray brand and distillery.

NOTE 25 - NET FINANCIAL INCOME/EXPENSE

(EUR millions)	2010	2009	2008
Borrowing costs	(214)	(264)	(316)
Income from cash, cash equivalents and current available for sale	18	21	18
Fair value adjustment of borrowings and hedges	(1)	1	(24)
Cost of net financial debt	**(197)**	**(242)**	**(322)**
Dividends received from non-current available for sale financial assets	14	11	11
Ineffective portion of foreign currency hedges	(96)	(46)	(64)
Net gain/(loss) related to available for sale financial assets and other financial instruments	865	(94)	53
Other items - net	(20)	(26)	(26)
Other financial income and expenses	**763**	**(155)**	**(26)**
NET FINANCIAL INCOME/(EXPENSE)	**566**	**(397)**	**(348)**

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	2010	2009	2008
Income from cash and cash equivalents	12	11	15
Income from current available for sale financial assets	6	10	3
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**18**	**21**	**18**

The revaluation effects of financial debt and interest rate derivatives are attributable to the following items:

(EUR millions)	2010	2009	2008
Hedged financial debt	(17)	(20)	(12)
Hedging instruments	15	20	11
Unallocated derivatives	1	1	(15)
Debt recognized in accordance with the fair value option	-	-	(8)
EFFECTS OF REVALUATION OF FINANCIAL DEBT AND RATE INSTRUMENTS	**(1)**	**1**	**(24)**

The ineffective portion of exchange rate derivatives breaks down as follows:

(EUR millions)	2010	2009	2008
Financial cost of commercial foreign exchange hedges	(124)	(55)	(71)
Financial cost of foreign-currency denominated net asset hedges	1	13	11
Change in the fair value of unallocated derivatives	27	(4)	(4)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(96)**	**(46)**	**(64)**

The net gain related to available for sale financial assets and other financial instruments includes an amount of 1,004 million euros related to the Hermès transactions (see Note 8 Non-current available for sale financial assets). This amount represents the gain, net of transaction costs, recorded on the settlement of equity linked swaps, corresponding to the difference between the market value of the securities acquired at the settlement date and their value based on the Hermès share price as of December 31, 2009.

In 2010, excluding the Hermès transactions, as in 2009, the net gain/loss related to available for sale financial assets and financial instruments was due to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets. In 2008, this item notably included the share attributable to the Group in the capital gains arising on the sale of the French video game retailer Micromania as well as various impairment losses on available for sale financial assets.

NOTE 26 - INCOME TAXES

26.1 Analysis of the income tax expense

(EUR millions)	2010	2009	2008
Current income taxes for the period	(1,507)	(789)	(917)
Current income taxes relating to previous periods	(6)	3	5
Current income taxes	**(1,513)**	**(786)**	**(912)**
Change in deferred income taxes	35	(81)	8
Impact of changes in tax rates on deferred taxes	2	-	-
Deferred income taxes	**37**	**(81)**	**8**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(1,476)**	**(867)**	**(904)**
Tax on items recognized in equity	**(3)**	**(30)**	**34**

The effective tax rate is as follows:

(EUR millions)	2010	2009	2008
Profit before tax	4,738	2,767	3,120
Total income tax expense	(1,476)	(867)	(904)
Effective tax rate	**31.2%**	**31.4%**	**29.0%**

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)	2010	2009	2008 (1)
Deferred tax assets	699	555	714
Deferred tax liabilities	(4,254)	(4,023)	(4,016)
NET DEFERRED TAX ASSET (LIABILITY)	**(3,555)**	**(3,468)**	**(3,302)**

(1) See Note 1.2 Application of IAS 38 as amended.

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)	2010	2009	2008
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rate	(0.1)	-	-
Differences in tax rates for foreign companies	(5.6)	(6.6)	(6.1)
Tax losses and tax loss carry forwards	0.1	0.3	(0.2)
Difference between consolidated and taxable income, income taxable at reduced rates	1.9	2.8	0.6
Withholding tax	0.5	0.5	0.3
EFFECTIVE TAX RATE OF THE GROUP	**31.2**	**31.4**	**29.0**

Since 2000, French companies have been subject to additional income tax, at a rate of 3.3% for 2008, 2009 and 2010, bringing the theoretical tax rate to 34.4% in each fiscal year.

26.4 Sources of deferred taxes

In the income statement

(EUR millions)	2010	2009	2008
Valuation of brands	(65)	(9)	(38)
Other revaluation adjustments	4	(11)	3
Gains and losses on available for sale financial assets	3	(5)	-
Gains and losses on hedges of future foreign currency cash flows	8	(4)	(3)
Provisions for contingencies and losses (1)	26	10	(12)
Intercompany margin included in inventories	40	(23)	80
Other consolidation adjustments (1)	31	3	11
Losses carried forward	(10)	(42)	(33)
TOTAL	**37**	**(81)**	**8**

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

In equity

(EUR millions)	**2010**	**2009**	**2008**
Fair value adjustment of vineyard land	(71)	18	(59)
Gains and losses on available for sale financial assets	(22)	-	(7)
Gains and losses on hedges of future foreign currency cash flows	14	(2)	23
TOTAL	**(79)**	**16**	**(43)**

In the balance sheet

(EUR millions)	**2010** (3)	**2009** (3)	**2008** (2) (3)
Valuation of brands	(3,215)	(3,298)	(3,213)
Fair value adjustment of vineyard land	(568)	(496)	(503)
Other revaluation adjustments	(361)	(321)	(305)
Gains and losses on available for sale financial assets	(48)	(21)	(23)
Gains and losses on hedges of future foreign currency cash flows	(1)	(22)	(14)
Provisions for contingencies and losses (1)	185	153	143
Intercompany margin included in inventories	323	275	301
Other consolidation adjustments (1)	57	183	188
Losses carried forward	73	79	124
TOTAL	**(3,555)**	**(3,468)**	**(3,302)**

(1) Mainly tax-driven provisions, accelerated tax depreciation and finance leases.
(2) See Note 1.2 Application of IAS 38 as amended.
(3) Assets/(Liabilities).

26.5 Tax loss carry forwards

As of December 31, 2010, 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 290 million euros (321 million euros in 2009, 307 million euros in 2008).

As of December 31, 2010, for Christian Dior, unused tax loss carry forwards were 217 million euros (196 million euros in 2009, 199 million euros in 2008).

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, 2010, (compared to 29 million euros as of December 31, 2009 and 30 million euros as of December 31, 2008). Unused tax loss carry forwards for which no deferred tax assets were recognized had a potential impact on the future tax expense of 46 million euros.

26.6 Tax consolidation

- Tax consolidation agreements in France allow virtually all French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

  This tax consolidation agreement generated for the Group a decrease in the current tax expense of 115 million euros in 2010, of which 107 million euros were for LVMH and 8 million euros for Christian Dior (106 million euros in 2009, 121 million euros in 2008 for the Group).

- The application of other tax consolidation agreements, notably in the United States and Italy, generated current tax savings of 82 million euros in 2010 (96 million euros in 2009, 96 million euros in 2008).

NOTE 27 - EARNINGS PER SHARE

	2010	2009	2008
Group share of net earnings *(EUR millions)*	**1,261**	**695**	**796**
Impact of diluting instruments on subsidiaries	(2)	(1)	(4)
GROUP SHARE OF NET EARNINGS, DILUTED	**1,259**	**694**	**792**
Average number of shares in circulation during the period	181,727,048	181,727,048	181,727,048
Average number of Christian Dior treasury shares owned during the period	(3,202,220)	(3,483,630)	(3,422,564)
Average number of shares on which the calculation before dilution is based	**178,524,828**	**178,243,418**	**178,304,484**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**7.06**	**3.90**	**4.46**
Average number of shares on which the above calculation is based	178,524,828	178,243,418	178,304,484
Dilution effect of stock option plans	636,983	232,374	627,694
AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION	**179,161,811**	**178,475,792**	**178,932,178**
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**7.03**	**3.89**	**4.43**

As of December 31, 2010, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding purchase options are considered to be available to be exercised at that date, since the Christian Dior share price is higher than the exercise price of these options.

No events occurred between December 31, 2010 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

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

28.1 Expense for the year

(EUR millions)	2010	2009	2008
Current service cost	47	44	37
Impact of discounting	31	30	23
Expected return on plan assets	(19)	(16)	(18)
Amortization of actuarial gains and losses	6	4	(11)
Past service cost	2	2	2
Changes in regime	-	-	(2)
TOTAL EXPENSE FOR THE PERIOD FOR DEFINED BENEFIT PLANS	**67**	**64**	**31**
Effective returns on/(cost of) plan assets	24	46	(77)

28.2 Net recognized commitment

(EUR millions)	2010	2009	2008
Benefits covered by plan assets	686	573	549
Benefits not covered by plan assets	146	148	118
Defined benefit obligation	**832**	**721**	**667**
Market value of plan assets	**(489)**	**(420)**	**(351)**
Actuarial gains and losses not recognized in the balance sheet	(78)	(58)	(79)
Past service cost not yet recognized in the balance sheet	(6)	(8)	(17)
Unrecognized items	**(84)**	**(66)**	**(96)**
NET RECOGNIZED COMMITMENT	**259**	**235**	**220**
Of which:			
Non-current provisions	267	245	235
Current provisions	10	9	7
Other assets	(18)	(19)	(22)
TOTAL	**259**	**235**	**220**

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, 2009	**721**	**(420)**	**(66)**	**235**
Net expense for the period	78	(19)	8	67
Payments to beneficiaries	(39)	27	-	(12)
Contributions to plan assets	-	(36)	-	(36)
Contributions of employees	3	(3)	-	-
Changes in consolidation scope and reclassifications	(4)	1	1	(2)
Changes in regime	4	(1)	(3)	-
Actuarial differences: experience impacts	(14)	(4)	18	-
Actuarial differences: change in assumptions	37	(1)	(36)	-
Translation adjustment	46	(33)	(6)	7
AS OF DECEMBER 31, 2010	**832**	**(489)**	**(84)**	**(259)**

Actuarial gains and losses resulting from experience adjustments related to the fiscal years 2006 to 2009 amounted to:

(EUR millions)	2006	2007	2008	2009
Experience adjustments on the defined benefit obligation	9	(1)	(2)	(16)
Experience adjustments on the fair value of plan assets	(11)	-	96	(29)
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS	**(2)**	**(1)**	**94**	**(45)**

The actuarial assumptions applied to estimate commitments as of December 31, 2010 in the main countries where such commitments have been undertaken, were as follows:

	2010				2009				2008			
(percentage)	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan
Discount rate [(1)]	4.5	5.1	5.4	1.75	5.25	5.5	5.75	2.25	5.5	6.0	6.0	2.25
Average expected return on investments	4.0	7.75	6.0	4.0	4.0	7.75	5.75	4.0	4.5	7.75	5.75	4.0
Future rate of increase of salaries	3.0	4.0	4.2	2.0	3.0	4.0	4.25	2.0	3.5	4.5	3.75	2.5

(1) 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 is as follows by type of investment:

(percentage)	2010
Shares	6.6
Bonds	
- Private issues	4.5
- Public issues	2.6
Real estate, cash and other assets	2.6

The assumed rate of increase of medical expenses in the United States is 7.8% 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 47 million euros in the amount of the defined benefit obligation as of December 31, 2010. A decrease of 0.5% in the discount rate would result in a rise of 39 million euros in the amount of the defined benefit obligation as of December 31, 2010.

28.4 Analysis of benefits

The breakdown of the defined benefit obligation by type of benefit plan is as follows:

(EUR millions)	2010	2009	2008
Retirement and other indemnities	134	120	116
Medical costs of retirees	46	54	42
Jubilee awards	11	11	11
Supplementary pensions	617	517	478
Early retirement indemnities	3	4	9
Other	21	15	11
DEFINED BENEFIT OBLIGATION	**832**	**721**	**667**

The geographic breakdown of the defined benefit obligation is as follows:

(EUR millions)	2010	2009	2008
France	312	281	299
Europe (excluding France)	268	220	159
United States	147	144	126
Japan	93	65	74
Asia (excluding Japan)	12	11	9
DEFINED BENEFIT OBLIGATION	**832**	**721**	**667**

The main components of the Group's net commitment for retirement and other benefit obligations as of December 31, 2010 are as follows:

- in France, these commitments include the commitment to members of the Group's executive bodies, who are covered by a supplementary pension plan after a certain number of years' service, the amount of which is linked to their last year's remuneration; they also include jubilee awards and retirement indemnities, the payment of which is determined by French law and collective bargaining agreements, respectively after a certain number of years of service or upon retirement;
- in Europe (excluding France), the main commitments concern pension schemes, set up in the United Kingdom by certain group companies, 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, and in Switzerland, participation by group companies in the mandatory Swiss occupational pension scheme, the LPP (*Loi pour la Prévoyance Professionnelle*);
- in the United States, the commitment relates to defined benefit plans or schemes for the reimbursement of medical expenses of retirees set up by certain group companies.

28.5 Analysis of related plan assets

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

(percentage)	**2010**	**2009**	**2008**
Shares	45	42	43
Bonds			
- Private issues	23	27	36
- Public issues	18	19	13
Real estate, cash and other assets	14	12	8
FAIR VALUE OF RELATED PLAN ASSETS	**100**	**100**	**100**

These assets do not include any real estate assets operated by the Group or any LVMH or Christian Dior shares for significant amounts.

The additional sums that will be paid into the funds to build up these assets in 2011 are estimated at 45 million euros.

NOTE 29 - OFF BALANCE SHEET COMMITMENTS

29.1 Purchase commitments

(EUR millions)	**2010**	**2009**	**2008**
Grapes, wines and distilled alcohol	1,139	1,336	1,671
Other purchase commitments for raw materials	67	68	64
Industrial and commercial fixed assets	168	109	180
Investments in joint venture shares and non-current available for sale financial assets	96	56	63

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, 2010, 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	582	480	77	1,139
Other purchase commitments for raw materials	58	9	-	67
Industrial and commercial fixed assets	79	89	-	168
Investments in joint venture shares and non-current available for sale financial assets	2	88	6	96

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, 2010:

(EUR millions)	2010	2009	2008
Less than one year	943	907	836
One to five years	2,338	2,162	2,129
More than five years	1,049	967	1,062
COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSION FEES	**4,330**	**4,036**	**4,027**
Less than one year	20	20	24
One to five years	42	32	50
More than five years	5	6	8
COMMITMENTS RECEIVED FOR SUB-LEASES	**67**	**58**	**82**

Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2010 breaks down as follows:

(EUR millions)	2010		2009		2008	
	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	24	24	29	31	25	25
One to five years	78	56	72	51	80	61
More than five years	354	69	336	63	364	66
Total future minimum payments	**456**		**437**		**469**	
Of which: financial interest	(307)		(292)		(317)	
PRESENT VALUE OF MINIMUM FUTURE PAYMENTS	**149**	**149**	**145**	**145**	**152**	**152**

29.3 Collateral and other guarantees

As of December 31, 2010, these commitments break down as follows:

(EUR millions)	2010	2009	2008
Securities and deposits	46	69	59
Other guarantees	78	66	48
GUARANTEES GIVEN	**124**	**135**	**107**
GUARANTEES RECEIVED	**25**	**33**	**25**

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	17	18	11	46
Other guarantees	37	40	1	78
GUARANTEES GIVEN	**54**	**58**	**12**	**124**
GUARANTEES RECEIVED	**20**	**2**	**3**	**25**

29.4 Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

29.5 Other commitments

The Group is not aware of any significant off balance sheet commitments other than those described above.

NOTE 30 - RELATED PARTY TRANSACTIONS

30.1 Relations of the Christian Dior Group with the Groupe Arnault and Financière Agache groups

The Christian Dior Group is consolidated in the accounts of Financière Agache SA, which is controlled by Groupe Arnault SAS.

Relations of the Christian Dior Group with the Groupe Arnault Group

Groupe Arnault provides assistance to the Christian Dior Group in the areas of development, engineering, as well as corporate and real estate law. In addition, Groupe Arnault leases office premises to LVMH.

Groupe Arnault leases office space from the Christian Dior Group and the latter also provides Groupe Arnault with various forms of administrative assistance.

Transactions between the Christian Dior Group and the Groupe Arnault Group may be summarized as follows:

(EUR millions)	2010	2009	2008
• Christian Dior Group purchases from the Groupe Arnault group	(10)	(10)	(10)
Amount payable outstanding as of December 31	(2)	(2)	(1)
• Christian Dior Group sales to the Groupe Arnault group	2	2	3
Amount receivable outstanding as of December 31	-	-	2

Relations of the Christian Dior Group with the Financière Agache group

Transactions between the Christian Dior Group and the Financière Agache group may be summarized as follows:

(EUR millions)	2010	2009	2008
• Amounts billed by the Financière Agache group to the Christian Dior Group	-	-	-
Amount payable outstanding as of December 31	-	-	-
• Amounts billed for financial interest to the Christian Dior Group	-	-	(1)
Amount payable outstanding as of December 31	-	-	-
• Amounts billed by the Christian Dior Group to the Financière Agache group	-	-	-
Amount payable outstanding as of December 31	-	-	-
• Amounts billed for financial interest to the Financière Agache group	-	-	-
Amount payable outstanding as of December 31	-	-	-

30.2 Relations of the Christian Dior Group with Diageo

Moët Hennessy SNC and MH 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 20% of shared expenses in 2010 (20% in 2009, 23% in 2008) representing an amount of 9 million euros in 2010 (17 million euros in 2009 and in 2008).

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)	2010	2009	2008
Gross compensation, employers' charges and benefits in kind	17	14	13
Post-employment benefits	2	2	1
Other long term benefits	-	-	-
End of contract indemnities	-	-	-
Stock option and similar plans	13	12	14
TOTAL	**32**	**28**	**28**

The commitment recognized as of December 31, 2010 for post-employment benefits, net of related financial assets was 3 million euros (1 million euros as of December 31, 2009 and December 31, 2008).

NOTE 31 - SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2010 and February 3, 2011, the date on which the accounts were approved for publication by the Board of Directors.

Consolidated companies

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Christian Dior	Paris, France	PARENT COMPANY	
Financière Jean Goujon	Paris, France	FC	100%
Sadifa	Paris, France	FC	100%
Lakenbleker	Amsterdam, Netherlands	FC	100%
CHRISTIAN DIOR COUTURE			
Christian Dior Couture S.A.	Paris, France	FC	100%
Christian Dior Fourrure M.C. S.A.M	Monaco, Principality of Monaco	FC	100%
Christian Dior GmbH	Dusseldorf, Germany	FC	100%
Christian Dior Inc.	New York, U.S.A.	FC	100%
Christian Dior UK Ltd	London, United Kingdom	FC	100%
Christian Dior Suisse S.A.	Geneva, Switzerland	FC	100%
Mardi Spa	Badia a Settimo-Scandicci, Italy	FC	75%
Ateliers AS	Pierre Bénite, France	EM	25%
Christian Dior Far East Ltd	Hong Kong, China	FC	100%
Christian Dior Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Christian Dior Hong Kong Ltd	Hong Kong, China	FC	100%
Christian Dior Taiwan Limited	Hong Kong, China	FC	90%
Christian Dior Singapore Pte Ltd	Singapore, Republic of Singapore	FC	100%
Christian Dior Saipan Ltd	Saipan, Saipan	FC	100%
Christian Dior Australia PTY Ltd	Sydney, Australia	FC	100%
Christian Dior New Zealand Ltd	Auckland, New Zealand	FC	100%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	100%
Christian Dior K.K. (Kabushiki Kaisha)	Tokyo, Japan	FC	100%
Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	100%
Christian Dior Guam Ltd	Tumon Bay Guam, Guam	FC	100%
Christian Dior Espanola S.L.	Madrid, Spain	FC	100%
Christian Dior do Brasil Ltda	Sao Paulo, Brazil	FC	100%
Christian Dior Italia Srl	Milan, Italy	FC	100%
Christian Dior Belgique S.A.	Brussels, Belgium	FC	100%
Bopel Srl	Lugagnano Val d'Arda, Italy	FC	70%
Christian Dior Puerto Banus S.L.	Marbella-Puerto Banus, Spain	FC	75%
Lucilla Srl	Sieci-Pontassieve, Italy	FC	51%
Christian Dior Couture CZ s.r.o.	Prague, Czech Republic	FC	100%
Christian Dior Couture Maroc SA	Casablanca, Morocco	FC	51%
Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	100%
Christian Dior Macau Single Shareholder Company Limited	Macao, Macao	FC	100%
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%
Christian Dior S. de R.L. de C.V.	Lomas, Mexico	FC	100%
Christian Dior Commercial (Shanghai) Co.Ltd	Shanghai, China	FC	100%
Ateliers Modèles S.A.S.	Paris, France	FC	100%
Baby Siam Couture Company Ltd	Bangkok, Thailand	FC	100%
CDC Abu-Dhabi LLC [(2)]	Abu Dhabi, United Arab Emirates	[(2)]	[(2)]
CDCH SA	Luxembourg, Luxembourg	FC	75%
Dior Grèce S.A.	Athens, Greece	FC	51%
Christian Dior Couture RUS LLC	Moscow, Russia	FC	100%
Christian Dior Couture Stoleshnikov LLC	Moscow, Russia	FC	100%
Calto Srl	Milan, Italy	FC	100%
CDC General Trading LLC	Dubai, United Arab Emirates	[(2)]	[(2)]
Christian Dior Istanbul Magazacilik Anonim Sirketi	Maslak-Istanbul, Turkey	FC	51%
Christian Dior Trading India Private Limited	Mumbai, India	FC	51%
Manifatturauno Srl	Fosso (Venice), Italy	FC	80%
John Galliano SA	Paris, France	FC	91%
Les Ateliers Horlogers Dior SA	La Chaux-de-Fonds, Switzerland[(3)]	FC	72%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Dior Montres SARL	Paris, France [(3)]	FC	72%
Christian Dior Couture Qatar LLC	Doha, Qatar	[(2)]	[(2)]
Christian Dior Couture Ukraine S.A.R.L.	Kiev, Ukraine	FC	100%
CDCG FZCO	Dubai, United Arab Emirates	[(2)]	[(2)]
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	100%
WINES AND SPIRITS			
MHCS SCS	Epernay, France	FC	29%
Champagne Des Moutiers SA	Epernay, France	FC	29%
Société Viticole de Reims SA	Epernay, France	FC	29%
Cie Française du Champagne et du Luxe SA	Epernay, France	FC	29%
Chamfipar SA	Epernay, France	FC	29%
STM Vignes SAS	Epernay, France	FC	27%
Champagne de Mansin SAS	Gye sur Seine, France	FC	29%
Champagne Montaudon SARL	Reims, France	FC	29%
Société Civile des Crus de Champagne SA	Reims, France	FC	29%
Moët Hennessy Italia Spa	Milan, Italy	FC	29%
Moët Hennessy UK Ltd	London, United Kingdom	FC	29%
Moët Hennessy España SA	Barcelona, Spain	FC	29%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	FC	29%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	29%
Moët Hennessy de Mexico, SA de C.V.	Mexico City, Mexico	FC	29%
Moët Hennessy Belux SA	Brussels, Belgium	FC	29%
Moët Hennessy Osterreich GmbH	Vienna, Austria	FC	29%
Moët Hennessy Suomi OY	Helsinki, Finland	FC	29%
Moët Hennessy Polska SP Z.O.O.	Warsaw, Poland	FC	29%
Moët Hennessy Czech Republic Sro	Prague, Czech Republic	FC	29%
Moët Hennessy Sverige AB	Stockholm, Sweden	FC	29%
Moët Hennessy România Srl	Bucharest, Romania	FC	29%
Moët Hennessy Norge AS	Hoevik, Norway	FC	29%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	FC	29%
Moët Hennessy Nederland BV	Baarn, Netherlands	FC	29%
Moët Hennessy USA, Inc.	New York, U.S.A.	FC	29%
MHD Moët Hennessy Diageo SAS	Courbevoie, France [(1)]	FC	29%
Clicquot, Inc.	New York, U.S.A. [(*)]	FC	29%
Opera Vineyards SA	Buenos Aires, Argentina	PC	14%
Domaine Chandon, Inc.	Yountville (California), U.S.A.	FC	29%
Cape Mentelle Vineyards Ltd	Margaret River, Australia	FC	29%
Veuve Clicquot Properties, Pty Ltd	Sydney, Australia	FC	29%
Moët Hennessy do Brasil Vinhos E Destilados Ltda	Sao Paulo, Brazil	FC	29%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	FC	29%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	FC	29%
Domaine Chandon Australia Pty Ltd	Coldstream Victoria, Australia	FC	29%
Newton Vineyards LLC	St Helena (California), U.S.A.	FC	26%
Château d'Yquem SA	Sauternes, France	FC	28%
Château d'Yquem SC	Sauternes, France	FC	28%
Société Civile Cheval Blanc (SCCB)	Saint Emilion, France	PC	22%
La Tour du Pin SAS	Saint Emilion, France	PC	22%
Jas Hennessy & Co. SCS	Cognac, France	FC	28%
Distillerie de la Groie SARL	Cognac, France	FC	28%
SICA de Bagnolet	Cognac, France	FC	1%
Sodepa SARL	Cognac, France	FC	28%
Diageo Moët Hennessy BV	Amsterdam, Netherlands [(1)]	FC	29%
Hennessy Dublin Ltd	Dublin, Ireland	FC	29%
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	11%
Hennessy Far East Ltd	Hong Kong, China	FC	28%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Moët Hennessy Diageo Hong Kong Ltd	Hong Kong, China (1)	FC	29%
Moët Hennessy Diageo Macao Ltd	Macao, China (1)	FC	29%
Riche Monde (China) Ltd	Shanghai, China (1)	FC	29%
Moët Hennessy Diageo Singapore Pte Ltd	Singapore (1)	FC	29%
Riche Monde Malaisie SDN BHD	Petaling Jaya, Malaysia (1)	FC	29%
Riche Monde Taïpei Ltd	Taipei, Taiwan (1)	FC	29%
Diageo Moët Hennessy Thailand Ltd	Bangkok, Thailand (1)	FC	29%
MH Champagne and Wines Korea Inc	Ichon, South Korea	FC	29%
Moët Hennessy Shanghai Ltd	Shanghai, China	FC	29%
Moët Hennessy India Pvt. Ltd	New Delhi, India	FC	29%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	FC	28%
MHD Chine Co. Ltd	Shanghai, China (1)	FC	29%
MHWH Limited	Limassol, Cyprus	PC	14%
Moët Hennessy Whitehall Russia SA	Moscow, Russia	FC	14%
Moët Hennessy Vietnam Importation Co. Ltd	Ho Chi Minh City, Vietnam	FC	28%
Moët Hennessy Vietnam Distribution Co Pte Ltd	Ho Chi Minh City, Vietnam	FC	14%
Moët Hennessy Rus LLC	Moscow, Russia	FC	29%
Moët Hennessy Diageo KK	Tokyo, Japan (1)	FC	29%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	FC	28%
Moët Hennessy Australia Ltd	Rosebury, Australia	FC	28%
Millennium Import LLC	Minneapolis, Minnesota, U.S.A.	FC	29%
Polmos Zyrardow	Zyrardow, Poland	FC	29%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	FC	29%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	29%
The Scotch Malt Whisky Society Ltd	Edinburgh, United Kingdom	FC	29%
Wenjun Spirits Company Ltd	Chengdu, China	FC	16%
Wen jun Spirits Sales Company Ltd	Chengdu, China	FC	16%

FASHION AND LEATHER GOODS			
Louis Vuitton Malletier SA	Paris, France	FC	43%
Manufacture de Souliers Louis Vuitton Srl	Fiesso d'Artico, Italy	FC	43%
Louis Vuitton South Europe Srl	Milan, Italy	FC	43%
Louis Vuitton Saint Barthélémy SNC	Saint Bartholomew, French Antilles	FC	43%
Louis Vuitton Cantacilik Ticaret AS	Istanbul, Turkey	FC	43%
Louis Vuitton Editeur SAS	Paris, France	FC	43%
Louis Vuitton International SNC	Paris, France	FC	43%
Les Ateliers de Pondichery Private Ltd	Pondichery, India	FC	43%
Louis Vuitton India Holding Private Ltd	Bangalore, India	FC	43%
Société des Ateliers Louis Vuitton SNC	Paris, France	FC	43%
Les Tanneries de la Comète SA	Estaimpuis, Belgium	FC	26%
Louis Vuitton Bahrein	Manama, Bahrain	(2)	(2)
Société Louis Vuitton Services SNC	Paris, France	FC	43%
Louis Vuitton Qatar LLC	Doha, Qatar	(2)	(2)
Société des Magasins Louis Vuitton France SNC	Paris, France	FC	43%
Belle Jardinière SA	Paris, France	FC	43%
Belle Jardinière Immo SAS	Paris, France	FC	43%
Sedivem SNC	Paris, France	FC	43%
Les Ateliers Horlogers Louis Vuitton SA	La Chaux-de-Fonds, Switzerland	FC	43%
Louis Vuitton Monaco SA	Monte Carlo, Monaco	FC	43%
ELV SNC	Paris, France	FC	43%
Louis Vuitton Services Europe Sprl	Brussels, Belgium	FC	43%
Louis Vuitton UK Ltd	London, United Kingdom	FC	43%
Louis Vuitton Ireland Ltd	Dublin, Ireland	FC	43%
Louis Vuitton Deutschland GmbH	Dusseldorf, Germany	FC	43%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Louis Vuitton Ukraine LLC	Kiev, Ukraine	FC	43%
Catalana Talleres Artesanos Louis Vuitton SA	Barcelona, Spain	FC	43%
Atepeli – Ateliers de Ponte de Lima SA	Ponte de Lima, Portugal	FC	43%
Louis Vuitton BV	Amsterdam, Netherlands	FC	43%
Louis Vuitton Belgium SA	Brussels, Belgium	FC	43%
Louis Vuitton Luxembourg SARL	Luxembourg, Luxembourg	FC	43%
Louis Vuitton Hellas SA	Athens, Greece	FC	43%
Louis Vuitton Cyprus Limited	Nicosia, Cyprus	FC	43%
Louis Vuitton Portugal Maleiro, Ltda.	Lisbon, Portugal	FC	43%
Louis Vuitton Ltd	Tel Aviv, Israel	FC	43%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	FC	43%
Louis Vuitton Aktiebolag SA	Stockholm, Sweden	FC	43%
Louis Vuitton Suisse SA	Geneva, Switzerland	FC	43%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	FC	43%
Louis Vuitton Osterreich G.m.b.H	Vienna, Austria	FC	43%
LV US Manufacturing, Inc	New York, U.S.A.	FC	43%
Somarest SARL	Sibiu, Romania	FC	43%
Louis Vuitton Hawaii, Inc	Honolulu (Hawaii), U.S.A.	FC	43%
Atlantic Luggage Company Ltd	Hamilton, Bermuda	FC	17%
Louis Vuitton Guam, Inc	Guam	FC	43%
Louis Vuitton Saipan, Inc	Saipan, Mariana Islands	FC	43%
Louis Vuitton Norge AS	Oslo, Norway	FC	43%
San Dimas Luggage Company	New York, U.S.A.	FC	43%
Louis Vuitton Liban (Beyrouth) SAL	Beirut, Lebanon	FC	43%
Louis Vuiton Liban Holding SAL	Beirut, Lebanon	FC	43%
Louis Vuitton Vietnam Company Ltd	Hanoi, Vietnam	FC	43%
Louis Vuitton Suomy Oy	Helsinki, Finland	FC	43%
Louis Vuitton România Srl	Bucharest, Romania	FC	43%
LVMH FG Brasil Ltda	Sao Paulo, Brazil	FC	43%
Louis Vuitton Panama Inc	Panama City, Panama	FC	43%
Louis Vuitton Mexico S de RL de CV	Mexico City, Mexico	FC	43%
Louis Vuitton Uruguay S.A.	Montevideo, Uruguay	FC	43%
Louis Vuitton Chile Ltda	Santiago de Chile, Chile	FC	43%
Louis Vuitton (Aruba) N.V	Oranjestad, Aruba	FC	43%
Louis Vuitton Republica Dominica Srl	Santo Domingo, Dominican Republic	FC	43%
LVMH Fashion Group Pacific Ltd	Hong Kong, China	FC	43%
LV Trading Hong Kong Ltd	Hong Kong, China	FC	43%
Louis Vuitton Hong Kong Ltd	Hong Kong, China	FC	43%
Louis Vuitton (Philippines), Inc	Makati, Philippines	FC	43%
LVMH Fashion (Singapore) Pte Ltd	Singapore	FC	43%
LV IOS Private Ltd	Singapore	FC	43%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	FC	43%
Louis Vuitton (Malaysia) SDN BHD	Kuala Lumpur, Malaysia	FC	43%
Louis Vuitton (Thailand) SA	Bangkok, Thailand	FC	43%
Louis Vuitton Taïwan, Ltd	Taipei, Taiwan	FC	43%
Louis Vuitton Australia, PTY Ltd	Sydney, Australia	FC	43%
Louis Vuitton (China) Co Ltd	Shanghai, China	FC	43%
Louis Vuitton Mongolia LLC	Ulaan Baatar, Mongolia	FC	43%
LV New Zealand Limited	Auckland, New Zealand	FC	43%
Louis Vuitton Trading India Private Ltd	New Delhi, India	FC	22%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	(2)	(2)
Louis Vuitton FZCO	Dubai, United Arab Emirates	FC	28%
Louis Vuitton Korea Ltd	Seoul, South Korea	FC	43%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	FC	43%
Louis Vuitton Hungaria Sarl	Budapest, Hungary	FC	43%
Louis Vuitton Argentina SA	Buenos Aires, Argentina	FC	43%
Louis Vuitton Vostock LLC	Moscow, Russia	FC	43%
LV Colombia SA	Santafe de Bogota, Colombia	FC	43%
Louis Vuitton Maroc Sarl	Casablanca, Morocco	FC	43%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Louis Vuitton South Africa Ltd	Johannesburg, South Africa	FC	43%
Louis Vuitton Macau Company Ltd	Macao, China	FC	43%
LVMH Fashion Group (Shanghai) Trading Co Ltd	Shanghai, China	FC	43%
LVJ Group KK	Tokyo, Japan	FC	43%
Louis Vuitton North America Inc	New York, U.S.A. (*)	FC	43%
Louis Vuitton Canada, Inc	Toronto, Canada	FC	43%
Marc Jacobs International, LLC	New York, U.S.A. (*)	FC	42%
Marc Jacobs International (UK) Ltd	London, United Kingdom	FC	43%
Marc Jacobs Trademark, LLC	New York, U.S.A. (*)	FC	14%
Marc Jacobs Japon KK	Tokyo, Japan	FC	21%
Marc Jacobs international Italia Srl	Milan, Italy	FC	42%
Marc Jacobs International France	Paris, France	FC	43%
Loewe SA	Madrid, Spain	FC	43%
Loewe Hermanos SA	Madrid, Spain	FC	43%
Manufacturas Loewe SL	Madrid, Spain	FC	43%
LVMH Fashion Group France SNC	Paris, France	FC	43%
Loewe Hermanos UK Ltd	London, United Kingdom	FC	43%
Loewe Saïpan, Inc	Saipan, Mariana Islands	FC	43%
Loewe Guam, Inc	Guam	FC	43%
Loewe Hong Kong Ltd	Hong Kong, China	FC	43%
Loewe Commercial & Trading Co, LTD	Shanghai, China	FC	43%
Loewe Fashion Pte Ltd	Singapore	FC	43%
Loewe Fashion (M) SDN BHD	Kuala Lumpur, Malaysia	FC	43%
Loewe Taïwan Ltd	Taipei, Taiwan	FC	43%
Loewe Korea Ltd	Seoul, South Korea	FC	43%
Loewe Macao Ltd	Macao, China	FC	43%
Berluti SA	Paris, France	FC	43%
Société de Distribution Robert Estienne SNC	Paris, France	FC	43%
Manufattura Ferrarese Srl	Ferrara, Italy	FC	43%
Berluti LLC	New York, U.S.A.	FC	43%
Berluti UK Ltd	London, United Kingdom	FC	43%
Rossimoda Spa	Vigonza, Italy	FC	42%
Rossimoda USA Ltd	New York, U.S.A.	FC	42%
Rossimoda France SARL	Paris, France	FC	42%
Brenta Suole Srl	Vigonza, Italy	FC	27%
LVMH Fashion Group Services SAS	Paris, France	FC	43%
Montaigne KK	Tokyo, Japan	FC	43%
Interlux Company Ltd	Hong Kong, China	FC	43%
Celine SA	Paris, France	FC	43%
Avenue M International SCA	Paris, France	FC	43%
Enilec Gestion SARL	Paris, France	FC	43%
Celine Montaigne SA	Paris, France	FC	43%
Celine Monte-Carlo SA	Monte Carlo, Monaco	FC	43%
Celine Production Srl	Florence, Italy	FC	43%
Celine Suisse SA	Geneva, Switzerland	FC	43%
Celine UK Ltd	London, United Kingdom	FC	43%
Celine Inc	New York, U.S.A. (*)	FC	43%
Celine Hong Kong Ltd	Hong Kong, China	FC	43%
Celine Commercial & Trading (Shanghai) Co Ltd	Shanghai, China	FC	43%
Celine Guam Inc	Tumon, Guam	FC	43%
Celine Korea Ltd	Seoul, South Korea	FC	43%
Celine Taïwan Ltd	Taipei, Taiwan	FC	43%
CPC International Ltd	Hong Kong, China	FC	43%
CPC Macau Ltd	Macao, China	FC	43%
LVMH FG Services UK Ltd	London, United Kingdom	FC	43%
Kenzo SA	Paris, France	FC	43%
E-Kenzo SAS	Paris, France	FC	26%
Kenzo Belgique SA	Brussels, Belgium	FC	43%
Kenzo Homme UK Ltd	London, United Kingdom	FC	43%
Kenzo Japan KK	Tokyo, Japan	FC	43%
Kenzo Accessories Srl	Lentate Sul Seveso, Italy	FC	22%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Givenchy SA	Paris, France	FC	43%
Givenchy Corporation	New York, U.S.A.	FC	43%
Givenchy China Co Ltd	Hong Kong, China	FC	43%
Givenchy Shanghai Commercial and Trading Co, Ltd	Shanghai, China	FC	43%
GCCL Macau Co Ltd	Macao, China	FC	43%
Gabrielle Studio, Inc	New York, U.S.A.	FC	43%
Donna Karan International Inc	New York, U.S.A.(*)	FC	43%
The Donna Karan Company LLC	New York, U.S.A.	FC	43%
Donna Karan Service Company BV	Oldenzaal, Netherlands	FC	43%
Donna Karan Company Store Ireland Ltd	Dublin, Ireland	FC	43%
Donna Karan Studio LLC	New York, U.S.A	FC	43%
The Donna Karan Company Store LLC	New York, U.S.A	FC	43%
Donna Karan Company Store UK Holdings Ltd	London, United Kingdom	FC	43%
Donna Karan Management Company UK Ltd	London, United Kingdom	FC	43%
Donna Karan Company Stores UK Retail Ltd	London, United Kingdom	FC	43%
Donna Karan Company Store (UK) Ltd	London, United Kingdom	FC	43%
Donna Karan H. K. Ltd	Hong Kong, China	FC	43%
Donna Karan (Italy) Srl	Milan, Italy	FC	43%
Donna Karan (Italy) Production Services Srl	Milan, Italy	FC	43%
Fendi International BV	Baarn, Netherlands	FC	43%
Fen Fashion Hellas SA	Athens, Greece	FC	22%
Fendi Prague S.r.o.	Prague, Czech Republic	FC	43%
Fun Fashion Qatar	Doha, Qatar	(2)	(2)
Fendi International SA	Paris, France	FC	43%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	(2)	(2)
Fendi SA	Luxembourg, Luxembourg	FC	43%
Fun Fashion Bahrain WLL	Manama, Bahrain	(2)	(2)
Fendi Srl	Rome, Italy	FC	43%
Fendi Dis Ticaret LSi	Istanbul, Turkey	FC	43%
Fendi Adele Srl	Rome, Italy	FC	43%
Fendi Italia Srl	Rome, Italy	FC	43%
Fendi U.K. Ltd	London, United Kingdom	FC	43%
Fendi France SAS	Paris, France	FC	43%
Fendi North America Inc	New York, U.S.A. (*)	FC	43%
Fendi Guam Inc	Tumon, Guam	FC	43%
Fendi (Thailand) Company Ltd	Bangkok, Thailand	FC	43%
Fendi Asia Pacific Ltd	Hong Kong, China	FC	43%
Fendi Korea Ltd	Seoul, South Korea	FC	43%
Fendi Taiwan Ltd	Taipei, Taiwan	FC	43%
Fendi Hong Kong Ltd	Hong Kong, China	FC	43%
Fendi China Boutiques Ltd	Hong Kong, China	FC	43%
Fendi (Singapore) Pte Ltd	Singapore	FC	43%
Fendi Fashion (Malaysia) Snd. Bhd.	Kuala Lumpur, Malaysia	FC	43%
Fendi Switzerland SA	Geneva, Switzerland	FC	43%
Fun Fashion FZCO LLC	Dubai, United Arab Emirates	FC	26%
Fendi Marianas, Inc	Tumon, Guam	FC	43%
Fun Fashion Kuwait Co. W.L.L.	Kuwait City, Kuwait	(2)	(2)
Fendi Macau Company Ltd	Macao, China	FC	43%
Fendi Germany GmbH	Stuttgart, Germany	FC	43%
Fun Fashion Napoli Srl	Rome, Italy	FC	22%
Fendi (Shanghai) Co Ltd	Shanghai, China	FC	43%
Fun Fashion India Pte Ltd	Mumbai, India	(2)	(2)
Interservices & Trading SA	Lugano, Switzerland	FC	43%
Fendi Silk SA	Lugano, Switzerland	FC	22%
Outshine Mexico, S. de RL de C.V.	Mexico, Mexico	FC	43%
Maxelle SA	Neuchatel, Switzerland	FC	22%
Taramax USA Inc	New Jersey, U.S.A.	FC	22%
Primetime Inc	New Jersey, U.S.A.	FC	22%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Taramax SA	Neuchatel, Switzerland	FC	22%
Taramax Japan KK	Tokyo, Japan	FC	22%
Support Retail Mexico, S. de RL de C.V.	Mexico City, Mexico	FC	43%
Emilio Pucci Srl	Florence, Italy	FC	43%
Emilio Pucci International BV	Baarn, Netherlands	FC	29%
Emilio Pucci, Ltd	New York, U.S.A.	FC	43%
Emilio Pucci Hong Kong Co Ltd	Hong Kong, China	FC	43%
EP (Shanghai) Commercial Ltd	Shanghai, China	FC	43%
Emilio Pucci UK Ltd	London, United Kingdom	FC	43%
Thomas Pink Holdings Ltd	London, United Kingdom	FC	43%
Thomas Pink Ltd	London, United Kingdom	FC	43%
Thomas Pink BV	Rotterdam, Netherlands	FC	43%
Thomas Pink Inc	New York, U.S.A. (*)	FC	43%
Thomas Pink Ireland Ltd	Dublin, Ireland	FC	43%
Thomas Pink Belgium SA	Brussels, Belgium	FC	43%
Thomas Pink France SAS	Paris, France	FC	43%
Thomas Pink Canada Inc	Toronto, Canada	FC	43%
Edun Apparel Ltd	Dublin, Ireland	EM	21%
Nowness, LLC	New York, U.S.A. (*)	FC	43%
LVMH Cosmetics Services	Tokyo, Japan	FC	43%
PERFUMES AND COSMETICS			
Parfums Christian Dior SA	Paris, France	FC	43%
LVMH P&C Thailand Co Ltd	Bangkok, Thailand	EM	21%
LVMH Parfums & Cosmétiques do Brasil Ltda	Sao Paulo, Brazil	FC	43%
France Argentine Cosmetics SA	Buenos Aires, Argentina	FC	43%
LVMH P&C Shanghai Co Ltd	Shanghai, China	FC	43%
Parfums Christian Dior Finland Oy	Helsinki, Finland	FC	43%
LVMH P&C Inc	New York, U.S.A.	FC	43%
SNC du 33 avenue Hoche	Paris, France	FC	43%
LVMH Fragrances & Cosmetics (Sinpagore) Pte Ltd	Singapore	FC	43%
Parfums Christian Dior Orient Co	Dubai, United Arab Emirates	FC	26%
Parfums Christian Dior Emirates	Dubai, United Arab Emirates	FC	13%
EPCD SP.ZO.O.	Warsaw, Poland	EM	9%
Parfums Christian Dior (UK) Ltd	London, United Kingdom	FC	43%
Parfums Christian Dior BV	Rotterdam, Netherlands	FC	43%
Iparkos BV	Rotterdam, Netherlands	FC	43%
Parfums Christian Dior S.A.B.	Brussels, Belgium	FC	43%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	FC	43%
Parfums Christian Dior Hellas S.A.	Athens, Greece	FC	43%
Parfums Christian Dior A.G.	Zurich, Switzerland	FC	43%
Christian Dior Perfumes LLC	New York, U.S.A.	FC	43%
Parfums Christian Dior Canada Inc	Montreal, Canada	FC	43%
LVMH P&C de Mexico SA de CV	Mexico City, Mexico	FC	43%
Parfums Christian Dior Japon K.K.	Tokyo, Japan	FC	43%
Parfums Christian Dior (Singapore) Pte Ltd	Singapore	FC	43%
Inalux SA	Luxembourg, Luxembourg	FC	43%
LVMH P&C Asia Pacific Ltd	Hong Kong, China	FC	43%
Fa Hua Fragrance & Cosmetic Co Ltd	Hong Kong, China	FC	43%
Parfums Christian Dior China	Shanghai, China	FC	43%
LVMH P&C Korea Ltd	Seoul, South Korea	FC	43%
Parfums Christian Dior Hong Kong Ltd	Hong Kong, China	FC	43%
LVMH P&C Malaysia Sdn berhad Inc	Kuala Lumpur, Malaysia	FC	43%
Fa Hua Hong Kong Co, Ltd	Hong Kong, China	FC	43%
Pardior SA de CV	Mexico City, Mexico	FC	43%
Parfums Christian Dior A/S Ltd	Copenhagen, Denmark	FC	43%
LVMH Perfumes & Cosmetics Group Pty Ltd	Sydney, Australia	FC	43%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Parfums Christian Dior AS Ltd	Hoevik, Norway	FC	43%
Parfums Christian Dior AB	Stockholm, Sweden	FC	43%
Parfums Christian Dior (New Zealand) Ltd	Auckland, New Zealand	FC	43%
Parfums Christian Dior GmbH Austria	Vienna, Austria	FC	43%
Cosmetic of France Inc	Miami (Florida), U.S.A.	FC	43%
GIE LVMH Recherche	Saint-Jean-de Braye, France	FC	43%
GIE Parfums et Cosmétiques Information Services - PCIS	Levallois Perret, France	FC	43%
Perfumes Loewe SA	Madrid, Spain	FC	43%
Acqua Di Parma Srl	Milan, Italy	FC	43%
Acqua Di Parma LLC	New York, U.S.A.	FC	43%
Guerlain SA	Paris, France	FC	43%
LVMH Parfums & Kosmetik Deutschland GmbH	Dusseldorf, Germany	FC	43%
Guerlain GesmbH	Vienna, Austria	FC	43%
Guerlain SA (Belgique)	Fleurus, Belgium	FC	43%
Guerlain Ltd	London, United Kingdom	FC	43%
LVMH Perfumes e Cosmetica Lda	Lisbon, Portugal	FC	43%
Guerlain SA (Suisse)	Geneva, Switzerland	FC	43%
Guerlain Inc	New York, U.S.A.	FC	43%
Guerlain Canada Ltd	Montreal, Canada	FC	43%
Guerlain De Mexico SA	Mexico City, Mexico	FC	43%
Guerlain Asia Pacific Ltd (Hong Kong)	Hong Kong, China	FC	43%
Guerlain KK	Tokyo, Japan	FC	43%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	FC	43%
Make Up For Ever SA	Paris, France	FC	43%
Make Up For Ever UK Ltd	London, United Kingdom	FC	43%
Make Up For Ever LLC	New York, U.S.A. (*)	FC	43%
LVMH Fragrance Brands SA	Levallois Perret, France	FC	43%
Parfums Givenchy Ltd	London, United Kingdom	FC	43%
Parfums Givenchy GmbH	Dusseldorf, Germany	FC	43%
Parfums Givenchy LLC	New York, U.S.A. (*)	FC	43%
Parfums Givenchy Canada Ltd	Toronto, Canada	FC	43%
Parfums Givenchy KK	Tokyo, Japan	FC	43%
Parfums Givenchy WHD, Inc	New York, U.S.A. (*)	FC	43%
LVMH P&K GmbH	Dusseldorf, Germany	FC	43%
Kenzo Parfums NA LLC	New York, U.S.A. (*)	FC	43%
Kenzo Parfums Singapore	Singapore	FC	43%
BeneFit Cosmetics LLC	San Francisco (California), U.S.A.	FC	35%
BeneFit Cosmetics Ireland Ltd	Dublin, Ireland	FC	35%
BeneFit Cosmetics UK Ltd	London, United Kingdom	FC	35%
BeneFit Cosmetics Services Canada Inc	Vancouver, Canada	FC	35%
BeneFit Cosmetics Korea	Seoul, South Korea	FC	35%
BeneFit Cosmetics SAS	Boulogne Billancourt, France	FC	35%
BeneFit Cosmetics Hong Kong	Hong Kong, China	FC	35%
Fresh Inc	Boston (Massachusetts), U.S.A.	FC	35%
Fresh Cosmetics Ltd	London, United Kingdom	FC	35%
LVMH Cosmetics Services	Tokyo, Japan	FC	43%
WATCHES AND JEWELRY			
TAG Heuer International SA	Luxembourg, Luxembourg	FC	43%
LVMH Swiss Manufactures SA	La Chaux-de-Fonds, Switzerland	FC	43%
LVMH Relojeria & Joyeria España SA	Madrid, Spain	FC	43%
LVMH Montres & Joaillerie France SA	Paris, France	FC	43%
LVMH Watch & Jewelry Central Europe GmbH	Bad Homburg, Germany	FC	43%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	FC	43%
LVMH Watch & Jewelry USA (Inc)	Springfield (New Jersey), U.S.A.	FC	43%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
LVMH Watch & Jewelry Canada Ltd	Toronto, Canada	FC	43%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	FC	43%
LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	FC	43%
LVMH Watch & Jewelry Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	FC	43%
LVMH Watch & Jewelry Capital Pte Ltd	Singapore	FC	43%
LVMH Watch & Jewelry Japan K.K.	Tokyo, Japan	FC	43%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	FC	43%
LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong, China	FC	43%
LVMH Watch & Jewelry Taiwan Ltd	Hong Kong, China	FC	43%
LVMH Watch & Jewelry India Pvt Ltd	New Delhi, India	FC	43%
LVMH Watch & Jewelry (Shanghai) Commercial Co Ltd	Shanghai, China	FC	43%
Chaumet International SA	Paris, France	FC	43%
Chaumet London Ltd	London, United Kingdom	FC	43%
Chaumet Horlogerie SA	Bienne, Switzerland	FC	43%
Chaumet Monte-Carlo SAM	Monte Carlo, Monaco	FC	43%
Chaumet Korea Chusik Hoesa	Seoul, South Korea	FC	43%
LVMH Watch & Jewelry Italy Spa	Milan, Italy	FC	43%
Delano SA	La Chaux-de-Fonds, Switzerland	FC	43%
LVMH W&J Services (Suisse) SA	La Chaux-de-Fonds, Switzerland	FC	43%
Fred Paris SA	Paris, France	FC	43%
Joaillerie de Monaco SA	Monte Carlo, Monaco	FC	43%
Fred Inc	Beverly Hills (California), U.S.A. (*)	FC	43%
Fred Londres Ltd	London, United Kingdom	FC	43%
Hublot SA	Nyon, Switzerland	FC	43%
Bentim International SA	Luxembourg, Luxembourg	FC	43%
Hublot SA Genève	Geneva, Switzerland	FC	43%
MDM Conseil et Gestion SA	Nyon, Switzerland	FC	43%
Hublot of America, Inc	Ft Lauderdale, U.S.A.	FC	43%
Hublot Japan KK Ltd	Tokyo, Japan	FC	43%
De Beers LV Ltd	London, United Kingdom	PC	22%

SELECTIVE RETAILING

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Sephora SA	Boulogne Billancourt, France	FC	43%
Sephora Luxembourg SARL	Luxembourg, Luxembourg	FC	43%
LVMH Iberia SL	Madrid, Spain	FC	43%
LVMH Italia Spa	Milan, Italy	FC	43%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	FC	43%
Sephora Pologne Spzoo	Warsaw, Poland	FC	43%
Sephora Marinopoulos SA	Alimos, Greece	PC	22%
Sephora Marinopulos Romania SA	Bucharest, Romania	PC	22%
Sephora S.R.O.	Prague, Czech Republic	FC	43%
Sephora Monaco SAM	Monaco	FC	43%
Sephora Cosmeticos España	Madrid, Spain	PC	22%
S+	Boulogne Billancourt, France	FC	43%
Sephora Marinopoulos Bulgaria EOOD	Sofia, Bulgaria	PC	22%
Sephora Marinopoulos Cyprus Ltd	Nicosia, Cyprus	PC	22%
Sephora Unitim Kozmetik AS	Istanbul, Turkey	FC	43%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain	PC	20%
Sephora Marinopoulos D.O.O.	Zagreb, Croatia	PC	22%
Sephora Marinopoulos Cosmetics D.O.O.	Belgrade, Serbia	PC	22%
Sephora Nederland BV	Amsterdam, Netherlands	FC	43%
Sephora Moyen Orient SA	Fribourg, Switzerland	FC	26%
Sephora Middle East FZE	Dubai, United Arab Emirates	FC	26%
Sephora Holding Asia	Shanghai, China	FC	43%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Sephora (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	35%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	FC	35%
Sephora Hong Kong	Hong Kong, China	FC	43%
Sephora Singapore Pte Ltd	Singapore	FC	26%
Sephora USA, Inc	San Francisco (California), U.S.A. (*)	FC	43%
Sephora Beauty Canada, Inc	San Francisco (California), U.S.A.	FC	43%
Sephora Puerto Rico, LLC	San Francisco (California), U.S.A.	FC	43%
Kendo Group Inc	San Francisco (California), U.S.A.	FC	43%
Dotcom group Comercio de Presentes SA	Rio de Janeiro, Brazil	FC	30%
United Europe S.B.	Moscow, Russia	EM	20%
Galonta Holdings Limited	Nicosia, Cyprus	EM	20%
Beauty in Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	26%
Le Bon Marché SA	Paris, France	FC	43%
SEGEP SNC	Paris, France	FC	43%
Franck & Fils SA	Paris, France	FC	43%
DFS Holdings Ltd	Hamilton, Bermuda	FC	26%
DFS Australia Pty Ltd	Sydney, Australia	FC	26%
Travel Retail Shops Pte Ltd	Sydney, Australia	EM	12%
DFS Group Ltd	Delaware, U.S.A.	FC	26%
DFS China Partners Ltd	Hong Kong, China	FC	26%
DFS Hong Kong Ltd	Hong Kong, China	FC	26%
TRS Hong Kong Ltd	Hong Kong, China	EM	12%
DFS Okinawa K.K.	Okinawa, Japan	FC	26%
TRS Okinawa	Okinawa, Japan	EM	12%
JAL/DFS Co., Ltd	Chiba, Japan	EM	10%
DFS Korea Ltd	Seoul, South Korea	FC	26%
DFS Seoul Ltd	Seoul, South Korea	FC	26%
DFS Cotai Limitada	Macao, China	FC	26%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	26%
Gateshire Marketing Sdn Bhd.	Kuala Lumpur, Malaysia	FC	26%
DFS Merchandising Ltd	Delaware, U.S.A.	FC	26%
DFS New Caledonia Sarl	Noumea, New Caledonia	FC	26%
DFS New Zealand Ltd	Auckland, New Zealand	FC	26%
TRS New Zealand Ltd	Auckland, New Zealand	EM	12%
Commonwealth Investment Company, Inc	Saipan, Mariana Islands	FC	26%
DFS Saipan Ltd	Saipan, Mariana Islands	FC	26%
Kinkaï Saipan L.P.	Saipan, Mariana Islands	FC	26%
Saipan International Boutique Partners	Saipan, Mariana Islands	EM	13%
DFS Palau Ltd	Koror, Palau	FC	26%
Difusi Information Technology & Development Co. Ltd	Shanghai, China	FC	26%
DFS Information Technology (Shanghai) Company Limited	Shanghai, China	FC	26%
Hainan DFS Retail Company Limited	Hainan, China	FC	26%
DFS Galleria Taiwan Ltd	Taipei, Taiwan	FC	26%
DFS Taiwan Ltd	Taipei, Taiwan	FC	26%
Tou You Duty Free Shop Co. Ltd	Taipei, Taiwan	FC	26%
DFS Singapore (Pte) Ltd	Singapore	FC	26%
DFS Trading Singapore (Pte) Ltd	Singapore	FC	26%
DFS Venture Singapore (Pte) Ltd	Singapore	FC	26%
TRS Singapore Pte Ltd	Singapore	EM	12%
Singapore International Boutique Partners	Singapore	EM	13%
DFS India Private Ltd	Mumbai, India	FC	19%
DFS Vietnam (S) Pte Ltd	Singapore	FC	19%
New Asia Wave International (S) Pte Ltd	Singapore	FC	19%
IPP Group (S) Pte Ltd	Singapore	FC	19%
Stempar Pte Ltd	Singapore	EM	13%
L Development & Management Ltd	Hong Kong, China	EM	23%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
DFS Group L.P.	Delaware, U.S.A.	FC	26%
LAX Duty Free Joint Venture 2000	Los Angeles (California), U.S.A.	FC	20%
Royal Hawaiian Insurance Company Ltd	Hawaii, U.S.A.	FC	26%
Hawaii International Boutique Partners	Honolulu (Hawaii), U.S.A.	EM	13%
JFK Terminal 4 Joint Venture 2001	New York, U.S.A.	FC	21%
DFS Guam L.P.	Tamuring, Guam	FC	26%
Guam International Boutique Partners	Tamuring, Guam	EM	13%
DFS Liquor Retailing Ltd	Delaware, U.S.A.	FC	26%
Twenty Seven - Twenty Eight Corp.	Delaware, U.S.A.	FC	26%
TRS Hawaii LLC	Honolulu (Hawaii), U.S.A.	EM	12%
TRS Saipan	Saipan, Mariana Islands	EM	12%
TRS Guam	Tumon, Guam	EM	12%
Tumon Entertainment LLC	Tamuning, Guam	FC	43%
Comete Guam Inc	Tamuning, Guam	FC	43%
Tumon Aquarium LLC	Tamuning, Guam	FC	42%
Comete Saipan Inc	Saipan, Mariana Islands	FC	43%
Tumon Games LLC	Tamuning, Guam	FC	43%
Cruise Line Holdings Co	Delaware, U.S.A.	FC	43%
On Board Media, Inc	Delaware, U.S.A.	FC	43%
Starboard Cruise Services, Inc	Delaware, U.S.A.	FC	43%
Starboard Holdings Ltd	Delaware, U.S.A.	FC	43%
International Cruise Shops, Ltd	Cayman Islands	FC	43%
Vacation Media Ltd	Kingston, Jamaica	FC	43%
STB Srl	Florence, Italy	FC	43%
Parazul LLC	Delaware, U.S.A.	FC	43%
Y.E.S. Your Extended Services LLC	Delaware, U.S.A.	PC	14%

OTHER ACTIVITIES			
Groupe Les Echos SA	Paris, France	FC	43%
Les Echos Services SAS	Paris, France	FC	43%
Radio Classique SAS	Paris, France	FC	43%
Prélude & Fugue	Paris, France	EM	21%
DI Régie SAS	Paris, France	FC	43%
SFPA SARL	Paris, France	FC	43%
La Fugue SAS	Paris, France	FC	33%
Les Echos SAS	Paris, France	FC	43%
Les Echos Formation SAS	Paris, France	FC	43%
Hera SAS	Paris, France	FC	43%
Les Echos Médias SNC	Paris, France	FC	43%
Percier Publications SNC	Paris, France	FC	43%
EUROSTAF - Europe Stratégie Analyse Financière SAS	Paris, France	FC	43%
Investir Publications SAS	Paris, France	FC	43%
SID Développement SAS	Paris, France	FC	43%
SID Editions SAS	Paris, France	FC	43%
Magasins de la Samaritaine SA	Paris, France	FC	43%
Royal Van Lent Shipyard BV	Kaag, Netherlands	FC	39%
RVL Holding BV	Baarn, Netherlands	FC	39%
Probinvest SAS	Boulogne Billancourt, France	FC	43%
Ufipar SAS	Boulogne Billancourt, France	FC	43%
L Capital Management SAS	Paris, France	FC	43%
Sofidiv SAS	Boulogne Billancourt, France	FC	43%
GIE LVMH Services	Boulogne Billancourt, France	FC	37%
Moët Hennessy SNC	Boulogne Billancourt, France	FC	29%
LVMH Services Ltd	London, United Kingdom	FC	43%
UFIP (Ireland)	Dublin, Ireland	FC	43%
Moët Hennessy Investissements SA	Boulogne Billancourt, France	FC	29%
LVMH Fashion Group SA	Paris, France	FC	43%
Moët Hennessy International SAS	Boulogne Billancourt, France	FC	29%
Creare	Luxembourg, Luxembourg	FC	37%

COMPANIES	REGISTERED OFFICE	Consolidation method	% Interest
Société Montaigne Jean Goujon SAS	Paris, France	FC	43%
Delphine SAS	Boulogne Billancourt, France	FC	43%
LVMH Finance SA	Boulogne Billancourt, France	FC	43%
Primae SA	Boulogne Billancourt, France	FC	43%
Eutrope SAS	Boulogne Billancourt, France	FC	43%
Flavius Investissements SA	Paris, France	FC	43%
LBD HOLDING SA	Boulogne Billancourt, France	FC	43%
Eley Finance SA	Boulogne Billancourt, France	FC	43%
Ashbury Finance SA	Boulogne Billancourt, France	FC	43%
Ivelford Business SA	Boulogne Billancourt, France	FC	43%
Bratton Service SA	Boulogne Billancourt, France	FC	43%
LVMH Hotel Management SAS	Boulogne Billancourt, France	FC	43%
Altair Holding LLC	New York, U.S.A. (*)	FC	43%
Moët Hennessy Inc	New York, U.S.A. (*)	FC	29%
One East 57th Street LLC	New York, U.S.A. (*)	FC	43%
LVMH Moët Hennessy Louis Vuitton Inc	New York, U.S.A. (*)	FC	43%
Moët Hennessy Acquisition Sub Inc	New York, U.S.A. (*)	FC	43%
Sofidiv Art Trading LLC	New York, U.S.A. (*)	FC	43%
Sofidiv Inc	New York, U.S.A. (*)	FC	43%
598 Madison Leasing Corp	New York, U.S.A. (*)	FC	43%
1896 Corp	New York, U.S.A. (*)	FC	43%
LVMH Participations BV	Naarden, Netherlands	FC	43%
LVMH Moët Hennessy Louis Vuitton BV	Naarden, Netherlands	FC	43%
LVP Holding BV	Naarden, Netherlands	FC	43%
LVMH Services BV	Baarn, Netherlands	FC	43%
LVMH Finance Belgique	Brussels, Belgium	FC	43%
Hannibal SA	Luxembourg, Luxembourg	FC	43%
L Real Estate SA	Luxembourg, Luxembourg	EM	21%
Ufilug SA	Luxembourg, Luxembourg	FC	43%
Delphilug SA	Luxembourg, Luxembourg	FC	43%
Hanninvest SA	Brussels, Belgium	FC	43%
LVMH Publica SA	Brussels, Belgium	FC	43%
Sofidiv UK Ltd	London, United Kingdom	FC	43%
LVMH Moët Hennessy Louis Vuitton KK	Tokyo, Japan	FC	43%
Osaka Fudosan Company Ltd	Tokyo, Japan	FC	43%
LVMH Asia Pacific Ltd	Hong Kong, China	FC	43%
LVMH Shanghai Management and Consultancy Co, Ltd	Shanghai, China	FC	43%
LVMH South & South East Asia Pte Ltd	Singapore	FC	43%
LVMH Moët Hennessy Louis Vuitton SA	Paris, France	IG	44%

(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.
(1) Joint venture companies with Diageo: only the Moët Hennessy activity is consolidated.
(2) The Group's percentages of control and interest are not disclosed, the results of these companies being consolidated on the basis of the Group's contractual share in their business.
(3) Joint venture companies with LVMH.
FC: Full consolidation
PC: Proportional consolidation
EM: Equity method

7. Statutory Auditors' report

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

MAZARS

Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie

SA with share capital of €8,320,000

Statutory Auditors
Member of the Versailles
regional organization

ERNST & YOUNG et Autres

41, rue Ybry
92576 Neuilly-sur-Seine Cedex

SAS with variable share capital

Statutory Auditors
Member of the Versailles
regional organization

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of the company Christian Dior;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated 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.

I. Opinion on the 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 of material misstatement. An audit includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2010, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of 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.Note 1.10 to the Note 1.10 to the Note 1.10 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.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and, therefore, served in forming our audit opinion expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information related to the Group presented in the management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres	
Simon Beillevaire	Jeanne Boillet	Olivier Breillot

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessment 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 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

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1. Balance sheet

Assets

		2010			2009	2008
(EUR thousands)	*Notes*	Gross	Depreciation, amortization and impairment	Net	Net	Net
Intangible assets	*2.1/2.2*	**37**	**37**	**-**	**-**	**-**
Property, plant and equipment	*2.1/2.2*	**284**	**284**	**-**	**-**	**-**
Investments	*2.9*	3,981,750	-	3,981,750	3,981,750	3,981,750
Other investment securities		-	-	-	-	-
Loans		5	-	5	5	5
Other non-current financial assets		3	-	3	3	-
Non-current financial assets	*2.1/2.2/2.9*	**3,981,758**	**-**	**3,981,758**	**3,981,758**	**3,981,755**
NON-CURRENT ASSETS		**3,982,079**	**321**	**3,981,758**	**3,981,758**	**3,981,755**
Trade accounts receivable		14	-	14	13	5
Financial accounts receivable		13,137	-	13,137	8,357	8,172
Other receivables		7,390	-	7,390	890	613
Short term investments		173,575	-	173,575	203,551	126,874
Cash and cash equivalents		1,452	-	1,452	1,082	159
CURRENT ASSETS	*2.3/2.8/2.9*	**195,568**	**-**	**195,568**	**213,894**	**135,823**
Prepaid expenses	*2.3*	814	-	814	956	1,066
Bond redemption premiums	*2.3*	1,943	-	1,943	2,547	305
TOTAL ASSETS		**4,180,404**	**321**	**4,180,083**	**4,199,155**	**4,118,949**

Liabilities and equity

(EUR thousands)	*Notes*	2010 Prior to appropriation	2009 Prior to appropriation	2008 Prior to appropriation
Share capital (fully paid up)		363,454	363,454	363,454
Share premium account		2,204,623	2,204,623	2,204,623
Revaluation adjustment		16	16	16
Legal reserve		36,345	36,345	36,345
Regulated reserves		-	-	-
Optional reserves (1)		80,630	80,630	80,630
Retained earnings		97,957	51,364	28,183
Profit for the year		**379,021**	**342,584**	**309,976**
Interim dividends	*1.6*	(159,920)	(79,960)	(79,960)
EQUITY	*2.4*	**3,002,126**	**2,999,056**	**2,943,267**
PROVISIONS FOR CONTINGENCIES AND LOSSES	*2.5*	**9,384**	**2,539**	**611**
Other bonds	*2.7*	554,770	554,770	201,176
Bank loans and borrowings		609,522	638,128	960,871
Miscellaneous loans and borrowings		-	-	-
Borrowings		**1,164,292**	**1,192,898**	**1,162,047**
Trade accounts payable		541	623	1,216
Tax and social security liabilities		102	269	57
Other operating liabilities (1)		2,620	1,624	1,534
Operating liabilities		**3,263**	**2,516**	**2,807**
Other liabilities		1,018	2,146	10,217
LIABILITIES	*2.6/2.7/2.8/2.9*	**1,168,573**	**1,197,560**	**1,175,071**
Prepaid income		-	-	-
TOTAL LIABILITIES AND EQUITY		**4,180,083**	**4,199,155**	**4,118,949**

(1) Dividends attributable to treasury shares were reclassified under retained earnings in 2008, 2009 and 2010.

2. Income statement

(EUR thousands)	*Notes*	2010	2009	2008
Services provided		57	27	5
Net revenue		**57**	**27**	**5**
Other income and expense transfers		2,791	2,154	384
Operating income		**2,848**	**2,181**	**389**
Other purchases and external expenses		5,285	5,735	5,760
Taxes, duties and similar levies		42	41	35
Wages and salaries		6,666	2,154	384
Social security expenses		234	132	387
Depreciation and amortization		-	-	5
Provisions for contingencies and losses		1,950	-	
Other expenses		133	148	148
Operating expenses		**14,310**	**8,210**	**6,719**
OPERATING PROFIT (LOSS)		**(11,462)**	**(6,029)**	**(6,330)**
NET FINANCIAL INCOME (EXPENSE)	*2.10*	**385,111**	**346,833**	**312,151**
PROFIT FROM RECURRING OPERATIONS		**373,649**	**340,804**	**305,821**
EXCEPTIONAL INCOME (EXPENSE)	*2.11*	**(2,713)**	**(100)**	**(91)**
Income taxes	*2.12/2.13*	8,085	1,880	4,246
NET PROFIT		**379,021**	**342,584**	**309,976**

3. Cash flow statement

(EUR millions)		2010	2009	2008
I - OPERATING ACTIVITIES				
Net profit		379	343	310
Net depreciation, amortization and provisions		7	-	(17)
Gain (loss) on sale of fixed assets		-	-	22
Cash from operations before changes in working capital		**386**	**343**	**315**
Change in current assets		(11)	(3)	(3)
Change in current liabilities		-	(6)	10
Changes in working capital		**(11)**	**(9)**	**7**
Net cash from operating activities	**I**	**375**	**334**	**322**
II - INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets		-	-	-
Purchase of equity investments		-	-	(140)
Purchase of other non-current investments		-	-	-
Proceeds from sale of non-current financial assets		-	-	1
Net cash from (used in) investing activities	**II**	**-**	**-**	**(139)**
III - FINANCING ACTIVITIES				
Capital increase		-	-	-
Changes in other equity		-	-	1
Proceeds from financial debt		100	343	160
Repayments in respect of financial debt		(129)	(312)	(123)
Change in inter-company current accounts		-	-	-
Net cash from (used in) financing activities	**III**	**(29)**	**31**	**38**
IV - DIVIDENDS PAID DURING THE YEAR	**IV**	**(375)**	**(287)**	**(287)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV**	**(29)**	**77**	**(66)**
Cash and cash equivalents at beginning of year		**204**	**127**	**193**
Cash and cash equivalents at end of year		**175**	**204**	**127**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(29)**	**77**	**(66)**

The net increase in cash and cash equivalents analyzes the changes in cash from one year to the next (after deducting bank overdrafts) as well as cash equivalents comprised of short term investments, net of provisions for impairment.

4. Notes to the parent company financial statements

Amounts are expressed in thousands of euros unless otherwise indicated.

The balance sheet total as of December 31, 2010 was 4,180,083 thousand euros. These parent company financial statements were approved for publication on February 3, 2011 by the Board of Directors.

NOTE 1 - ACCOUNTING POLICIES AND METHODS

The parent company financial statements have been prepared in accordance with Regulation 99-03 dated April 29, 1999 of *the Comité de la Réglementation Comptable* (Accounting Regulations Committee).

General accounting conventions have been applied observing the principle of prudence in conformity with the following basic assumptions: going concern, consistency of accounting methods, non-overlap of financial periods, and in conformity with the general rules for preparation and presentation of parent company financial statements.

The accounting items recorded have been evaluated using the historical cost method.

1.1 Intangible assets

Software is amortized using the straight-line method over one year.

1.2 Property, plant and equipment

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

- miscellaneous general installations: 5 years;
- office and computer equipment: 3 years;
- furniture: 10 years.

1.3 Non-current financial assets

Equity investments as well as other non-current financial assets are recorded at the lower of their acquisition cost or their value in use. Impairment is recorded if their value in use is lower than their acquisition cost.

The value in use of equity investments is based on criteria such as the value of the portion of the net asset value of the companies involved, taking into account the stock market value of the listed securities that they hold.

In the event of partial investment sale, any gains or losses are recognized within net financial income/expense and calculated according to the weighted average cost method.

1.4 Accounts receivable and liabilities

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

1.5 Short term investments

Short term investments are valued at their acquisition cost. An impairment provision is recorded if their acquisition value is greater than their market value determined as follows:

- listed securities: average listed share price during the last month of the year;
- other securities: estimated realizable value or liquidation value.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

With respect to Christian Dior shares allocated to share purchase option plans:

- if the plan is non-exercisable (market value of the Christian Dior share lower than the exercise price of the option), the calculation of the impairment, charged to net financial income/expense, is made in relation to the weighted average price of the plan in question;
- if the plan is exercisable (market value of the Christian Dior share greater than the exercise price of the option), a provision for losses is recorded on the balance sheet under liabilities whenever the expected exercise price is lower than the purchase price of the shares. Where applicable, this provision is apportioned using the straight-line method over the vesting period of the options and is then recognized in the income statement under the heading “Wages and salaries”.

Upon disposals of treasury shares, the cost of the shares sold is calculated for each plan individually based on the FIFO method. Gains or losses on the sale of treasury shares are recorded within exceptional income/expense.

1.6 Equity

In conformity with the recommendations of the *Compagnie Nationale des Commissaires aux Comptes* (National Board of Auditors), interim dividends are recorded as a deduction from equity.

1.7 Provisions for contingencies and losses

The Company establishes a provision for definite and likely contingencies and losses at the end of each financial period, observing the principle of prudence.

1.8 Foreign currency transactions

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

Liabilities, accounts receivable and liquid funds in foreign currencies are revalued on the balance sheet at year-end exchange rates. The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the latter rate is recorded in the "Translation adjustment"; it is recorded under "Foreign exchange gains and losses" when it originates from the revaluation of liquid funds, except in the case of bank accounts matched with a loan in the same currency. In the latter case, the revaluation follows the same procedure as for accounts receivable and liabilities.

Provisions are recorded for unrealized losses unless hedged.

1.9 Net financial income (expense)

Net gains and losses on sales of short term investments comprise expenses and income associated with sales.

NOTE 2 - ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

(EUR thousands)	Gross value as of 01/01/10	Increases: Acquisitions, creations, contributions, transfers	Decreases: Disposals	Gross value as of 12/31/10
Concessions, patents, and similar rights (software)	57	-	20	37
Intangible assets	**57**	**-**	**20**	**37**
Property, plant and equipment:				
• miscellaneous general installations	59	-	59	-
• office and computing equipment	24	-	24	-
• furniture	284	-	-	284
Property, plant and equipment	**367**	**-**	**83**	**284**
Investments	3,981,750	-	-	3,981,750
Loans	5	-	-	5
Other non-current financial assets	3	3	3	3
Non-current financial assets	**3,981,758**	**3**	**3**	**3,981,758**
TOTAL	**3,982,182**	**3**	**106**	**3,982,079**

2.2 Depreciation, amortization and impairment of fixed assets

	Position and changes in the period			
(EUR thousands)	Depreciation, amortization and impairment as of 01/01/10	Appropriation Increases	Decreases	Depreciation and amortization as of 12/31/10
Concessions, patents, and similar rights (software)	57	-	20	37
Intangible assets	**57**	-	**20**	**37**
Property, plant and equipment:				
• miscellaneous general installations	59	-	59	-
• office and computing equipment	24	-	24	-
• furniture	284	-	-	284
Property, plant and equipment	**367**	-	**83**	**284**
TOTAL	**424**	-	**103**	**321**

2.3 Analysis of accounts receivables by payment date

(EUR thousands)	Gross amount	Up to 1 year	More than 1 year
Current assets			
Trade accounts receivable	14	14	-
Financial accounts receivable	13,137	13,137	-
State and other public authorities:			
• income taxes	434	434	-
• value-added tax	1	1	-
• receivables from the State	4	4	-
Other receivables	6,951	6,951	-
Prepaid expenses	814	814	-
Bond redemption premiums (1)	1,943	588	1,355
TOTAL	**23,298**	**21,943**	**1,355**

(1) Bond redemption premiums are amortized on a straight-line basis over the life of the bonds.

2.4 Equity

2.4.1 Share capital

The share capital comprises 181,727,048 shares, each with a par value of 2 euros, of which 124,912,488 shares carry double voting rights.

2.4.2 Changes in equity

(EUR thousands)

Equity as of 12/31/2009 (prior to appropriation of net profit)	**2,999,056**
Net profit for 2010	379,021
Dividends paid (balance for fiscal year 2009)	(216,031)
Interim dividends for fiscal year 2010	(159,920)
Equity as of 12/31/2010 (prior to appropriation of net profit)	**3,002,126**

Acquisition of treasury shares:

	2010	2009	2008
Number of shares purchased	100,000	332,000	76,132
Number of shares sold	(897,320)	(97,500)	(120,500)

a) Purchase options, traditional bonus shares and performance bonus shares granted by the Board of Directors to managers of the Company and its direct and indirect subsidiaries

Purchase option plans

			Number of options granted					
Authorization from Shareholders' Meeting	Plan commencement date	Number of beneficiaries	Total	Of which company officers	Of which first ten employees	Exercise price *(EUR)*	Number of options exercised in 2010	Number of options outstanding as of 12/31/2010
05/30/1996	02/15/2000 (3)	20	100,200	65,000 (1)	31,000 (1)	56.70 (2)	296,000	-
05/30/1996	02/21/2001	17	437,500	308,000	121,000	45.95	322,500	40,000
05/14/2001	02/18/2002	24	504,000	310,000	153,000	33.53	27,500	65,002
05/14/2001	02/18/2003	25	527,000	350,000	143,000	29.04	2,000	110,002
05/14/2001	02/17/2004	26	527,000	355,000	128,000	49.79	114,500	303,500
05/14/2001	05/12/2005	27	493,000	315,000	124,000	52.21	78,000	355,000
05/14/2001	02/15/2006	24	475,000	305,000	144,000	72.85 (4)	47,000	386,000
05/11/2006	09/06/2006	1	20,000	-	20,000	74.93	-	20,000
05/11/2006	01/31/2007	28	480,000	285,000	133,000	85.00	-	443,000
05/11/2006	05/15/2008 (6)	25	484,000	320,000	147,000	73.24 (5)	-	482,000
05/11/2006	05/14/2009 (7)	26	332,000	150,000	159,000	52.10	-	330,000

(1) Number of options at the plan commencement date, not restated for adjustments relating to the 4-to-1 stock split in July 2000, allocated to active company officers/employees as of the plan commencement date.
(2) Adjusted to reflect the transaction mentioned in (1) above.
(3) Plan expired on February 14, 2010.
(4) Exercise price for Italian residents: €77.16.
(5) Exercise price for Italian residents: €73.47.
(6) The value serving as the basis for the calculation of the mandatory 10% social security contribution, for the plan commencing on May 15, 2008, was €19.025 per share, equivalent to 25% of the opening price of the Christian Dior share on May 15, 2008, the grant date for the options (€76.10).
(7) The value serving as the basis for the calculation of the mandatory 10% social security contribution, for the plan commencing on May 14, 2009, was €12.55 per share, equivalent to 25% of the opening price of the Christian Dior share on May 14, 2009, the grant date for the options (€50.20).

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

Ten share purchase option plans set up by Christian Dior SA were in force as of December 31, 2010.

Each plan has a term of ten years; options may be exercised, depending on the plan, after the end of a period of three to four years from the plan's commencement date. The exercise price of the options is calculated in accordance with legal provisions.

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

Apart from conditions relating to attendance within the Group, the exercise of options granted in 2009 is contingent on performance conditions. Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008. The performance condition was met with respect to the 2009 and 2010 fiscal years.

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

In relation to options granted under plans set up since 2008, if the Chairman of the Board of Directors or the Chief Executive Officer decides to exercise his options, he must retain possession, until the conclusion of his term of office, of a number of shares determined on the basis of the exercise date and corresponding to a percentage of his total gross compensation.

Allocation of bonus shares and performance bonus shares

Date of Shareholders' Meeting	05/15/2008	
Date of Board of Directors' meeting	**04/15/2010** (3)	
	Bonus shares	**Performance bonus shares**
Number of shares allocated provisionally	**22,761**	**67,419**
o/w Company officers (1)	-	40,500
Bernard Arnault	-	27,000
Sidney Toledano	-	13,500
o/w First ten employees (1)	14,322	21,048
Number of beneficiaries	26	28
Vesting period	04/15/2012 (2)	04/15/2012 (2)
Date as of which the shares may be sold	04/15/2014	04/15/2014
Number of share allocations vested in 2010	-	-
Number of share allocations expired in 2010	-	-
Total number of share allocations vested as of 12/31/2010	-	-
Total number of shares cancelled or expired as of 12/31/2010	-	-
REMAINING BONUS SHARE ALLOCATIONS AT YEAR-END	**22,761**	**67,419**

(1) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(2) April 15, 2014 for beneficiaries who are not French residents for tax purposes.
(3) The value serving as the basis for the calculation of the mandatory 10% social security contribution, for the plan commencing April 15, 2010, was €80.29 per share.

Beneficiaries of bonus shares are selected among the employees of the Group's subsidiaries on the basis of their level of responsibility and their individual performance.

For French tax residents, the allocation of bonus shares to their beneficiaries is definitive after a two-year vesting period, which is followed by a two-year holding period, after which beneficiaries are free to sell them. Bonus shares allocated to beneficiaries who are not French residents for tax purposes are definitive after a vesting period of four years and are freely transferable at that time.

The scheme combines the allocation of traditional bonus shares and the allocation of performance bonus shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance bonus shares are only allocated if Christian Dior's consolidated financial statements for the 2010 and 2011 fiscal years show a positive change compared to fiscal year 2009 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin. The performance condition was met with respect to the 2010 fiscal year.

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

b) Breakdown of treasury shares

	As of December 31, 2010			
(EUR thousands)	Number of securities	Gross carrying amount	Impairment	Net book value
502-1 Shares available to be granted to employees and allocated to specific plans	2,624,684	162,945	-	162,945
502-2 Shares available to be granted to employees	178,876	10,630	-	10,630
TOTAL TREASURY SHARES	**2,803,560**	**173,575**	**-**	**173,575**

During the fiscal year a reversal of a provision for impairment was recognized for 9,139 thousand euros.

2.5 Provisions for contingencies and losses

(EUR thousands)	Amount as of 01/01/10	Provisions of period	Reversals of period	Amount as of 12/31/10
Provision for specific contingencies	-	2,108	-	2,108
Provision for losses (1)	2,539	4,737	-	7,276
TOTAL	**2,539**	**6,845**	**-**	**9,384**

(1) Includes provision for losses with respect to share purchase option plans presumed to be exercisable as of December 31, 2010 (market value of the Christian Dior share greater than the exercise price of the option and the bonus share allocation plan), corresponding to the amount of the difference between the purchase price of shares and the exercise price of options for the beneficiaries (see Note 1.5 "Accounting policies").

2.6 Breakdown of other liabilities

(EUR thousands)	Gross value	Up to 1 year	From 1 to 5 years	More than 5 years
Other bonds	554,770	204,770	350,000	-
Bank loans and borrowings	609,522	121,522	488,000	-
Trade payables	541	541	-	-
Tax and social liabilities	102	102	-	-
Other operating liabilities	2,620	2,620	-	-
Other liabilities	1,018	1,018	-	-
TOTAL	**1,168,573**	**330,573**	**838,000**	**-**

2.7 Bonds

(EUR thousands)	Nominal interest rate	Issuance rate *(as % of par value)*	Maturity	Nominal value as of 12/31/10	Accrued interest	Total
EUR 150,000,000 - 2006	4.250%	101.290%	2011	150,000	1,013	151,013
EUR 50,000,000 - 2008	5.875%	101.335%	2011	50,000	161	50,161
EUR 350,000,000 - 2009	3.750%	99.290%	2014	350,000	3,596	353,596
TOTAL				**550,000**	**4,770**	**554,770**

2.8 Accrued expenses and deferred income

(EUR thousands)	**Accrued expenses**	**Deferred income**
Accounts receivables		
Tax and social security receivables	-	4
Liabilities		
Other bonds	4,770	-
Bank loans and borrowings	1,401	-
Trade accounts payable	533	-
Tax and social security liabilities	94	-
Other liabilities	114	-

2.9 Items involving related companies

Balance sheet items

	Items involving the companies	
(EUR thousands)	**related** (1)	**connected to equity investments** (2)
Fixed assets		
Investments	3,981,750	-
Current assets		
Trade accounts receivable	14	-
Financial accounts receivable	13,137	-
Other receivables	6,675	-
Liabilities		
Trade accounts payable	364	-
Other liabilities	903	-

(1) Companies that can be fully consolidated into one consolidated unit (e.g. parent company, subsidiary, affiliate in consolidated group).
(2) Percentage control between 10 and 50%.

Income statement items

(EUR thousands)	**Income**	**Expenses**
Dividends received	413,427	-
Interest and similar expenses	85	120

2.10 Financial income and expenses

(EUR thousands)	2010	2009
Income from subsidiaries	413,427	329,862
Other interest and similar income	16	(292)
Reversals and expenses transferred	9,139	63,912
Net gains on sales of short term investments	7	3
Financial income	**422,589**	**393,485**
Allowances to amortization and provisions	3,391	2,398
Interest and similar expenses	34,084	44,255
Foreign exchange losses	1	-
Net losses on sales of short term investments	2	-
Financial expenses	**37,478**	**46,652**
NET FINANCIAL INCOME (EXPENSE)	385,111	346,833

2.11 Exceptional income and expenses

(EUR thousands)	2010	2009
Income from management transactions	**-**	**-**
Other exceptional capital transactions	1,212	78
Income from capital transactions	**1,212**	**78**
Reversals and expenses transferred	**-**	**227**
Exceptional income	**1,212**	**305**
Exceptional expenses on management transactions	87	227
Expenses from management transactions	**87**	**227**
Other exceptional expenses on capital transactions	1,730	178
Expenses from capital transactions	**1,730**	**178**
Depreciation, amortization and provisions	**2,108**	**-**
Exceptional expenses	**3,925**	**405**
EXCEPTIONAL INCOME (EXPENSE)	(2,713)	(100)

2.12 Income tax

	2010			2009		
(EUR thousands)	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from recurring operations	373,649	-	373,649	340,804	-	340,804
Exceptional income (expense)	(2,713)	8,085 (1)	5,372	(100)	1,880	1,780
TOTAL	370,936	8,085	379,021	340,704	1,880	342,584

(1) Of which, income from subsidiaries under the tax consolidation agreement: 8,085 thousand euros.

2.13 Tax position

Christian Dior is the parent company of a tax consolidation group comprising certain of its subsidiaries.

For 2010, the tax consolidation group included Christian Dior, Christian Dior Couture, Financière Jean Goujon, Sadifa, CD Investissements and Ateliers Modèles.

The tax consolidation agreement currently in force does not change the tax position of the subsidiaries concerned, which remains identical to that which would have been reported if the subsidiaries had been taxed individually.

The additional tax saving or expense, in the amount of the difference between the tax recognized by each of the companies and the tax resulting from the determination of the taxable profit of the Group, is recognized by Christian Dior SA.

The tax savings made in 2010 amounted to 8,085 thousand euros; the amount of the savings in 2009 came to 1,880 thousand euros.

As of December 31, 2010, the ordinary loss of the Group amounted to 216,610 thousand euros and can be carried forward indefinitely.

NOTE 3 - OTHER INFORMATION

3.1 Financial commitments

Hedging instruments

Christian Dior SA uses various interest-rate hedging instruments on its own behalf that comply with its management 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.

These financial hedging instruments expired in April 2010 and were not subject to renewals of the same type.

Covenants

Under the terms of certain loan agreements or bond issues, the Company has made commitments to hold specific percentages of interest and voting rights in certain subsidiaries and to respect certain financial covenants.

Direct and indirect subsidiaries

In 2009, Christian Dior provided guarantees in respect of:

- the renewal of a credit line set up in favor of Christian Dior Hong Kong for 80 million Hong Kong dollars;
- two credit lines set up in favor of Christian Dior Commercial Shanghai for 50 million and 134 million Yuan renminbi.

These commitments which were made in the prior year were maintained in 2010.

3.2 Lease commitments

The Company has not made any commitments in the area of leasing transactions.

3.3 Compensation of management bodies

The gross amount of compensation of management bodies paid to members of the management bodies for the 2010 fiscal year was 134 thousand euros.

3.4 Statutory Auditors' fees

(EUR thousands)	2010 Ernst & Young et Autres	2010 Mazars	2009 Ernst & Young et Autres	2009 Mazars
Statutory Audit	85	85	86	82
Other services relating directly to the Statutory Audit assignment	-	-	8	8
TOTAL	**85**	**85**	**94**	**90**

3.5 Identity of the companies consolidating the accounts of Christian Dior

Company name	Registered office
Financière Agache	11, rue François 1er F - 75008 PARIS
Groupe Arnault	41, avenue Montaigne F - 75008 PARIS

5. Subsidiaries and investments

(EUR thousands)	Share capital	Equity other than share capital and excluding net profit	Percentage share capital held	Carrying amount of share held Gross	Carrying amount of share held Net	Loans and advances provided	Deposits and sureties granted	Revenue excluding taxes	Net profit (loss)	Dividends received in 2010
A. Details involving the subsidiaries and investments below										
Subsidiaries										
• Financière Jean Goujon	1,005,294	1,896,666	100.00%	3,478,680	3,478,680	13,137	-	-	407,355	413,427
• Sadifa	81	1,415	99.66%	836	836	-	-	66	(14)	-
• Christian Dior Couture	160,056	344,409	99.99%	502,159	502,159	-	-	472,288	(16,792)	-
• CD Investissements	50	(8)	100.00%	75	75	-	-	-	(3)	-
B. General information involving the other subsidiaries and investments										
None										

6. Investment portfolio, other investment securities and short term investments

(EUR thousands)	As of December 31, 2010 Number of securities	As of December 31, 2010 Net book value
French investments		
Financière Jean Goujon shares	62,830,900	3,478,680
Christian Dior Couture shares	10,003,482	502,159
Sadifa shares	5,019	836
CD Investissements shares	5,000	75
Equity investments (shares and partnership shares)		**3,981,750**

(EUR thousands)	As of December 31, 2010 Number of securities	As of December 31, 2010 Net book value
Treasury shares	2,803,560	173,575
Short term investments	**2,803,560**	**173,575**
TOTAL EQUITY INVESTMENTS AND SHORT TERM INVESTMENTS		**4,155,325**

Number of treasury shares	At beginning of period	Increase	Decrease	At end of period
	3,600,880	100,000	897,320	2,803,560
TOTAL	**3,600,880**	**100,000**	**897,320**	**2,803,560**

7. Company results over the last five fiscal years

(EUR thousands)	**2006**	**2007**	**2008**	**2009**	**2010**
1. Share capital					
Share capital at year-end	363,454	363,454	363,454	363,454	363,454
Number of ordinary shares outstanding	181,727,048	181,727,048	181,727,048	181,727,048	181,727,048
Maximum number of future shares to be created:					
• through exercise of equity warrants	-	-	-	-	-
• through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the year					
Revenue	14	14	5	27	57
Profit before taxes, depreciation, amortization and movements in provisions	172,742	321,833	357,925	278,963	369,247
Income tax (income)/expense	(17,356)	(18,175)	(4,246)	(1,880)	(8,085)
Profit after taxes, depreciation, amortization and movements in provisions	184,250	337,626	309,976	342,584	379,021
Profit distributed as dividends (1)	256,235	292,581	292,581	301,667	383,444
3. Earnings per share *(EUR)*					
Eearnings per share after taxes but before depreciation, amortization and movements in provisions	1.05	1.87	1.99	1.55	2.08
Earnings per share after taxes, depreciation, amortization and movements in provisions	1.01	1.86	1.71	1.89	2.09
Gross dividend distributed per share (2)	**1.41**	**1.61**	**1.61**	**1.66**	**2.11**
4. Employees					
Average number of employees *(number)*	-	-	-	-	-
Total payroll (3)	-	-	384	2,154	5,787
Amount paid in respect of social security	6	6	387	132	1,113

(1) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the effect of Christian Dior treasury shares as of the date of distribution. For fiscal year 2010, amount proposed at the Shareholders' Meeting of March 31, 2011.
(2) Excludes the impact of the tax consolidation agreement.
(3) Including provisions, on plans presumed to be exercisable relating to purchase options and the allocation of bonus shares, recognized under personnel expenses.

8. Statutory Auditors' reports

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

MAZARS

Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie

SA with share capital of €8,320,000

Statutory Auditors
Member of the Versailles
regional organization

ERNST & YOUNG et Autres

41, rue Ybry
92576 Neuilly-sur-Seine Cedex

SAS with variable share capital

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, 2010 on:

- the audit of the accompanying financial statements of Christian Dior;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

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

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or by other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the data we have collected is sufficient and appropriate to be used as a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2010 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

2. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we hereby report on the following matter:

Note 1.3 to the financial statements describes the accounting principles and methods applicable to long-term investments. As part of our assessment of the accounting principles used by your Company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the notes to the financial statements and have ascertained that they were properly applied.

The assessments on these matters were made in the context of our audit approach to the financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

3. Specific procedures and disclosures

In accordance with professional standards applicable in France, we have also performed the specific procedures required by law.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits granted to the company officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company, from companies controlling your Company or controlled by it. Based on this work, we attest that such information is accurate and fair; it being specified that, as indicated in the management report, this information relates to the remuneration and benefits in kind paid or incurred by your Company and the companies which it controls as well as the remuneration and benefits paid or incurred by your Company or the companies that it controls.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of and percentage interests and votes held by shareholders.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres	
Simon Beillevaire	Jeanne Boillet	Olivier Breillot

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users.
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 Parent 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 Parent company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Parent company financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

MAZARS

Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie

SA with share capital of €8,320,000

Statutory Auditors
Member of the Versailles
regional organization

ERNST & YOUNG et Autres

41, rue Ybry
92576 Neuilly-sur-Seine Cedex

SAS with variable share capital

Statutory Auditors
Member of the Versailles
regional organization

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments that have been indicated to us or that we would have identified performing our role. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

However, we are required, if any, to inform you in accordance with Article R. 225-31 of the French Commercial Code of the implementation during the year of related party agreements and commitments already approved by the Shareholder's Meeting.

We conducted all of the work that we considered to be necessary having regard to the professional doctrine of the *Compagnie nationale des Commissaires aux Comptes*. This work involved verifying the consistency of the information that we were given with the source documents from which they were extracted.

Authorized agreements and commitments submitted to the approval of the Shareholders' Meeting

We hereby inform you that we were not informed of any agreements or commitments concluded during the fiscal year subject to the approval of the Shareholders' Meeting subject to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments authorized by the Shareholders' Meeting

Agreements and commitments authorized in prior years

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments which were already approved by the Shareholders' Meeting in prior years remained current during the year.

1. Agreement entered into with Groupe Arnault SAS

Nature and purpose

Assistance agreement.

Conditions

A service agreement concerning financial services, the management of cash requirements and surpluses, accounting methods, tax, financial engineering, and human resources and personnel management assistance has been concluded between your Company and Groupe Arnault SAS. In this respect, your Company paid a total of 3,673,323.60 euros including taxes to Groupe Arnault SAS for the fiscal year ended December 31, 2010.

2. Agreement entered into with LVMH SA

Nature and purpose

Service agreement.

Conditions

This service agreement entered into with LVMH for the provision of legal services, particularly for corporate law issues and the management of Christian Dior's Securities Department, was maintained in 2010. Under this agreement, the compensation paid by your Company in 2010 was 54,717 euros including taxes.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS

Simon Beillevaire

ERNST & YOUNG et Autres

Jeanne Boillet

Olivier Breillot

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Resolutions for the approval of the Combined Shareholders' Meeting of March 31, 2011

- Ordinary resolutions 192
- Extraordinary resolutions 195
- Statutory Auditors' report on the proposed decrease in share capital by the cancellation of own or purchased shares 201
- Statutory Auditors' report on the issue of shares and various marketable securities with/without cancellation of preferential subscription rights 202
- Statutory Auditors' report on the issue of shares and various marketable securities with cancellation of preferential subscription rights reserved for employees who are members of a corporate savings plan 204
- Statutory Auditors' report on the free granting of existing shares or shares to be issued to employees and corporate officers of the Company 206

Resolutions for the approval of the Combined Shareholders' Meeting of March 31, 2011

ORDINARY RESOLUTIONS

First resolution

(Approval of the financial statements of the parent company)

The Shareholders' Meeting, after examining the reports of the Board of Directors, the Chairman of the Board, and the Statutory Auditors, hereby approves the financial statements of the parent company for the fiscal year ended December 31, 2010, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Second resolution

(Approval of the consolidated financial statements)

The Shareholders' Meeting, after examining the reports of the Board of Directors and of the Statutory Auditors, hereby approves the consolidated financial statements for the fiscal year ended December 31, 2010, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Third resolution

(Approval of related party agreements)

The Shareholders' Meeting, after examining the special report of the Statutory Auditors on the related party agreements described in Article L. 225-38 of the French Commercial Code, hereby declares that it approves said agreements.

Fourth resolution

(Allocation of net profit – Determination of dividend)

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2010 as follows:

Amount available for distribution *(EUR)*	
• net profit	379,021,209.63
plus	
• retained earnings before appropriation	97,956,723.45
amount available for distribution	476,977,933.08
Proposed appropriation	
• gross dividend distribution of 2.11 euros per share	383,444,071.28
• allocation to retained earnings	93,533,861.80
TOTAL	**476,977,933.08**

Should this appropriation be approved, the gross dividend would be 2.11 euros per share. As an interim dividend of 0.88 euros per share was paid on December 2, 2010, the final dividend per share is 1.23 euros; this will be paid as of May 25, 2011.

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

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, the corresponding amount of unpaid dividends will be allocated to retained earnings.

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

Fiscal year	Type	Payment date	Gross dividend (1) (EUR)	Tax deduction (2) (EUR)
2009	Interim	December 2, 2009	0.44	0.176
	Final	May 25, 2010	1.22	0.488
	TOTAL		**1.66**	**0.664**
2008	Interim	December 2, 2008	0.44	0.176
	Final	May 25, 2009	1.17	0.468
	TOTAL		**1.61**	**0.644**
2007	Interim	December 3, 2007	0.44	0.176
	Final	May 23, 2008	1.17	0.468
	TOTAL		**1.61**	**0.644**

(1) Excludes the impact of tax regulations applicable to the beneficiaries.
(2) For individuals with tax residence in France.

Fifth resolution

(Appointment of Mr. Bernard Arnault as Director)

The Shareholders' Meeting decides to appoint Mr. Bernard Arnault as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the previous fiscal year.

Sixth resolution

(Appointment of Mr. Sidney Toledano as Director)

The Shareholders' Meeting decides to appoint Mr. Sidney Toledano as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the previous fiscal year.

Seventh resolution

(Appointment of Mr. Pierre Godé as Director)

The Shareholders' Meeting decides to appoint Mr. Pierre Godé as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the previous fiscal year.

Eighth resolution

(Authorization to be granted to the Board of Directors to trade in the Company's shares)

The Shareholders' Meeting, having examined the Report of the Board of Directors, authorizes the latter to acquire Company shares, pursuant to the provisions of Articles L. 225-209 et seq. of the French Commercial Code and of Commission Regulation (EC) 2273/2003 of December 22, 2003.

In particular, the shares may be acquired in order (i) to provide market liquidity services (purchases/sales) under a liquidity contract set up by the Company, (ii) to cover stock option plans, the allotment of bonus shares or any other form of share allocation or share-based payment, in favor of employees or company officers either of the Company or of an affiliated company pursuant to the French Commercial Code, in particular as provided for in its Articles L. 225-180 and L. 225-197-2, (iii) to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange, (iv) to be retired subject to the approval of the tenth resolution, or (v) to be held so as to be exchanged or presented as consideration at a later date for external growth operations.

The purchase price at which the Company may buy its own shares may not exceed 200 euros. In the event of a capital increase through the capitalization of reserves and the allotment of bonus shares as well as in cases of a stock split or reverse stock split, the purchase price indicated above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before and after the operation.

The maximum number of shares that may be purchased shall not exceed 10% of the share capital, adjusted to reflect operations affecting the share capital occurring after this Meeting, with the understanding that (i) if this authorization is used, the number of treasury shares in the Company's possession will need to be taken into consideration so that the Company remains at all times within the limit for the number of treasury shares held, which must not exceed 10% of the share capital and that (ii) the number of treasury shares provided as consideration or exchanged in the context of a merger, spin-off or contribution operation may not exceed 5% of the share capital as of the date of the operation.

As of December 31, 2010, this limit of 10% of the share capital corresponded to 18,172,704 shares. The maximum total amount dedicated to these purchases may not exceed 3.7 billion euros.

The share acquisition transactions described above, as well as any sale or transfer of these shares, may be carried out by any method in compliance with applicable laws and regulations, including through the use of derivatives and through block purchases or sales.

All powers are granted to the Board of Directors to implement this authorization. The Board may delegate to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Managing Director, such powers in order to place any and all stock market orders, enter into any and all agreements, sign any document, file all declarations, carry out all formalities and generally take any and all other actions required in the implementation of this authorization.

This authorization, which replaces the authorization granted by the Combined Shareholders' Meeting of April 15, 2010, is hereby granted for a term of eighteen months as of the date of this Meeting.

Ninth resolution

(Delegation of authority to be granted to the Board of Directors in order to carry out capital increases through the capitalization of unappropriated retained earnings, reserves, additional paid-in capital, or other items)

The Shareholders' Meeting, having examined the report of the Board of Directors and pursuant to the provisions of the French Commercial Code, in particular its Articles L. 225-129, L. 225-129-2 and L. 225-130, hereby:

1. delegates its authority to the Board of Directors to carry out, on one or more occasions, in such amounts and at such times as it may deem fit, one or more capital increases through the capitalization of all or a portion of unappropriated retained earnings, reserves, additional paid-in capital, or other items as permitted by law and the Bylaws, through the issue of new shares, or through an increase in the par value of existing shares;
2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;
3. decides, should the Board of Directors make use of this delegation of authority, that the total nominal amount of capital increases that may be carried out under this delegation of authority may not exceed eighty (80) million euros, subject to the provisions of the nineteenth resolution;
4. takes note that this delegation of authority entails the granting to the Board of Directors of all necessary powers, including the option to delegate such powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Managing Director, in order to implement this delegation, in accordance with the terms set forth by law, and in particular in order to:

- determine the amount and nature of the items to be capitalized, determine the number of new shares to be issued and/or the new par value of the shares comprising the share capital, set the date, even with retroactive effect, from which the new shares shall have dividend rights or the date on which the increase in the par value shall take effect,
- decide that fractional rights may not be traded, that the corresponding shares shall be sold and that the proceeds of the sale shall be allotted to the holders of the rights,
- execute any agreement, take any action, and complete any and all formalities required for the issuance;

5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

EXTRAORDINARY RESOLUTIONS

Tenth resolution

(Authorization to be granted to the Board of Directors to reduce the share capital through the retirement of shares)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby:

1. authorizes the Board of Directors to reduce the share capital of the Company, on one or more occasions, by retiring the shares acquired pursuant to the provisions of Article L. 225-209 of the French Commercial Code;
2. grants this authorization for a period of eighteen months as of the date of this Meeting;
3. sets the maximum amount of the capital reduction that may be performed under this authorization over a twenty-four month period to 10% of Company's current capital;
4. grants all powers to the Board of Directors to perform and record the capital reduction transactions, carry out all required acts and formalities, amend the Bylaws accordingly, and generally take any and all other actions required in the implementation of this authorization;
5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of April 15, 2010.

Eleventh resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the share capital with preferential subscription rights)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and pursuant to the provisions of the French Commercial Code, in particular its Articles L. 225-129, L. 225-129-2 and L. 228-92, hereby:

1. delegates its authority to the Board of Directors to proceed with the issue, on one or more occasions, in such amounts and at such times as it may deem fit, on the French and/or international market, by way of a public offering, whether denominated in euros or in any other currency or accounting unit based on a basket of currencies, with preferential subscription rights for existing shareholders, of ordinary shares and more generally of any other investment securities, composite or not, including subscription or acquisition warrants issued on a standalone basis, giving either immediate or future access, at any time or on a predetermined date, to the Company's share capital or conferring entitlement to debt securities, by subscription, whether in cash or by offsetting receivables, through conversion, exchange, repayment, tendering of a coupon or in any other manner, with the understanding that debt securities may be issued with or without guarantees, in forms, at rates and under terms and conditions that the Board of Directors shall deem appropriate, and that the issuance of preference shares is excluded from the scope of this delegation;
2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;
3. decides, should the Board of Directors make use of this delegation of authority, that the total nominal amount of capital increases that may be carried out under this delegation of authority, whether immediately or over time, may not exceed eighty (80) million euros, subject to the provisions of the nineteenth resolution. To this ceiling shall be added, where applicable, the nominal amount of the shares to be issued in the event of further financial transactions carried out, as provided by law, to protect the rights of holders of investment securities giving access to the Company's share capital;
4. decides, should the Board of Directors make use of this delegation of authority, that if subscriptions in respect of pro rata entitlements and, where applicable, subscriptions in respect of applications by qualifying shareholders that may be reduced by decision of the Board, do not absorb the entirety of an issue of securities, the Board of Directors may have recourse, subject to the terms set forth by law and in the order it shall determine, to any of the options provided for by Article L. 225-134 of the French Commercial Code, and in particular may offer to the general public all or a portion of the unsubscribed shares and/or investment securities;
5. takes note that in the event of the exercise of this delegation of authority, the decision to issue investment securities giving access to the Company's share capital shall entail, in favor of the holders of the issued securities, the express waiver by shareholders of their preferential right to subscribe to the shares to which the investment securities so issued shall give access;
6. grants all necessary powers to the Board of Directors, including the option to delegate such powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Managing Director, in order to:
   - implement this delegation of authority, under the terms and conditions set forth by law,
   - apply the expenses of the share capital increases against the amount of the corresponding premiums and deduct from that amount any sums necessary in order to bring the legal reserve to one-tenth of the new capital following each increase,
   - make all adjustments required in accordance with applicable laws and regulations and determine the terms ensuring, where applicable, the protection of the rights of holders of investment securities giving future access to the Company's share capital;
7. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Twelfth resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the share capital without preferential subscription rights though a public offering)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and pursuant to the provisions of the French Commercial Code, in particular its Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 et seq. and L. 228-92, hereby:

1. delegates its authority to the Board of Directors to proceed with the issue, on one or more occasions, in such amounts and at such times as it may deem fit, on the French and/or international market, by way of a public offering, either in euros or in any other currency or accounting unit based on a basket of currencies, of ordinary shares and more generally of any other investment securities, composite or not, including subscription or acquisition warrants issued on a standalone basis, giving either immediate or future access, at any time or on a predetermined date, to the Company's share capital or conferring entitlement to debt securities, by subscription, whether in cash or by offsetting receivables, through conversion, exchange, repayment, tendering of a coupon or in any other manner, with the understanding that debt securities may be issued with or without guarantees, in forms, at rates and under terms and conditions that the Board of Directors shall deem appropriate, and that the issuance of preference shares is excluded from the scope of this delegation;
2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;
3. decides, should the Board of Directors make use of this delegation of authority, that the total nominal amount of capital increases that may be carried out under this delegation of authority, whether immediately or over time, may not exceed eighty (80) million euros, subject to the provisions of the nineteenth resolution. To this ceiling shall be added, where applicable, the nominal amount of the shares to be issued in the event of further financial transactions carried out, as provided by law, to protect the rights of holders of investment securities giving access to the Company's share capital;
4. decides to exclude the preferential right of shareholders to subscribe to any shares or other investment securities that may be issued under this resolution, while leaving the Board of Directors free to grant to shareholders, for such period and under such terms as it shall determine in accordance with the provisions of Article L. 225-135 of the French Commercial Code and for all or part of any issuance made, a non-negotiable priority subscription right that shall be exercised in proportion to the number of shares held by each shareholder, and that may be supplemented by subscriptions in respect of applications by qualifying shareholders; such subscriptions may be reduced by decision of the Board;
5. takes note that in the event of the exercise of this delegation of authority, the decision to issue investment securities giving access to the Company's share capital shall entail, in favor of the holders of the issued securities, the express waiver by shareholders of their preferential right to subscribe to the shares to which the investment securities so issued shall give access;
6. decides, in accordance with Article L. 225-136 1° subparagraph 1 of the French Commercial Code, that the amount of the consideration accruing and/or to accrue at a later date to the Company for each of the shares issued or to be issued under this delegation of authority, taking into account, in the event of the issue of standalone share subscription warrants, the issue price of such warrants, shall be at least equal to the minimum price set forth in legislative and regulatory provisions in force at the time of the issuance (equivalent as of the date of this Meeting to the weighted average of the share price over the last three trading days on the regulated market of Euronext Paris preceding the determination of the subscription price for the capital increase, less a maximum discount of 5%, after adjustment of such average for any difference in the dates from which the shares in question shall have dividend rights);
7. grants the same powers to the Board of Directors, including the option to delegate such powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Managing Director, as those specified under point 6 of the eleventh resolution;
8. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Thirteenth resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the share capital without preferential subscription rights through a private placement reserved for qualified investors or a restricted group of investors)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and pursuant to the provisions of the French Commercial Code, in particular its Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 et seq. and L. 228-92, hereby:

1. delegates its authority to the Board of Directors to proceed with the issue, on one or more occasions, in such amounts and at such times as it may deem fit, on the French and/or international market, by way of an offering provided for in Article L. 411-2 II of the French Monetary and Financial Code, either in euros or in any other currency or accounting unit based on a basket of currencies, of ordinary shares and more generally of any other investment securities, composite or not, including subscription or acquisition warrants issued on a standalone basis, giving either immediate or future access, at any time or on a predetermined date, to the Company's share capital or conferring entitlement to debt securities, by subscription, whether in cash or by offsetting receivables, through conversion, exchange, repayment, tendering of a coupon or in any other manner, with the understanding that debt securities may be issued with or without guarantees, in forms, at rates and under terms and conditions that the Board of Directors shall deem appropriate, and that the issuance of preference shares is excluded from the scope of this delegation;
2. grants this delegation of authority for a period of twenty-six months as of the date of this Meeting;

3. decides, should the Board of Directors make use of this delegation of authority, that the total nominal amount of capital increases that may be carried out under this delegation of authority, whether immediately or over time, may not exceed eighty (80) million euros, subject to the provisions of the nineteenth resolution. To this ceiling shall be added, where applicable, the nominal amount of the shares to be issued in the event of further financial transactions carried out, as provided by law, to protect the rights of holders of investment securities giving access to the Company's share capital. Furthermore, in accordance with the provisions of Article L. 225-136 of the French Commercial Code, the amount of shares that may be issued per year shall not exceed 20% of the Company's share capital as of the date of the issuance;
4. decides, in accordance with Article L. 225-135 of the French Commercial Code, to exclude the preferential right of shareholders to subscribe to any investment securities that may be issued under this resolution;
5. takes note that in the event that the Board of Directors makes use of this delegation of authority, the decision to issue investment securities giving access to the Company's share capital shall automatically entail, in favor of the holders of the issued securities, the express waiver by shareholders of their preferential right to subscribe to the shares to which the investment securities so issued shall give access;
6. decides, in accordance with Article L. 225-136 1° subparagraph 1 of the French Commercial Code, that the amount of the consideration accruing and/or to accrue at a later date to the Company for each of the shares issued or to be issued under this delegation of authority, taking into account, in the event of the issue of standalone share subscription warrants, the issue price of such warrants, shall be at least equal to the minimum price set forth in legislative and regulatory provisions in force at the time of the issuance (equivalent as of the date of this Meeting to the weighted average of the share price over the last three trading days on the regulated market of Euronext Paris preceding the determination of the subscription price for the capital increase, less a maximum discount of 5%, after adjustment of such average for any difference in the dates as of which the shares in question shall have dividend rights);
7. grants the same powers to the Board of Directors, including the option to delegate such powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Managing Director, as those specified under point 6 of the eleventh resolution;
8. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Fourteenth resolution

(Authorization to be granted to the Board of Directors to set the issue price of shares and/or other investment securities giving access to the Company's share capital under certain conditions, in a total issue amount not to exceed 10% of the share capital per year, in connection with a capital increase through the issue of shares and/or other investment securities without preferential subscription rights)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and in accordance with the provisions of Article L. 225-136 1° second subparagraph of the French Commercial Code, hereby authorizes the Board of Directors, with the option to delegate this authority as provided by law, for issues decided under the twelfth and thirteenth resolutions and in a total issue amount not to exceed 10% of the share capital per year as of the date of the issue, to depart from rules for the determination of the issue price of shares to be issued under the abovementioned resolutions by applying a maximum discount of 10% to the weighted average of the share price over the last three trading days on the regulated market of Euronext Paris preceding the determination of the subscription price for the capital increase.

Fifteenth resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the number of shares to be issued for issues that are oversubscribed)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby decides that in the event of an issue approved under the delegation granted to the Board of Directors by virtue of the eleventh, twelfth and/or thirteenth resolutions, the number of shares to be issued may be increased, if an issue is oversubscribed, under the conditions and within the limits provided under Article L. 225-135-1 of the French Commercial Code and its implementing decree, subject to the maximum nominal amount set forth in the abovementioned resolutions.

Sixteenth resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the share capital in connection with a public exchange offer)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and pursuant to the provisions of the French Commercial Code, in particular its Articles L. 225-129, L. 225-129-2, L. 25-148 and L. 228-92, hereby:

1. delegates its authority to the Board of Directors to proceed with the issue, on one or more occasions, in such amounts and at such times as it may deem fit, of shares and more generally of any other investment securities giving access to the Company's share capital or conferring entitlement to debt securities provided the underlying securities are shares, as consideration for shares contributed to a public exchange offer for the shares of another company admitted to trading on a regulated market, as defined under Article L. 225-148 of the French Commercial Code;
2. grants this delegation for a period of twenty-six months as of the date of this Meeting;
3. decides that the total nominal amount of capital increases that may be carried out under this resolution may not exceed eighty (80) million euros, subject to the provisions of the nineteenth resolution. To this ceiling shall be added, where applicable, the nominal amount of the shares to be issued in the event of further financial transactions carried out, as provided by

law, to protect the rights of holders of investment securities giving access to the Company's share capital;

4. decides, should the Board of Directors make use of this delegation of authority, including the option to sub-delegate this authority within the limits set forth by law, that the Board or its sub-delegatee shall have full powers to carry out all necessary measures, particularly in order to:

- approve the list of securities tendered in the exchange, approve the terms of the issuance, the exchange ratio and where applicable the amount of the residual cash balance to be paid as well as to determine the terms and conditions of the issuance, whether in connection with a public exchange offer, an alternative takeover bid or exchange offer, a public offering covering the acquisition or exchange of the relevant securities against settlement in securities and cash, or a principal takeover bid (OPA) or exchange offer (OPE) combined with a subsidiary OPE or OPA,
- determine the date from which the new shares shall have dividend rights,
- apply where applicable any expenses arising in connection with capital increases against the amount of the contribution premiums and deduct from such amount the sum required in order to bring the legal reserve to one-tenth of the new capital after each increase,
- amend the Bylaws accordingly;

5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Seventeenth resolution

(Delegation of authority to be granted to the Board of Directors in order to increase the share capital in connection with contributions in kind)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and pursuant to the provisions of the French Commercial Code, in particular its Article L. 225-147, hereby:

1. delegates to the Board of Directors such powers as are necessary in order to proceed with the issue, on one or more occasions, at such times as it may deem fit, of shares and more generally of any other investment securities giving access to the Company's share capital or conferring entitlement to debt securities provided that the underlying securities are shares, as consideration for contributions in kind granted to the Company and consisting of shares or investment securities giving access to the Company's share capital, in cases where the provisions of Article L. 225-148 of the French Commercial Code do not apply;
2. grants this delegation for a period of twenty-six months as of the date of this Meeting;
3. decides that the total number of shares to be issued under this resolution may not exceed 10% of the Company's share capital as of the date of issue, subject to the provisions of the nineteenth resolution. To this ceiling shall be added, where applicable, the nominal amount of the shares to be issued in the event of further financial transactions carried out, as provided by law, to protect the rights of holders of investment securities giving access to the Company's share capital;
4. decides, should the Board of Directors make use of this delegation, that it shall have full powers to carry out all necessary measures, particularly in order to:

- approve the Contribution Auditor's report and the valuation of the contribution,
- determine the date from which the new shares shall have dividend rights,
- apply where applicable any expenses arising in connection with capital increases against the amount of the contribution premiums and deduct from such amount the sum required in order to bring the legal reserve to one-tenth of the new capital after each increase,
- amend the Bylaws accordingly;

5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Eighteenth resolution

(Delegation of authority to be granted to the Board of Directors to carry out capital increases reserved for Group employees)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and acting pursuant to the provisions of Articles L. 225-129-2, L. 225-138 and L. 225-138-1 of the French Commercial Code and to the provisions of Article L. 3332-1 et seq. of the French Labor Code, while also satisfying the requirements of Article L. 225-129-6 of the French Commercial Code, hereby:

1. delegates its authority to the Board of Directors (i) to increase the Company's share capital through the issue of shares or more generally of any other investment securities, on one or more occasions, as provided by Articles L. 3332-18 et seq. of the French Labor Code, that would be reserved for employees of the Company and of any other affiliated companies within the meaning of Article L. 3344-1 of the French Labor Code, who have enrolled in a company savings plan and (ii) to allot, where applicable, bonus shares subject to performance conditions or investment securities giving access to the Company's share capital as a replacement, in full or in part, for the discount set forth in point 4 below, under the conditions and within the limits provided by Article L. 3332-21 of the French Labor Code, with the understanding that, as necessary, the Board of Directors may substitute for all or a portion of this capital increase, the transfer, under the same conditions, of securities already issued by the Company;
2. grants this delegation for a period of twenty-six months as of the date of this Meeting;
3. decides, subject to the provisions of the nineteenth resolution, that the total number of shares that may result from issuances under this delegation, including those resulting from shares or investment securities giving access to the Company's share capital that may be allotted as bonus shares as a full or partial replacement for the discount as provided by Articles L. 3332-18 et seq. of the French Labor Code may not exceed 1% of the Company's share capital as of the date of this Meeting. To this total number shall be added, where applicable, the

additional number of shares to be issued, as provided by law, to protect the rights of holders of investment securities giving access to the Company's share capital;

4. decides that (i) the subscription price of newly issued shares may neither be greater than the average of the opening price for existing shares on the regulated market of Euronext Paris during the twenty trading sessions preceding the day of the decision by the Board of Directors or the Chief Executive Officer setting the opening date for the subscription period nor more than 20% lower than this average, with the understanding that the Board of Directors or the Chief Executive Officer may, where applicable, reduce or eliminate the discount which might otherwise apply, in order to take into account, in particular, legal frameworks or tax regimes applicable outside France or decide to fully or partially replace this maximum discount of 20% with the allotment of bonus shares and/or of investment securities giving access to the Company's share capital and that (ii) the issue price for investment securities giving access to the Company's share capital shall be determined as provided by Article L. 3332-21 of the French Labor Code;
5. decides to exclude the preferential right of shareholders to subscribe to any shares or to any investment securities giving access to the Company's share capital that may be issued under this delegation and reserved for employees as set forth above and to require the waiver of any rights to receive shares or investment securities giving access to the Company's share capital that might be allotted free of charge under the terms of this resolution;
6. grants full powers to the Board of Directors, including the option to sub-delegate its authority as provided by law, to implement this delegation and in particular to:

- determine the length of service requirements that must be met in order to participate in the operation, within any limits set forth by law, and, where applicable, the maximum number of shares that may be subscribed by each employee,
- decide whether shares must be subscribed to directly by employees enrolled in one of the Group's company savings plans (PEEs) or whether they must be subscribed to via a corporate investment fund (FCPE) or via a unit trust available exclusively to employee shareholders (SICAVAS),
- draw up the list of companies whose employees may benefit from the subscription offer,
- determine whether a specific time limit should be granted to employees in order to pay up their securities,
- set the conditions for enrollment in the Group's company savings plan(s) and draw up or amend their regulations,
- set the opening and closing dates for the subscription period and the issue price for securities,
- proceed with the allotment of bonus shares or of investment securities giving access to the Company's share capital, within the limits set forth by Articles L. 3332-18 et seq. of the French Labor Code, and set the type and amount of reserves, unappropriated retained earnings, or additional paid-in capital to be capitalized,
- approve the number of new shares to be issued and the reduction rules applicable in the event that an issued is oversubscribed,
- apply the expenses of the share capital increases and of the issue of other securities giving access to the Company's share capital against the amount of the corresponding premiums and deduct from that amount any sums necessary in order to bring the legal reserve to one-tenth of the new capital following each increase.

Nineteenth resolution

(Determination of an overall ceiling for all capital increases decided under delegations of authority)

The Shareholders' Meeting, having examined the report of the Board of Directors and pursuant to the provisions of Article L. 225-129-2 of the French Commercial Code, decides that the cumulative nominal amount of issues that might be decided by virtue of the delegations of authority granted to the Board of Directors under the preceding resolutions may not exceed eighty (80) million euros. It is to be understood that this amount shall be augmented by the nominal amount of capital increases to be carried out, as provided by law, to protect the rights of holders of the securities issued previously. In the event of a capital increase by way of the capitalization of additional paid-in capital, unappropriated retained earnings or other items in the form of an allotment of bonus shares during the validity period of such delegations of authority, the aforementioned maximum nominal amount (excluding issue premiums) shall be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before and after the operation.

Twentieth resolution

(Authorization to be granted to the Board of Directors to allot bonus shares to Group employees and officers)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, hereby:

1. authorizes the Board of Directors, at its sole discretion, to allot existing or newly issued shares as bonus shares, on one or more occasions, to employees or company officers of the Company or of any affiliated entities within the meaning of Article L. 225-197-2 of the French Commercial Code, or to certain categories of employees or company officers, with the understanding that the total amount of bonus shares allotted may not exceed 1% of the Company's share capital as of the date of this Meeting;
2. grants this authorization for a period of thirty-eight months as of the date of this Meeting;
3. decides that the allotment of shares to their beneficiaries shall become definitive either (i) after a minimum vesting period of two years, the beneficiaries being required in this case to hold the shares for a minimum of two more years once fully vested or (ii) after a minimum vesting period of four years, without any requirement to hold the shares once fully vested. The Board of Directors shall be entitled to choose between these two options, making use of them either alternately or concurrently and may, in the first case, extend the vesting period and/or the holding period and, in the second case, extend the vesting period and/or set a holding period.

However, the allotment of shares to beneficiaries with a disability corresponding to a classification in the second or third category set forth in Article L. 341-4 of the French Social Security Code shall become definitive before the end of the applicable vesting period. Moreover, in this case, the shares in question shall be freely transferable;

4. authorizes the Board of Directors to make, where applicable during the vesting period, any adjustments to the number of shares in connection with any transactions involving the Company's share capital, in order to protect the rights of beneficiaries;

5. takes note that if the allotment involves an issue of new shares, this authorization entails the automatic waiver by shareholders, in favor of the beneficiaries of bonus shares, of their preferential right to subscribe to the new shares to be issued;

6. decides, should the Board of Directors make use of this delegation of authority, including the option to sub-delegate this authority within the limits set forth by law, that the Board or its sub-delegatee shall have full powers to carry out all necessary measures, particularly in order to:

- draw up the lists of bonus share beneficiaries,
- set the terms and conditions for the allotment of bonus shares and, where applicable, the allotment criteria,
- make the vesting of any portion or all of the shares subject to one or more performance conditions that it shall determine,
- set the dates from which shares shall have dividend rights,

where applicable, record the completion of each capital increase, amend the Bylaws accordingly, and more generally take any and all actions required in the implementation of this authorization;

7. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 15, 2008.

Statutory Auditors' reports

STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL BY THE CANCELLATION OF OWN OR PURCHASED SHARES (TENTH RESOLUTION)

MAZARS

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ERNST & YOUNG et Autres

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Statutory Auditors
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To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures provided for in Article L. 225-209 of the French Commercial Code (*Code de commerce*) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of eighteen months starting from the day of this Meeting, to cancel, on one or several occasions, up to a maximum of 10% of its share capital per 24-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares up to a maximum of 10% of its share capital, under the provisions of the above-mentioned Article; this purchase authorization, otherwise submitted for approval to your Shareholders' Meeting (eighth resolution), is to be given for a period of 18 months.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, which does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS

Simon Beillevaire

ERNST & YOUNG et Autres

Jeanne Boillet

Olivier Breillot

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

STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS MARKETABLE SECURITIES WITH/WITHOUT CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS (ELEVENTH, TWELFTH, THIRTEENTH, FOURTEENTH, FIFTEENTH, SIXTEENTH AND SEVENTEENTH RESOLUTIONS)

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To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures more specifically provided for in Articles L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegations to the Board of Directors of the authority to proceed with a number of share and marketable securities issues, transactions on which you are asked to vote.

Your Board of Directors recommends that, having considered its report:

- you confer on it, for a period of twenty-six months, the authority to decide the following transactions, set the final terms and conditions of these issues and, if applicable, cancel your preferential subscription rights:
  - issuance, on one or several occasions, through a public offering, of ordinary shares and/or any and all marketable securities, including share subscription or purchase warrants issued separately, conferring immediate or future entitlement, at any time or on a fixed date, to shares in the Company or debt securities, with preferential subscription rights (eleventh resolution);
  - issuance, on one or several occasions, through a public offering, of ordinary shares and/or any and all marketable securities, including share subscription or purchase warrants issued separately, conferring immediate or future entitlement, at any time or on a fixed date, to shares in the Company or debt securities, without preferential subscription rights (twelfth resolution);
  - issuance, on one or several occasions, through an offering governed by Title II of Article L. 411-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*), of ordinary shares and/or any and all marketable securities, including share subscription or purchase warrants issued separately, conferring immediate or future entitlement, at any time or on a fixed date, to shares in the Company or debt securities, without preferential subscription rights and up to a maximum of 20% per year of the share capital of the Company (thirteenth resolution);
  - issuance, on one or several occasions, of ordinary shares and/or any and all marketable securities, conferring immediate or future entitlement, at any time or on a fixed date, to shares in the Company or debt securities, provided the primary security is a share, in consideration for securities contributed in connection with a public offering to exchange the securities of another company listed on a regulated market as provided for in Article L. 225-148 of the French Commercial Code (sixteenth resolution);
- you confer on it the authority, under the fourteenth resolution and in connection with the implementation of the delegations provided for in the twelfth and thirteenth resolutions, to set the issue price within the legally applicable limit of 10% per year of the share capital of the Company as assessed on the issue date;
- you delegate to it, for a period of twenty-six months, the authority to set the terms and conditions of the issuance of shares or marketable securities conferring entitlement to shares in the Company or debt securities, provided the primary security is a share in consideration for contributions in kind to the Company comprising equity or marketable securities with entitlement to shares in the Company within the limit of 10% of the share capital as assessed on the issue date (seventeenth resolution).

The cumulated maximum par value amount of share capital increases which may be decided under the delegations of authority to the Board of Directors may not exceed 80 million euros, pursuant to the nineteenth resolution, it being specified that this overall maximum shall be applied to share capital increases resulting from issues decided under the eleventh, twelfth, thirteenth, sixteenth, seventeenth and eighteenth resolutions subject to this Meeting's approval.

The number of new securities to be issued in connection with the implementation of the delegations provided for in the eleventh, twelfth and thirteenth resolutions may be increased under the terms and conditions provided for in article 225–135-1 of the French commercial code and within the above-mentioned overall maximum, should you decide to adopt the fifteenth resolution.

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information pertaining to these transactions, as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Such procedures consisted in verifying the content of the Board of Directors' report as it relates to these transactions and the conditions in which the issue price of the equity securities to be issued shall be determined.

Subject to the subsequent review of the terms and conditions of the issues that may be decided, we have no comments on the conditions, as given in the Board of Directors' report, under which the issue price of the equity securities to be issued shall be determined under the twelfth, thirteenth and fourteenth resolutions.

In addition, as this report does not contain the conditions in which the issue price of the equity securities to be issued in connection with the implementation of the eleventh, sixteenth and seventeenth resolutions shall be determined, we cannot express an opinion on the items selected for issue price calculation purposes.

As the issue price of the equity securities to be issued has not been determined, we express no opinion on the final terms and conditions under which the shares shall be issued and, consequently, on the proposed cancellation of preferential subscription rights on which you are asked to decide under the twelfth, thirteenth and fourteenth resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we shall issue a supplementary report, where necessary, when these delegations are utilized by your Board of Directors, should it issue shares with cancellation of preferential subscription rights and marketable securities conferring entitlement to shares in the Company and/or debt securities.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS

Simon Beillevaire

ERNST & YOUNG et Autres

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STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS MARKETABLE SECURITIES WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF A CORPORATE SAVINGS PLAN (EIGHTEENTH RESOLUTION)

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To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures provided for in Articles L. 225-135, L.225-138 and L. 228-92 of the French Commercial code (*Code de commerce*), we hereby report to you on the proposed delegation to the Board of Directors of the authority:

- to issue, on one or several occasions, ordinary shares or more generally any and all marketable securities conferring entitlement to the share capital of the Company, with cancellation of preferential subscription rights, such issue being reserved for employees of the Company or affiliated companies, within the meaning of Article L. 3344-1 of the French Labor Code (*Code du travail*), who are members of a corporate savings plan, a transaction on which you are asked to vote.

Shareholders are asked to approve this share capital increase pursuant to Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 et seq. of the French Labor Code.

Subject to a maximum of 80 million euros nominal set in the nineteenth resolution for all delegations of authority to the Board of Directors as resulting from this Meeting's resolutions, the total number of shares likely to result from all the shares issued under this delegation – including those resulting from shares or marketable securities conferring entitlement to the share capital of the Company potentially granted for no consideration to fully or partially offset the discount under the terms and conditions set forth in Articles L. 3332-18 et seq. of the French Labor Code – may not exceed 1% of the share capital of the Company to date.

Your Board of Directors recommends that, having considered its report, you confer on it, for a period of twenty-six months, the authority to decide one or more issues and waive your preferential subscription rights. If applicable, it shall be responsible for determining the final issuance terms and conditions of this transaction.

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information pertaining to the issuance as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Such procedures consisted in verifying the content of the Board of Directors' report as it relates to this transaction and the conditions in which the issue price of the equity securities to be issued was determined.

Subject to our review in due course of the terms and conditions of the proposed issue, we have no comments on the procedures for determining the share issue price of the equity securities to be issued presented in the Board of Directors' report.

As the issue price of the equity securities to be issued has not been determined, we express no opinion on the final terms and conditions under which the shares shall be issued and, consequently, on the proposed cancellation of preferential subscription rights on which you are asked to vote.

In accordance with Article R. 225-116 of the French Commercial Code, we shall issue a supplementary report, where necessary, when this delegation is utilized by your Board of Directors.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres	
Simon Beillevaire	Jeanne Boillet	Olivier Breillot

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STATUTORY AUDITORS' REPORT ON THE FREE GRANTING OF EXISTING SHARES OR SHARES TO BE ISSUED TO EMPLOYEES AND CORPORATE OFFICERS OF THE COMPANY (TWENTIETH RESOLUTION)

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SAS with variable share capital

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To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SA and in accordance with the procedures provided for in Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we have prepared this report on the proposed free granting, on one or several occasions, of existing shares or shares to be issued to employees and corporate officers of the Company or affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, or to certain categories of employees and corporate officers, subject to the total amount of shares granted for no consideration not exceeding 1% of the share capital of the Company as of the date of the Shareholders' Meeting.

The Board of Directors also recommends that you confer on it the authority to grant shares for no consideration, whether existing or to be issued. It is responsible for preparing a report on this transaction with which it wishes to proceed. Our role is to inform you of our comments, if any, on the information thus given to you on the proposed transaction.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Our work consisted in verifying more specifically that the proposed procedures and data presented in the Board of Directors' report comply with the legal provisions.

We have no comments on the information given in the Board of Directors' report in connection with the proposed granting of shares for no consideration.

Courbevoie and Neuilly-sur-Seine, February 25, 2011

The Statutory Auditors

MAZARS

Simon Beillevaire

ERNST & YOUNG et Autres

Jeanne Boillet

Olivier Breillot

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

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1. History of the Group

1905	Birth of Christian Dior in Granville (Normandy, France), on January 21.
1946	Backed by Marcel Boussac, Christian Dior founds his own couture house, in a private house at 30, avenue Montaigne in Paris.
1947	On February 12, Christian Dior presents the 90 models of his first collection on six mannequins. The "*Corolle*" and "*Huit*" lines are very quickly rechristened "*New Look*". Parfums Christian Dior is founded, headed by Serge Heftler Louiche. Dior names the first "*Miss Dior*" in honor of his sister Catherine. Pierre Cardin begins at Christian Dior, as the "leading man" in the workshop. He remains there until 1950.
1948	In November, a luxury ready-to-wear house is established in New York at the corner of 5th Avenue and 57th Street, the first of its kind. Creation of Christian Dior Parfums New York.
1949	Launch of the perfume "*Diorama*". By marketing Dior stockings in the United States, the brand creates the licensing system.
1950	License for neckties. All accessories follow. Within three years, this system will be copied by all the couture houses.
1952	The Christian Dior brand consolidates its presence in Europe by creating Christian Dior Models Limited in London. Agreement with the House of Youth in Sydney for exclusive Christian Dior New York models. Exclusive agreement with Los Gobelinos of Santiago, Chile for the Christian Dior Paris Haute Couture collections.
1955	At age 19, Yves Saint Laurent becomes Christian Dior's first and only assistant. Opening of the Grande Boutique at the corner of avenue Montaigne and rue François 1er. Launch of Dior lipstick. A line of beauty products will follow.
1957	Christian Dior succumbs to a heart attack while convalescing at Montecatini on October 24. Yves Saint Laurent is named to provide artistic direction for the brand.
1960	Called up for National Service, Yves Saint Laurent leaves Dior after completing six collections. Marc Bohan succeeds him. He is 34 years old.
1961	Marc Bohan presents his first collection, "*Slim Look*" under the Dior label.
1962	Yves Saint Laurent opens his own couture house.
1963	Launch of the perfume "*Diorling*".
1966	Launch of the men's fragrance "*Eau Sauvage*".
1967	Philippe Guibourgé, assistant to Marc Bohan, creates the "Miss Dior" line, the first Dior women's ready-to-wear line in France. Opening of the "*Baby Dior*" boutique.
1968	Launch of the Christian Dior Coordinated Knits line. The Dior perfume company is sold to Moët Hennessy. Frédéric Castet assumes management of the Fashion Furs Department - Christian Dior Paris.
1970	Creation of the Christian Dior Monsieur line. At Parly II, a new Christian Dior boutique is decorated by Gae Aulenti.
1972	Launch of the perfume "*Diorella*".
1973	Creation in France of the ready-to-wear fur collection, which will then be manufactured under license in the United States, Canada, and Japan.
1978	Bankruptcy of the Marcel Boussac group, whose assets, under the authorization of the Paris Trade Court, are purchased by the Willot group.
1979	Launch of the perfume "*Dioressence*".
1980	Launch of the men's fragrance "*Jules*".
1981	The Willot group declares bankruptcy.
1984	A group of investors, led by Bernard Arnault, takes control of the former Willot group.
1985	Bernard Arnault becomes Chairman and Chief Executive Officer of Christian Dior. Launch of the perfume "*Poison*".

1987	The Paris Fashion Museum dedicates an exhibition to Christian Dior, on the fortieth anniversary of his first collection.
1988	Through its subsidiary Jacques Rober, held jointly with the Guinness group, Christian Dior takes a 32% equity stake in the share capital of LVMH. The share capital of Christian Dior is offered to French and foreign institutional investors who subscribe to a pital increase of 3.3 billion francs in a private placement.
1989	Gianfranco Ferré joins Christian Dior as creator of the Haute Couture, Fashion Furs, and Women's ready-to-wear collections. His first Haute Couture collection is awarded the Dé d'Or. Opening of a boutique in Hawaii. Jacques Rober's stake in LVMH is increased to 44%.
1990	Opening of boutiques in Los Angeles and New York. LVMH's stake is increased to 46%.
1991	Listing of Christian Dior on the spot market, and then the monthly settlement market of the Paris stock exchange. Launch of the perfume "*Dune*".
1992	Patrick Lavoix is named artistic Director of "*Christian Dior Monsieur*". Relaunch of "*Miss Dior*".
1994	A revision of agreements with Guinness has the effect of increasing Christian Dior's consolidated stake in LVMH from 24.5% to 41.6%.
1995	The Couture line is transferred to a wholly-owned subsidiary that takes the corporate name "Christian Dior Couture".
1996	John Galliano is named creative director of Christian Dior Couture.
1997	Christian Dior Couture takes over the network of 13 boutiques operated under franchise by its Japanese licensee, Kanebo.
1998	Christian Dior Couture takes over the direct marketing of ready-to-wear and women's accessories in Japan after terminating its licensing agreement with Kanebo.
1999	Launch of the perfume "*J'adore*". Creation of a new business group, Fine Jewelry, whose collections are created by Victoire de Castellane.
2001	In January 2001, Hedi Slimane, new creator of the "Homme" line, presents his first collection based on a new contemporary masculine concept. Launch of the men's fragrance "*Higher*". Opening of the Fine Jewelry boutique at Place Vendôme, created under the supervision of Victoire de Castellane.
2002	Launch of the perfume "*Addict*".
2003	Opening of a flagship boutique in the Omotesando district (Tokyo).
2004	Opening of a flagship boutique in the Ginza district (Tokyo).
2005	Celebration of the centennial of Christian Dior's birth. Launch of the perfumes "*Miss Dior Chérie*" and "*Dior Homme*".
2006	Christian Dior Couture directly takes over the activity of its Moscow agent and opens a boutique in the GUM department store.
2007	Celebration of the 60th anniversary of the creation of Maison Dior (1947). Kris Van Assche, the new creator of the menswear line, presents his first collections.
2008	Major exhibition organized in Beijing, in association with Chinese artists, to celebrate the brand's entrance into the Chinese marketplace.
2009	New online advertising campaign for "*Lady Dior*" handbags featuring Marion Cotillard.
2010	Organization of an event in Shanghai to celebrate the expansion and reopening of the boutique in the Plaza 66 shopping mall.

2. General information regarding the parent company and its share capital

2.1 GENERAL INFORMATION REGARDING THE PARENT COMPANY

2.1.1 Role of the parent company within the Group

Christian Dior SA is a holding company whose assets consist primarily of investments in Christian Dior Couture (wholly and directly owned) and in LVMH (42.4% ownership interest) via Financière Jean Goujon SAS, a wholly owned subsidiary of Christian Dior.

2.1.2 General information

The complete text of the Bylaws is presented in §3 "Corporate Governance" below.

Corporate name (Article 3 of the Bylaws): Christian Dior.

Registered office (Article 4 of the Bylaws): 30, avenue Montaigne 75008 Paris. Telephone: +33 1 44 13 22 22.

Legal form (Article 1 of the Bylaws): *Société anonyme* (limited liability company).

Jurisdiction (Article 1 of the Bylaws): the Company is governed by French law.

Register of Commerce and Companies: the Company is registered in the Paris Register of Commerce and Companies under number 582 110 987. APE code (company activity code): 7010Z.

Date of incorporation - Term (Article 5 of the Bylaws): Christian Dior was incorporated on October 8, 1946 for a term of 99 years, which expires on October 7, 2045, unless the Company is dissolved early or extended by a resolution of the Extraordinary Shareholders' Meeting.

Location where documents concerning the Company may be consulted: the Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

2.1.3 Additional information

The complete text of the Bylaws is presented in §3 "Corporate Governance" below.

Corporate purpose (Article 2 of the Bylaws): the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

Fiscal year (Article 24 of the Bylaws): from January 1 until December 31.

Statutory distribution of profits (Article 26 of the Bylaws): the Shareholders' Meeting then has the authority to deduct such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it will freely determine. Any remaining balance is to be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

Shareholders' Meetings (Articles 17 to 23 of the Bylaws): Shareholders' Meetings are convened and held under the conditions provided by the laws and decrees in effect.

Rights, preferences and restrictions attached to shares (Articles 6, 8, 17 and 30 of the Bylaws): all shares belong to the same category, whether issued in registered or bearer form.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus.

A voting right equal to twice the voting right attached to other shares is granted to all fully paid up registered shares for which evidence of registration under the name of the same shareholder during at least three years will be brought, as well as to registered shares allocated to a shareholder, in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issue premiums due to existing shares for which it was entitled to benefit from this right. This right was granted by the Extraordinary Shareholders' Meeting of June 14, 1991 and may be removed by a decision of the Extraordinary Shareholders' Meeting, after ratification by a Special Meeting of beneficiaries of this right.

Declaration of thresholds (Article 8 of the Bylaws): independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% shall notify the total number of shares held to the Company. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Necessary action to modify the rights of shareholders: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

Provisions governing changes in the share capital: the Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

2.2 INFORMATION REGARDING THE CAPITAL

2.2.1 Share capital - Classes of shares

As of December 31, 2010, the Company's share capital was 363,454,096 euros, consisting of 181,727,048 fully paid-up shares with a par value of 2 euros each.

The shares issued by the Company are all of the same class.

Among these 181,727,048 shares, 124,912,488 conferred double voting rights as of December 31, 2010.

2.2.2 Authorized share capital

As of December 31, 2010, the Company had 227,178,859 shares of authorized share capital with a par value of 2 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors make use of all of the authorizations and delegations of authority granted by the Shareholders' Meeting that permit the Company to increase its amount.

2.2.3 Status of delegations and authorizations granted to the Board of Directors

This statement is included under paragraph 8.1 "Status of current delegations and authorizations" in the "Management Report of the Board of Directors" of the Annual Report.

2.2.4 Shareholders' identification

Article 8 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

2.2.5 Non-capital shares

The Company has not issued any non-capital shares.

2.2.6 Securities giving access to the Company's capital

No securities giving access to the Company's capital are outstanding as of December 31, 2010.

2.2.7 Three-year summary of changes in the Company's share capital

Type of transaction		Par value issued *(EUR)*	Issuance premium *(EUR)*	Successive amounts of share capital *(EUR)*	Cumulative number of company shares	Par value per share *(EUR)*
2008	No shares created	-	-	363,454,096	181,727,048	2.00
2009	No shares created	-	-	363,454,096	181,727,048	2.00
2010	No shares created	-	-	363,454,096	181,727,048	2.00

2.3 ANALYSIS OF SHARE CAPITAL AND VOTING RIGHTS

2.3.1 Share ownership of the Company

As of December 31, 2010, the Company's share capital comprised 181,727,048 shares. Of this total, taking into account shares held as treasury shares, voting rights were attached to 178,923,488 shares, including 124,912,488 with double voting rights.

- 110,744,691 pure registered shares (of which 2,803,560 were treasury shares);
- 17,533,995 administered registered shares;
- 53,448,362 bearer shares.

As of December 31, 2010, 202 registered shareholders held at least 100 shares.

Shareholders	Number of shares	Number of voting rights [(2)]	% of capital	% of voting rights [(2)]
Groupe Arnault [(1)] and companies controlled by Groupe Arnault	127,132,295	251,758,005	69.96	82.86
Other	54,594,753	52,077,971	30.04	17.14
TOTAL	**181,727,048**	**303,835,976**	**100.00**	**100.00**

(1) Controlled by Mr. Bernard Arnault and his family, Groupe Arnault SAS is the holding company with ultimate control over Christian Dior.
(2) Voting rights exercisable in Shareholders' Meetings.

The Company's main shareholders have voting rights identical to those of other shareholders.

To the best of the Company's knowledge:

- no other shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2010, senior executives of the Company and members of the Board of Directors directly and personally held in registered form less than 0.5% of the Company's share capital and voting rights.

During the 2010 fiscal year, Crédit Suisse informed the Company on several occasions that it had exceeded or fallen below statutory shareholding thresholds of the Company's capital stock by less than 1%. According to the last notification received in 2010, Crédit Suisse owned less than 1% of the Company's share capital.

During the fiscal year ended December 31, 2010 and as of February 25, 2011, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

2.3.2 Changes in share ownership during the last three fiscal years

	December 31, 2010			December 31, 2009			December 31, 2008		
Shareholders	Number of shares	% of capital	% of voting rights [(1)]	Number of shares	% of capital	% of voting rights [(1)]	Number of shares	% of capital	% of voting rights [(1)]
Groupe Arnault and companies under its control, including:	127,132,295	69.96	82.86	126,177,295	69.43	82.71	126,174,170	69.43	82.27
- Semyrhamis	*107,985,125*	*59.42*	*71.08*	*107,985,125*	*59.42*	*71.22*	*107,982,000*	*59.42*	*70.84*
- Financière Agache and related companies	*19,147,170*	*10.54*	*11.78*	*18,192,170*	*10.01*	*11.49*	*18,192,170*	*10.01*	*11.43*
Treasury shares	2,803,560	1.54	-	3,600,880	1.98	-	3,366,380	1.85	-
Free float – registered shares	423,358	0.23	0.23	540,789	0.30	0.33	1,968,175	1.08	1.26
Free float – bearer shares	51,367,835	28.27	16.91	51,408,084	28.29	16.96	50,218,323	27.64	16.47
TOTAL	**181,727,048**	**100.00**	**100.00**	**181,727,048**	**100.00**	**100.00**	**181,727,048**	**100.00**	**100.00**

(1) Voting rights exercisable in Shareholders' Meetings.

2.3.3 Pledges of pure registered shares by main shareholders

The Company is not aware of any pledge of pure registered shares by the main shareholders.

2.3.4 Natural persons or legal entities that may exercise control over the Company

As of December 31, 2010, Christian Dior SA was controlled through direct and indirect holdings totaling 69.96% of its share capital by Groupe Arnault SAS.

Controlled by Mr. Bernard Arnault and his family, Groupe Arnault SAS is the ultimate holding company of Christian Dior. Mr. Bernard Arnault is Chairman of the Board of Directors of Christian Dior.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations and Compensation Committee must also be Independent Directors.

3. Corporate governance

3.1 CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors is the strategy body of the Company Christian Dior. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by Christian Dior's Board of Directors are enterprise value creation and the defense of the Company's interests.

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

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to preserving the level of enterprise performance and transparency required to retain the confidence of shareholders and partners in the Group.

3.1.1 Structure of the Board of Directors

The Board of Directors shall have a maximum of 12 members, a third of whom are appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered as independent, the Board of Directors refers among others to the criteria set forth in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors or permanent representatives of legal entities from outside companies, in which the Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Managing Director holds an office, shall be limited to two.

3.1.2 Missions of the Board of Directors

Apart from the selection of the Company's management structure and the appointment of the Chairman of the Board of Directors, Chief Executive Officer and Group Managing Director(s), the principal missions of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the broad strategic orientations of the Company and the Group and ensure that their implementation is monitored;
- approve the Company's annual and half-yearly financial statements;
- review the essential characteristics of the internal control and risk management systems adopted and implemented by the Group;
- ensure that major risks to which the Company is exposed are in keeping with its strategies and its objectives, and that they are taken into account in the management of the Company;
- verify the quality, reliability and fairness of the information provided to shareholders concerning the Company and the Group, in particular to ensure that the management structure and the internal control and risk management systems are able to guarantee the quality and reliability of financial information published by the Company and to give a true and fair view of the results and the financial position of the Company and the Group;
- set out the organization principles and procedures for the Performance Audit Committee;
- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

3.1.3 Operations of the Board of Directors

The Board of Directors shall hold at least three meetings a year.

Any individual who accepts the position of Director or permanent representative of a legal entity appointed as Director of the Company shall agree to attend Board of Directors' and Shareholders' Meetings regularly.

On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absenteeism by a Director may cause the Board of Directors to reconsider his appointment.

So that members of the Board of Directors can fully serve the function entrusted to them, the Chief Executive Officer provides members with any and all information necessary for the performance of their duties.

Decisions by the Board of Directors shall be made by simple majority vote and are adopted as a board.

If they deem appropriate, independent Directors may meet without requiring the presence of the other members of the Board of Directors.

For special or important issues, the Board of Directors may establish one or more ad hoc committees.

Each member of the Board of Directors shall act in the interests and on behalf of all shareholders.

Once each year, the Board of Directors evaluates its procedures and informs shareholders as to its conclusions in a report presented to the Shareholders' Meeting. In addition, at least once every three years, a fully documented review of the work of the Board, its organization and its procedures is conducted.

3.1.4 Responsibilities

The members of the Board of Directors shall be required to familiarize themselves with the general and specific obligations of their office, and with all applicable laws and regulations.

The members of the Board of Directors shall be required to respect the confidentiality of any information of which they may become aware in the course of their duties concerning the Company or the Group, until such information is made public by the Company.

The members of the Board of Directors agree not to trade in the Company's shares, either directly or indirectly, for their own account or on behalf of any third parties, based on information disclosed to them in the course of their duties that is not known to the public. Moreover, the Directors shall refrain from engaging in any stock market transactions involving the Company's shares and from any exercise of options for the duration of a period:

- beginning on the 30th calendar day preceding the publication of the Company's annual or interim consolidated financial statements and ending the day after said publication;
- beginning on the 15th calendar day preceding the Company's quarterly consolidated revenue announcement and ending the day after said announcement.

The Directors agree to:

- warn the Chairman of the Board of Directors of any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities;
- abstain from voting on any issue that concerns them directly or indirectly;
- inform the Chairman of the Board of Directors of any operation or agreement entered into with any Christian Dior Group company to which they are a party;
- provide details to the Chairman of the Board of Directors of any formal investigation, conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative, management or supervisory body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party.

The Chairman of the Board of Directors shall apprize the Performance Audit Committee upon receiving any information of this type.

3.1.5 Compensation

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

This amount shall be distributed among all members of the Board of Directors and the advisors, if any, on the recommendation of the members of the Directors' Nominations and Compensation Committee, taking into account their specific responsibilities on the Board (e.g. chairman, participation on committees created within the Board).

The settlement of a portion of these fees shall be contingent upon attendance by Directors at the meetings of the Board of Directors and, where applicable, the Committee(s) of which they are members, calculated according to a formula to be determined by the Board of Directors, acting upon a proposal submitted by the Nominations and Compensation Committee.

Exceptional compensation may be paid to some Directors for any special assignments and on the basis of the leadership role they assume. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

3.1.6 Scope of application

This Charter shall apply to all members of the Board of Directors and the Advisory Board. It must be given to each candidate for the position of Director and to each permanent representative of a legal entity before they take office.

3.2 INTERNAL RULES OF THE PERFORMANCE AUDIT COMMITTEE

A specialized committee responsible for auditing performance operates within the Board of Directors, acting under the responsibility of the Board of Directors.

3.2.1 Structure of the Committee

The Performance Audit Committee shall be made up of at least three Directors appointed by the Board of Directors. At least two-thirds of the members shall be independent Directors. The majority of the Committee's members must have held a position as a Managing Director or a position involving equivalent responsibilities or possess specific expertise in financial and accounting matters.

The Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term of the Chairman of the Committee is five years.

Neither the Chairman of the Board of Directors nor any Director performing the duties of Chief Executive Officer or Managing Director of Christian Dior may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which a Christian Dior Director serves as a member of a committee comparable in function.

3.2.2 Role of the Committee

The principal missions of the Committee are to:

- monitor the process for preparing financial information, particularly the individual company and consolidated financial statements, and verify the quality of this information;
- monitor the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors, whose conclusions and recommendations it examines;
- ensure the existence, pertinence, application and effectiveness of internal control and risk management systems, monitor the ongoing effectiveness of these systems, and make recommendations to the Chief Executive Officer concerning the priorities and general guidelines for the work of the Internal Audit team;
- examine risks to the Statutory Auditors' independence and, if necessary, identify safeguards to be put in place in order to minimize the potential of risks to compromise their independence, issue an opinion on the fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and the companies it controls or is controlled by, whether in relation to their statutory audit responsibilities or other related assignments, oversee the procedure for the selection of the Company's Statutory Auditors, and make a recommendation on the appointments to be submitted to the Shareholders' Meeting in consideration of the results of this procedure;
- analyze the exposure of the Company and the Group to risks, and in particular to those identified by the internal control and risk management systems, as well as material off–balance sheet commitments of the Company and the Group;
- review major agreements entered into by Group companies and agreements entered into by any Group company with a third-party company in which a Director of Christian Dior is also a senior executive or principal shareholder. Significant operations within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed upon the proposal of the Performance Audit Committee;
- assess any instances of conflict of interest that may affect a Director and recommend suitable measures to prevent or correct them;

3.2.3 Operating procedures of the Committee

A Director's agreement to serve on the Committee shall imply that he will devote the necessary time and attention to his duties on the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s), before the Board of Directors' meetings in which the agenda includes a review of the annual and half-yearly parent company and consolidated financial statements.

If necessary, the Committee may be required to hold special meetings, when an event occurs that may have a significant effect on the parent company or consolidated financial statements.

Before each meeting, all pertinent documents and analyses relating to the different items on the agenda for the meeting are sent to each member of the Committee.

Any document submitted to the Committee in connection with its responsibilities shall be considered confidential as long as it has not been made public by the Company.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions of the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

The proceedings of each Committee Meeting shall be recorded in minutes of the meeting.

3.2.4 Prerogatives of Committee members

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

The Committee may request any and all accounting, legal or financial documents it deems necessary to carry out its responsibilities.

The Committee may call upon the Company's staff members responsible for preparing the financial statements, carrying out internal control procedures, conducting internal audits, applying risk management or cash management procedures, or investigating tax or legal matters, as well as the Statutory Auditors, to appear before it on any number of occasions to address issues in detail, without requiring the presence of the Chairman of the Board, the Chief Executive Officer, or any Managing Director(s) of Christian Dior.

These meetings may also take place in the absence of those responsible for the accounting and financial functions.

After having duly notified the Chairman of the Board of Directors, the Committee may seek assistance from external experts if circumstances require.

3.2.5 Compensation of Committee members

The Committee members and its Chairman may receive a special Director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

3.3 INTERNAL RULES OF THE NOMINATIONS AND COMPENSATION COMMITTEE

A specialized committee responsible for the nomination and compensation of Directors operates within the Board of Directors, acting under the exclusive, collective authority of the Board of Directors.

3.3.1 Structure of the Committee

The Board's Nominations and Compensation Committee shall be made up of at least three Directors and/or Advisors. The majority of its members shall be independent. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members.

Neither the Chairman of the Board of Directors, nor any Director serving as Chief Executive Officer or Managing Director of Christian Dior, or who are compensated by any Christian Dior subsidiary, may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which a Christian Dior Director serves as a member of a committee comparable in function.

3.3.2 Role of the Committee

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisor, making certain that the Company's Board of Directors includes prominent independent persons outside the Company. In particular, it discusses the independence of Board members with respect to applicable criteria.

The Committee's opinion may also be sought by the Chairman of the Board of Directors or by any Directors serving as Chief Executive Officer or Managing Director, on potential members of the Group's Executive Committee or candidates for senior management positions at the Company or Christian Dior Couture. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee shall make recommendations on the distribution of directors' fees paid by the Company and prepares a summary table of directors' fees effectively paid to each Director.

The Committee shall make recommendations on the compensation, benefits in kind, bonus shares and share purchase and subscription options granted to the Company's Chairman of the Board of Directors, Chief Executive Officer and Managing Director(s). In this capacity, it issues recommendations regarding the qualitative and quantitative criteria on the basis of which the variable portion of compensation for executive officers shall be determined as well as the performance conditions applicable to the exercise of options and the definitive allocation of bonus shares.

It adopts positions on any supplemental pension schemes established by the Company in favor of senior executives of either the company or of Christian Dior Couture and issues recommendations on any retirement benefits that might be paid to a particular executive officer upon leaving the Company.

The Committee issues an opinion on the compensation and benefits in kind granted by either the Company or Christian Dior Couture to their Directors and senior executive officers and on the incentive plans proposed on behalf of these individuals. The Committee also expresses its opinion on the general policy for the allocation of options and bonus shares of the Company.

The Committee shall prepare a draft report every year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of senior executive officers, any bonus shares granted to them in the previous year as well as any stock options granted or exercised by said officers in the same period. The report shall also list the ten employees of the Company that received and exercised the most options.

3.3.3 Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he will devote the necessary time and energy to his duties on the Committee.

The Committee shall meet whenever necessary, either at the initiative of the Chairman of the Board of Directors, or the Director serving as Chief Executive Officer, or of two Committee members.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions by the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

3.3.4 Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

Members of the Committee may request any and all available information that they deem necessary for the purposes of carrying out their responsibilities.

Any unfavorable opinion issued by the Committee on any proposal must be substantiated.

3.3.5 Compensation of Committee members

The members and Chairman of the Committee may receive a special Director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

3.4 BYLAWS

Part I

Legal form – Corporate name – Corporate purpose – Registered office – Duration

Article 1 - Legal form

Christian Dior SA, first established in the form of a limited liability partnership under the terms of a private agreement concluded on October 8, 1946 in Paris, filed on October 18, 1946 with the clerk of the Paris commercial court and published in the *Journal Spécial des Sociétés Françaises par Actions* of October 18, 1946, was transformed into a joint-stock corporation (*société anonyme*) without creating a new legal entity, following a decision of the Extraordinary Meeting of Partners held on December 21, 1979.

It is governed by all applicable laws as well as the regulations established hereinafter and it shall also be governed by any laws and regulations that may enter into effect in future.

Article 2 - Corporate purpose

The Company's purpose, in France and in any other country, is the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

It may also pursue direct or indirect equity investment in any industrial or commercial operations by creating new companies, contributions, subscriptions, or purchases of shares or corporate interests, merger, takeover, joint venture, or other method.

More generally, it may also engage in any commercial, financial, and industrial activities and those involving real and moveable assets, in such a way as to facilitate, favor, or develop the Company's activity.

Article 3 - Corporate name

The name of the Company is: Christian Dior

In all legal instruments or documents issued by the Company and addressed to third parties, this name must always be immediately preceded or followed by the words "société anonyme" or the initials "SA", which should appear legibly, and by the disclosure of the amount of the share capital.

Article 4 - Registered office

The address of the Company's registered office is: 22, avenue Montaigne, 75008 Paris, France.

It may be transferred to any other place within the same French administrative district (département) or any neighboring administrative district pursuant to a decision of the Board of Directors subject to the ratification of said decision by the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution of the Extraordinary Shareholders' Meeting.

Agencies, branch offices, warehouses and retail outlets may be established in any place and in any country, by simple resolution of the Board of Directors, which may later relocate or close these entities at its discretion.

Article 5 - Duration

The duration of the Company is ninety-nine years, starting from its date of incorporation, on the eighth day of October, in the year one thousand nine hundred and forty-six.

Part II

Share capital – company shares

Article 6 - Share capital

The share capital of the Company is 363,454,096 euros, consisting of 181,727,048 fully paid-up shares with a par value of 2 euros each, all of which belong to the same category.

The Company issued 4,351,808 shares further to the contribution by the various shareholders of Djedi Holding SA of 5,159,349 shares held in absolute ownership and 206,374 shares held in bare ownership in the said company, valued at 1,958,313,600 French francs.

Article 7 - Changes in the share capital

The share capital may be increased or decreased by a resolution of the Extraordinary Shareholders' Meeting, as provided by law.

The Shareholders' Meeting may delegate the authority or powers necessary to effect such a change to the Board of Directors.

Article 8 - Company shares

PAYMENT FOR THE SHARES

Shares subscribed in cash must be paid up, upon subscription, in an amount equivalent to at least one-quarter of their par value, plus, where applicable, the entirety of the issue premium. The remainder shall be called by the Board of Directors within a maximum period of five years.

Payment for shares may be made by offsetting against liquid and demandable receivables due from the Company.

Shareholders shall be informed of calls for funds at least fifteen days in advance, either by a notice inserted in a legal gazette published where the registered office is located or by registered letter with acknowledgment of receipt sent to each shareholder.

Shares allocated in the form of a contribution in kind or by way of the capitalization of unappropriated retained earnings, reserves or issue premiums as well as shares the amount of which results, in part, from an incorporation of reserves, unappropriated retained earnings or issue premiums and in part, from a cash payment, must be fully paid up upon issue.

Any late payment for shares incurs, automatically and without prior formal notice, an interest charge due to the Company, calculated at the legal rate in commercial matters as of the payment date, plus three percentage points.

FORM

Fully paid-up shares may be in registered or bearer form, at the discretion of the shareholder.

When the owner of the shares is not a French resident, as defined in Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.

At the time such account is opened through either the issuing company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare, under the terms and conditions laid down by decree, its capacity as intermediary holding shares on behalf of another party.

TRANSFER OF THE SHARES

Shares are freely negotiable, unless as prohibited by applicable laws or regulations, in particular as regards shares with payments in arrears and contributing shares.

Registered shares are transferred via inter-account transfer based on the instructions of the account holder or his or her legal representative.

INDIVISIBILITY

Shares are indivisible as far as the Company is concerned. Joint holders of shares shall be required to be represented vis-à-vis the Company by only one of the joint holders or by a mutually agreed permanent representative.

RIGHTS ATTACHED TO THE SHARES

Ownership of a share automatically implies acceptance of these Bylaws and of all resolutions passed by Shareholders' Meetings.

Each share entails the right to take part, as provided by law and these Bylaws, in Shareholders' Meetings and in votes on resolutions.

Each share entitles the holder to a share of corporate profits and assets proportional to the number of outstanding shares, in consideration of the par value of the shares.

All shares currently comprising, or that shall comprise in future, the Company's share capital are equivalent for tax purposes. Accordingly, each share shall entitle the holder, as much during the active existence of the Company as in the event of liquidation, to the payment of the same net amount at the time of any distribution or redemption, such that all taxes or tax exemptions relating to said distribution or redemption shall be consolidated, without distinction between the shares.

The liability of shareholders is limited to the amount of their contribution to the Company's share capital.

Under no circumstances may a shareholder's heirs, representatives or creditors apply for seals to be placed on or initiate proceedings against the Company's property and assets, request the division or public sale by auction of the same, nor interfere in any way with the actions of the Company's management. These individuals must refer to the Company's schedules of assets and liabilities and must respect the decisions of Shareholders' Meetings.

CROSSING OF SHAREHOLDER THRESHOLD

Any legal entity or natural person who comes to possess a number of shares representing more than 1% of the Company's share capital shall notify the Company no later than eight days after the crossing of this threshold and each time that a further threshold of 1% is crossed. However, this obligation shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the Company's share capital.

In the event of a failure to comply with this disclosure obligation, the shares in excess of the percentage that should have been declared shall be deprived of their voting rights at any Shareholders' Meeting to be held within a period of three months following the date on which proper notification is made, provided that a request to this effect has been recorded in the minutes of the Shareholders' Meeting by one or more shareholders holding at least 5% of the Company's share capital.

IDENTIFIABLE BEARER SHARES

In order to identify the holders of securities, the Company is entitled to request, at any time, at its own expense, that the central custodian of financial instruments provide the name, or in the case of a legal entity, the Company name, the nationality, the year of birth or incorporation, and the address of the holders of shares conferring the right to vote, immediately or at some point in the future, at its own Shareholders' Meetings, as well as the number of shares held by such natural persons or legal entities and the restrictions, if any, which may exist upon the shares.

In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, under the same terms and conditions and subject to the penalties stipulated in Article L. 228-3-2 of the French Commercial Code, of the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.

When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. This information shall be provided directly to the authorized financial intermediary holding the account, who shall, in turn, be responsible for communicating it to the issuing company or the aforementioned body, as applicable.

Part III

Chapter I: Corporate governance

Article 9 - Composition of the Board of Directors

Subject to the exceptions provided by law, the Company is administered by a Board of Directors composed of at least three and no more than twelve members, appointed by the Shareholders' Meeting for a term of office lasting three years.

A legal entity may be appointed as a Director but is required, at the time of its appointment, to designate an individual who shall serve as its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as that of the legal entity Director he or she represents and must be reconfirmed at each renewal of the latter's term of office.

When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement, and must send notification to the Company, by registered letter, of this dismissal as well as the identity of the new permanent representative. The same provision applies in case of death or resignation of the permanent representative.

A Director's appointment shall terminate at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which the term of office of said Director comes to an end.

However, in order to allow a renewal of the terms which is as egalitarian as possible and in any case complete for each period of three years, the Board of Directors will have the option to determine the order of retirement of the Directors by the impartial selection in a Board Meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

Nobody being more than eighty-five years old shall be appointed Director if, as a result of his or her appointment, the number of Directors who are more than eighty-five years old would exceed one-third of the members of the Board. The number of members of the Board of Directors who are more than eighty-five years old may not exceed one-third, rounded to the next higher number if this total is not a whole number, of the Directors in office. Whenever this limit is exceeded, the term in office of the oldest appointed member shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was exceeded.

Directors may be re-elected indefinitely. They may be revoked at any time by decision of the Ordinary Shareholders' Meeting.

In case of death or resignation of one or more Advisors, the Board of Directors may, between two Shareholders' Meetings, make provisional appointments, subject to their ratification by the next Ordinary Shareholders' Meeting.

When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene an Ordinary Shareholders' Meeting in order to supplement the membership of the Board of Directors.

A Director appointed to replace another Director shall serve as Director only for the remainder of the predecessor's term of office.

Article 10 - Shares held by Directors

Each member of the Board of Directors must own at least two hundred (200) shares of the Company for the entire duration of his, her or its term of office.

If, when appointed, a member of the Board of Directors does not own the required number of shares, or if the member ceases to own this required number at any point in his, her or its term of office, the member shall be allowed a period of six months to purchase a sufficient number of shares, failing which he, she or it shall be automatically considered to have resigned.

Article 11 - Organization of the Board of Directors

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his term of office, which cannot exceed that of his office as Director.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director to perform the duties of the Chairman. In case of temporary disability this delegation is granted for a limited duration and is renewable. In case of death it is granted until the election of the new Chairman.

The Board of Directors may also appoint a secretary, who may or may not be chosen from among the members of the Board.

Article 12 - Operation of the Board of Directors

1. The Board meets as often as required by the interests of the Company and is convened by its Chairman on his own initiative, or if he is not also the Chief Executive Officer, at the request of the Chief Executive Officer or the Director temporarily delegated to perform the duties of Chairman.

   If the Board of Directors has not met for more than two months, a meeting may also be convened by any group of Directors, representing at least one-third of the members of the Board, who shall indicate the agenda of the meeting.

   Meetings are held at the registered office or at any other location specified in the convening notice. Meetings of the Board are chaired by the Chairman of the Board of Directors, or by the Director temporarily designated to perform the duties of Chairman or, if unavailable, by another Director selected by the Board of Directors.

   Notice is served in the form of a letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person(s) convening the meeting. However, the Board may meet without notice upon verbal notice and the agenda may be set at the opening of the meeting if all Directors in office are present or represented or when it is convened by the Chairman during a Shareholders' Meeting.

   Any Director may give a proxy to another Director, even by letter or cable, to represent him and vote on his behalf on resolutions of the Board of Directors, for a specific meeting. However, each Director may only dispose of one proxy during the meeting.

   An attendance register shall be kept and signed by all the Directors attending each meeting.

2. The Board may validly act only if at least one-half of its members are present.

   Directors who participate in Board Meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules and regulations of the Board of Directors shall be deemed to be present for the purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the preparation of the parent company financial statements and consolidated financial statements, and to the drafting of the management report and the report on the Group's management.

   Decisions are made by a majority of the votes of members present or represented. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. Proceedings of the Board of Directors shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

   These minutes shall be signed by the Chairman of the meeting and by a Director. If the Chairman of the meeting is unavailable, they may be signed by two Directors.

   The production of abstracts or copies of the minutes to a meeting shall serve as sufficient justification of the number of Directors in office and their presence or representation by proxy at the meeting.

   To be valid, copies or abstracts of the minutes of the meeting shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, the Director temporarily delegated to perform the duties of Chairman, or by a representative duly authorized to that effect.

   In the event of the liquidation of the Company, these copies or abstracts shall be validly certified by a single liquidator.

Article 13 – Powers of the Board of Directors

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.

In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient proof thereof.

The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his assignment and may request any documents he deems useful.

The Board of Directors distributes among its members the total amount of attendance fees voted by the Shareholders' Meeting.

The decisions of the Board of Directors shall be carried out either by the Chief Executive Officer or by any person specifically appointed by the Board for that purpose.

Furthermore, the Board may grant one of its members or any third parties, whether shareholders or not, any special offices for one or more specific purposes, with or without the option, for the persons so appointed, to themselves delegate, whether in full or in part, the performance of these duties.

It may also resolve to create committees responsible for studying such issues as it may submit thereto for examination.

Article 14 - Remuneration of the Directors

The Shareholders' Meeting may allocate to the Directors in remuneration for their services a fixed sum as attendance fees, the amount of which is to be included in the overhead expenses of the Company.

The Board shall divide the amount of these attendance fees among its members as it deems fit. In particular, it may decide to allow Directors who serve on committees a greater portion of these fees.

It may also allow exceptional remuneration for specific duties or offices assigned to Directors.

These payments shall be subject to the legal provisions applicable to agreements requiring the prior authorization of the Board of Directors.

Article 14a - Advisors

Between one and three Advisors may be appointed. They may each be appointed for a term of no longer than three years, although they may be re-elected. Their appointment or dismissal is subject to the same rules as those applying to Directors. However, Advisors need not be shareholders and as such are not subject to rules relating to the holding of multiple appointments as Directors or to similar positions.

Advisors are convened to the Meetings of the Board of Directors, in which they have a consultative vote. The remuneration paid to Advisors is determined each year by the Board of Directors and is set off from the total attendance fees allocated by the Shareholders' Meeting to the members of the Board of Directors.

Chapter II: Management of the Company

Article 15 - Chairman of the Board of Directors and General Management

I - CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors chairs the Meetings of the Board, and organizes and directs its work, for which he reports to the Shareholders' Meeting. He ensures the proper operation of the corporate bodies and verifies, in particular, that the Directors are capable of fulfilling their assignments.

The Board shall determine the compensation to be paid to the Chairman.

II - GENERAL MANAGEMENT

1 - Choice between the two methods of General Management

The Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer, depending upon the decision of the Board of Directors choosing between the two methods of exercising the General Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him.

2 - Chief Executive Officer

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his term of office as well as his compensation. The age limit for serving as Chief Executive Officer is sixty-five years. Should the Chief Executive Officer reach this age limit, his term of office shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Chief Executive Officer assumes the duties of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

The provisions of the Bylaws or decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not binding on third parties.

3 - Managing Directors

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Managing Director, for whom it shall set the compensation.

The number of Managing Directors may not exceed five.

Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the dismissal is decided without just cause, it may give rise to damages.

When the Chief Executive Officer ceases to exercise his duties or is prevented from doing so, the Managing Directors remain in office with the same powers until the appointment of the new Chief Executive Officer, unless resolved otherwise by the Board.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Managing Directors. With regard to third parties, they shall have the same powers as the Chief Executive Officer.

The age limit for eligibility to perform the duties of Managing Director is sixty-five years. Should a Managing Director reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

Chapter III: Company audit

Article 16 - Statutory Auditors

The Company shall be audited by one or more Statutory Auditors appointed by the Ordinary Shareholders' Meeting.

One or more alternate Statutory Auditors shall also be appointed.

The term of office for a Statutory Auditor is six years, expiring following the Ordinary Shareholders' Meeting convened to approve the financial statements for the sixth fiscal year.

Statutory Auditors may be removed from office by the Shareholders' Meeting in the event of negligence or inability.

They are required to attend Meetings of the Board of Directors convened to approve the annual or interim financial statements of the preceding fiscal year as well as all Shareholders' Meetings.

The remuneration paid to Statutory Auditors is determined in accordance with applicable regulatory procedures.

A Statutory Auditor appointed to replace another shall remain in office only until the expiration of the term of office of his or her predecessor.

Part IV

Shareholders' Meetings

Chapter I: General provisions

Article 17

IMPACT OF DECISIONS

Shareholders' Meetings deemed to be duly convened and held represent all shareholders. Decisions taken during Shareholders' Meetings, in accordance with the law and the provisions of these Bylaws, shall be binding for all shareholders, even those who are absent, indisposed or dissenting.

CONVENING NOTICES

Shareholders meet each year, within six months of the account closing, in an Ordinary Shareholders' Meeting.

Other Shareholders' Meetings, either Ordinary Shareholders' Meetings held on an extraordinary basis or Extraordinary Shareholders' Meetings, may be convened at any time during the year.

Convening notices are sent to shareholders at least fifteen days prior to the planned date of the Shareholders' Meeting. This period is reduced to six days for Shareholders' Meetings convened on second notice and for postponed meetings.

Meetings are convened by way of a notice inserted in a newspaper authorized to publish legal announcements in the administrative district where the registered office is located and, in addition, if the Company's shares are publicly traded, in the *Bulletin d'Annonces Légales Obligatoires*. Shareholders who have held registered shares for at least one month on the date a convening notice is published shall be invited to attend the Shareholders' Meeting by letter.

If all shares are held in registered form, the publication of a convening notice may be replaced by an invitation, sent at the Company's expense, in the form of a simple letter addressed to each shareholder.

Procedures followed for convening notices are independent of any preliminary notices sent to shareholders, in the form and within the deadlines laid down by law, relating to any requests they may have filed for the inclusion of proposed resolutions in the agenda of a Shareholders' Meeting.

ATTENDANCE AT SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is made up of all shareholders, irrespective of the number of shares they own.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder is entitled to attend and vote at any meeting provided that the shares held are registered in the name of the shareholder or intermediary authorized to act on his or her behalf as of the fourth business day preceding the meeting at midnight, Paris time, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorized financial intermediary. The recording or registration of bearer shares is certified by a statement delivered by the financial intermediary authorized as account holder.

Holders of shares shall not be admitted to Shareholders' Meetings with respect to the shares not paid up within a period of thirty calendar days from the notice issued by the Company. These shares shall be subtracted when calculating the quorum.

A shareholder can always be represented by another shareholder who is not deprived of voting rights or by his or her spouse; for this purpose, the proxy must demonstrate his or her authorization.

Shareholders may address their proxy form and/or their voting form for any meeting, in accordance with applicable laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission. Pursuant to the provisions of Article 1316-4, paragraph 2 of the French Civil Code, in the event of the use of an electronically submitted form, the shareholder's signature shall make use of a reliable identification process that ensures the link with the document to which it is attached.

A shareholder having voted by mail or by electronic transmission, sent a proxy or requested an admittance card or certificate stating the ownership of shares may not select another means of taking part in the meeting.

Any shareholder not deprived of voting rights may be appointed as a proxy by another shareholder in order to be represented at a meeting.

Any intermediary who meets the requirements set forth in paragraphs seven and eight of Article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a Shareholders' Meeting the vote or proxy of a shareholder, as defined in paragraph seven of that same article.

Before transmitting any proxies or votes to a Shareholders' Meeting, the intermediary registered pursuant to Article L. 228-1 of the French Commercial Code shall be required, at the request of the issuing company or its agent, to provide a list of the non-resident owners of the shares to which such voting rights are attached. Such list shall be supplied as provided by either Article L. 228-2 or Article L. 228-3 of the French Commercial Code, whichever is appropriate.

A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareholders, may not be counted.

Legal representatives of legally incapacitated shareholders, and natural persons representing shareholders that are legal entities, shall take part in meetings regardless of whether or not they personally are shareholders.

Shareholders have as many votes as they hold shares. However, a voting right equal to twice the voting right attached to other shares with respect to the portion of the share capital that they represent, is granted:

- to all fully paid-up registered shares for which evidence of registration under the name of the same shareholder, over a period of least three years, may be demonstrated;
- to registered shares allocated to a shareholder in event of increase of the capital through the capitalization of reserves, or unappropriated retained earnings, or issue premiums, by virtue of this shareholder's entitlement to benefit from this right in respect of existing shares.

This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift *inter vivos* to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. This is also the case for any transfer due to a merger or spin-off of a shareholding company.

When a Works Council exists within the Company, two of its members, appointed by the Council, may attend Shareholders' Meetings. At their request, their opinions must be heard on the occasion of any vote requiring the unanimous approval of shareholders.

Article 18 - Convening and conduct of Shareholders' Meetings

Shareholders' Meetings shall be convened as provided by law.

Meetings are held at the registered office or at any other place mentioned in the convening notice.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held by means of videoconference or through the use of any telecommunications media allowing the identification of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Vice Chairman of the Board of Directors or, in the absence of both of these individuals, by a member of the Board of Directors appointed by the Board for that purpose. If no such person has been appointed, the meeting elects its Chairman.

The agenda of the meeting shall be set, in the usual course of events, by the person(s) convening the meeting.

The two Members of the meeting present, having the greatest number of votes, and accepting that role, are appointed as Scrutineers.

The Officers of the meeting appoint a Secretary, who may but need not be a shareholder.

An attendance sheet is drawn up and initialed by the shareholders present, and certified as accurate by the Officers of the Meeting.

Proceedings of the Shareholders' Meeting shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

These minutes shall be signed by the Officers of the meeting. Copies or abstracts of the minutes shall be validly certified by the Chairman of the Board of Directors, by a Director temporarily delegated to perform the duties of the Chief Executive Officer, or by the Secretary of the meeting.

Chapter II: Ordinary Shareholders' Meetings

Article 19 - Powers

The Ordinary Shareholders' Meeting shall hear the reports prepared by the Board of Directors, its Chairman, and the Statutory Auditors. It also reviews the financial statements prepared by the Company.

The Meeting discusses, approves, amends or rejects the financial statements submitted. It decides upon the distribution and appropriation of profits.

It decides upon any amounts to be allocated to reserve funds. It also determines the amounts to be withdrawn from reserves and decides upon their distribution.

It determines the total amount of attendance fees to be allocated to the members of the Board of Directors.

It appoints, replaces, re-elects or dismisses Directors.

It ratifies any appointments of Directors made on a provisional basis by the Board of Directors.

It appoints the Statutory Auditors and examines their special report.

It hears all proposals that do not fall within the exclusive remit of the Extraordinary Shareholders' Meeting.

Article 20 - Quorum and majority

In order to pass valid resolutions, the Ordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fifth of total voting shares.

When convened upon second notice, the deliberations of an Ordinary Shareholders' Meeting shall be valid regardless of the number of shares represented.

The resolutions of the Ordinary Shareholders' Meeting are approved by a majority of the votes held by the shareholders present or represented.

Chapter III: Extraordinary Shareholders' Meetings

Article 21 - Powers

The Extraordinary Shareholders' Meeting may amend the Bylaws in any of its provisions and it may also decide upon the transformation of the Company into a company having any other legal form.

However, in no event, unless by unanimous decision of the shareholders, may it increase the duties of the latter, nor may it violate the principle of equal treatment of all shareholders, except in the case of transactions resulting from a duly completed regrouping of shares.

Article 22 - Quorum and majority

1. In order to pass valid resolutions, the Extraordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fourth of total voting shares. The deliberations of an Extraordinary Shareholders' Meeting convened upon second notice or held as a result of the postponement of the meeting convened upon second notice shall be valid provided it consists of shareholders holding at least one-fifth of total voting shares.

   The resolutions of the Extraordinary Shareholders' Meeting shall be adopted by a two-thirds majority of the votes of the shareholders present or represented.
2. When deciding upon or authorizing the Board of Directors to effect a capital increase through the incorporation of reserves, unappropriated retained earnings, or issue premiums, resolutions are passed subject to the quorum and majority conditions of Ordinary Shareholders' Meetings.
3. A capital increase effected by way of an increase in the par value of shares to be paid up in cash, or through the offsetting of receivables, requires the unanimous approval of shareholders, representing the entirety of shares making up the share capital.

Chapter IV: Constitutive Shareholders' Meetings

Article 23 - Quorum and majority

Constitutive Shareholders' Meetings, which are those convened to approve contributions in kind or benefits in kind, shall pass valid resolutions subject to the quorum and majority conditions of Extraordinary Shareholders' Meetings.

At these meetings, neither the contributor nor the beneficiary may vote, on his or her own behalf or as a proxy. His or her shares shall not be taken into account when calculating the quorum and majority.

Part V

Parent company financial statements

Article 24 - Fiscal year

Each fiscal year has a duration of twelve months beginning on January 1 and ending on December 31.

Article 25 - Company accounts

Regular accounts shall be kept of the Company's operations in conformity with the law and normal commercial practice.

At the end of each fiscal year, the Board of Directors shall draw up the schedule of the assets and liabilities existing as of the balance sheet date as well as the annual accounts. The amount of commitments in the form of sureties, guarantees or collateral shall be mentioned in the balance sheet.

The Board of Directors shall also draw up a management report.

All of these documents shall be made available to the Statutory Auditors in accordance with applicable laws and regulations.

Article 26 - Distributable earnings

1. The net proceeds of each fiscal year, minus general expenses and other expenses incurred by the Company, including all amortization, depreciation and provisions, represents the net profit or loss of the fiscal year.
2. From the net profit for each fiscal year, minus prior losses, if any, an amount equal to at least one-twentieth must be deducted and allocated to the formation of a "legal reserve" fund. This deduction is no longer required when the amount of the legal reserve has reached one-tenth of the share capital of the Company. It is resumed when, for any reason, the legal reserve falls below this fraction.
3. Distributable earnings consist of the remaining balance, plus any profits carried forward.

   From these distributable earnings:

   The Shareholders' Meeting may deduct the necessary amounts for allocation to the special reserve for long-term capital gains, as provided for by current tax provisions, if other legal or optional reserves do not allow such contribution at the time the allocation is taxable in order to defer payment at the full corporate income tax rate applicable to long-term capital gains realized during the year.

   The Shareholders' Meeting may then deduct from the balance such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it shall freely determine.

   Any remaining balance shall be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

The Shareholders' Meeting convened to approve the year's financial statements may grant each shareholder, upon the proposal of the Board of Directors, in relation to all or part of the dividend distributed, a choice between payment of the dividend in cash or in shares. The Board of Directors has the same authority for the distribution of interim dividends.

4. Except in the case of a capital reduction, no distribution may be made to shareholders when equity is or would subsequently become less than the total share capital.

Part VI

Transformation – Dissolution – Extension – Liquidation – Litigation

Article 27 - Transformation

The Company may be transformed into a company having a different legal form provided that, at the time of the transformation, it has been in existence for at least two years and the balance sheets of its first two years of existence have been approved by the shareholders.

Any transformation of the Company must be decided upon and published as provided by law.

Article 28 - Net assets amounting to less than one-half of the share capital

If, as a consequence of losses showed by the Company's accounts, the equity of the Company is reduced to below one-half of the share capital of the Company, the Board of Directors shall, within four months from the approval of the accounts showing such loss, convene an Extraordinary Shareholders' Meeting in order to decide whether the Company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the Company must, no later than the end of the second fiscal year following the fiscal year during which the losses were established, reduce its share capital by an amount at least equal to the losses which could not be charged to reserves if, by the conclusion of the aforementioned period, the net assets have not been replenished to an amount at least equal to one-half of the share capital.

In either case, the resolution adopted by the Shareholders' Meeting shall be published, in accordance with the law.

Article 29 - Premature dissolution and extension

An Extraordinary Shareholders' Meeting may at any time declare the premature dissolution of the Company or, at the expiration of the Company's term of existence, its extension.

At least one year prior to the expiration of the Company's term of existence, the Board of Directors shall convene an Extraordinary Shareholders' Meeting, in order to decide whether the Company's term ought to be extended.

Article 30 - Liquidation

Upon the expiration of the Company's term of existence or in the event of its premature dissolution, the Shareholders' Meeting shall decide the methods of liquidation and appoint one or several liquidators whose powers it shall determine.

The appointment of the liquidator(s) terminates the office of the Directors and that of the Statutory Auditors.

During the period of the liquidation, the Shareholders' Meeting shall retain the same powers as those it exercised during the existence of the Company.

The net proceeds of the liquidation, after payment of liabilities, shall be used first for the repayment of the amount paid up on shares that has not already been repaid to shareholders by the Company, with the balance divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to formally acknowledge the termination of the liquidation process. The conclusion of the liquidation shall be published as provided by law.

Article 31 - Litigation and election of domicile

Any litigation that may arise, during the term of existence of the Company or its liquidation, either between the shareholders and the Company, or among the shareholders themselves, with respect to company activities, shall be heard by the competent courts with jurisdiction over the location of the Company's registered office.

To this end, all shareholders must elect domicile within the same area of jurisdiction as the registered office and all summons or notices shall be validly served at this domicile.

Where no such domicile is elected, summons and notices shall be validly served before the *Procureur de la République* (French public prosecutor) at the *Tribunal de Grande Instance* (French civil court) that has jurisdiction over the location of the registered office.

4. Market for financial instruments issued by Christian Dior

4.1 MARKET FOR CHRISTIAN DIOR SHARES

Spurred by exceptional budgetary and monetary policies introduced to stem the crisis, most Western economies were back on the path to recovery by the end of 2009. Although this economic turnaround gained momentum in 2010, it still remains tentative and relatively fragile. In addition, as the year began many governments were facing a heavy financial burden arising from the various stimulus packages, significantly compounding existing market uncertainty. Against this backdrop, equity markets were buffeted in 2010 by investor concerns over prospects for economic growth, the sovereign debt problems in some European countries, new regulatory standards for the banking sector, and emerging economies at risk of overheating, among other worries. A more favorable trend took root by the end of the year but the overall performance of global stock markets in 2010 was ultimately mixed: those in countries having most successfully emerged from the crisis made gains, while elsewhere downturns were more or less pronounced.

Thanks to a particularly positively-oriented business performance, the Christian Dior share price increased in value by 49% during the course of 2010, after having risen by 78% in 2009. In comparison, over the same period, the European indexes DJ Euro Stoxx 50 and Euronext 100 fell by 6% and 1%, respectively, while the Dow Jones Industrial Average gained 11%.

Christian Dior's closing share price on December 31, 2010 was 106.90 euros. As of the same date, Christian Dior's market capitalization was 19.4 billion euros.

Christian Dior is a component of the Euronext 100 and DJ Euro Stoxx stock exchange indexes.

Market for issuer's shares

Christian Dior's shares are listed on Compartment A of NYSE Euronext Paris (Reuters: DIOR. PA, Bloomberg: CD i-FP, ISIN: FR0000130403).

In addition, negotiable options based on the Christian Dior share are traded on Euronext-Liffe.

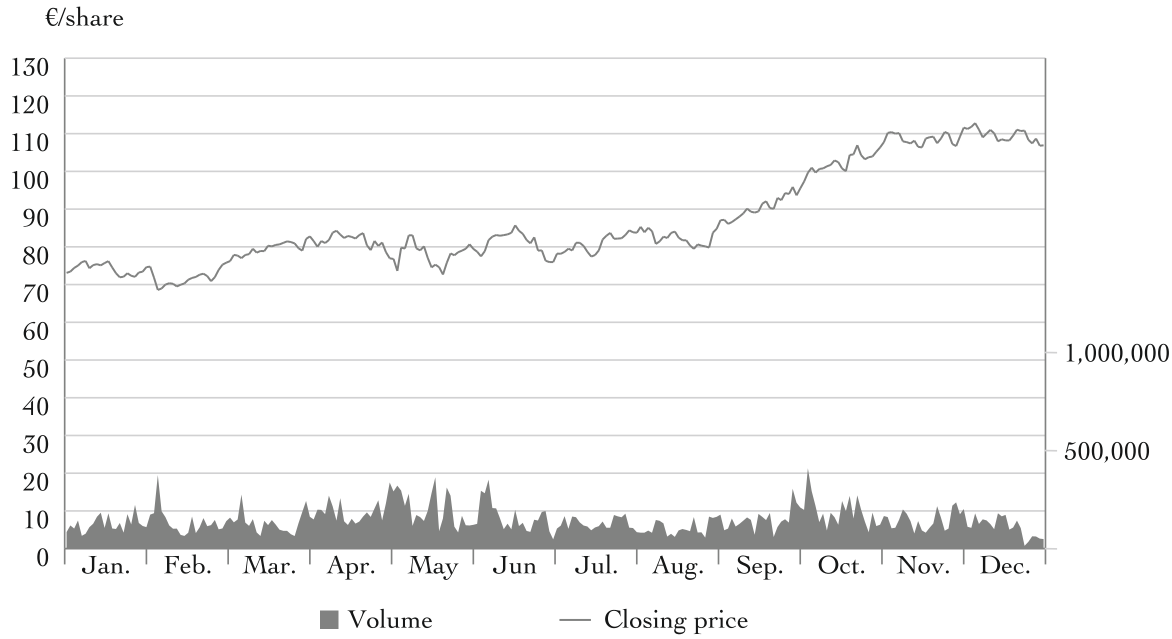
Trading volumes and amounts on the Paris bourse, and price trend over the last 18 months

	Opening price 1st day (*) (EUR)	Closing price last day (EUR)	Highest share price (EUR)	Lowest share price (EUR)	Trading volume	Value of share capital traded (EUR)
August 2009	60.93	64.64	65.75	59.75	2,796,771	174,110,810
September 2009	64.52	67.50	68.23	61.39	2,813,437	185,459,658
October 2009	67.38	67.98	72.78	60.00	2,697,726	186,958,719
November 2009	67.49	67.50	72.99	65.30	2,052,707	142,493,804
December 2009	67.86	71.76	73.22	66.86	2,265,556	158,791,611
January 2010	71.59	73.20	76.50	70.85	2,528,568	187,508,054
February 2010	72.92	71.96	75.37	67.64	2,733,887	194,610,597
March 2010	72.42	78.98	81.47	72.42	2,869,530	224,921,954
April 2010	79.50	80.23	84.82	78.55	3,653,015	299,625,279
May 2010	79.42	78.58	84.13	71.84	4,567,294	354,247,952
June 2010	77.76	79.06	86.95	76.10	3,573,423	289,920,737
July 2010	78.11	83.16	84.49	75.50	2,845,708	228,129,415
August 2010	83.01	79.82	86.01	78.40	2,171,289	178,246,036
September 2010	80.00	95.88	97.27	80.00	3,164,412	283,656,689
October 2010	95.80	103.95	108.20	93.11	4,168,093	420,813,016
November 2010	104.30	106.70	110.50	104.25	3,092,106	334,193,150
December 2010	107.95	106.90	114.90	106.05	2,663,689	292,675,998
January 2011	106.70	100.35	109.05	96.38	4,040,897	480,161,353

Source: Euronext

(*) Share price during market trading.

Price trend of the Christian Dior share and volume of stock traded in Paris



Stock market capitalization

As of December 31 *(EUR millions)*	
2008	7,315
2009	13,041
2010	**19,427**

4.2 BONDS ISSUED BY CHRISTIAN DIOR

Bonds issued by Christian Dior that were outstanding on December 31, 2010 are listed for trading as shown below:

Bonds listed in Brussels

Currency	Amount outstanding *(in currency)*	Year of issues	Year of maturity	Interest rate *(in %)*
EUR	150,000,000	2006	2011	4.25
EUR	50,000,000	2008	2011	5.875

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issues	Year of maturity	Interest rate *(in %)*
EUR	350,000,000	2009	2014	3.75

4.3 DIVIDEND

A gross dividend of 2.11 euros per share is being proposed for fiscal year 2010, an increase of 0.45 euros compared to the dividend paid for fiscal year 2009.

The total Christian Dior distribution will amount to 383 million euros for fiscal year 2010, before the effect of treasury shares.

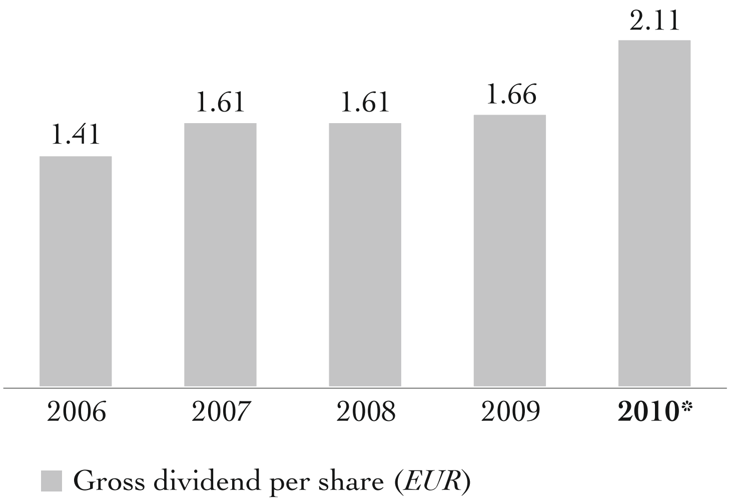
Dividend distribution in respect of fiscal years 2006 to 2010

Year	Gross dividend [1] per share *(EUR)*	Dividend distribution *(EUR millions)*
2010 [2]	2.11	383
2009	1.66	302
2008	1.61	293
2007	1.61	293
2006	1.41	256

(1) Excludes the impact of tax regulations applicable to the beneficiaries.
(2) Proposed to the Shareholders' Meeting of March 31, 2011.

The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

Pursuant to current laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.



* Proposed to the Shareholders' Meeting of March 31, 2011.

4.4 CHANGE IN SHARE CAPITAL

As of December 31, 2010, Christian Dior's share capital amounted to 363,454,096 euros, consisting of 181,727,048 shares with a par value of 2 euros.

The number of shares remained unchanged during fiscal year 2010.

4.5 PERFORMANCE PER SHARE

(EUR)	**2010**	**2009**	**2008**
Diluted group share of net earnings	7.03	3.89	4.43
Dividend	2.11	1.66	1.61
Change compared to previous year	+27%	+3%	-
Highest share price (during market trading)	114.90	73.22	89.99
Lowest share price (during market trading)	67.64	34.60	30.18
Share price as of December 31 (closing share price)	106.90	71.76	40.25
Change compared to previous year	+49%	+78%	-55%

5. Main locations and properties

5.1 PRODUCTION

5.1.1 Wines and Spirits

The vineyards in France and abroad owned by the Group are as follows:

(in hectares)	2010 Total	2010 of which under production	2009 Total	2009 of which under production
France:				
Champagne name	1,816	1,679	1,809	1,675
Cognac name	245	180	245	177
Vineyards in Bordeaux	252	159	244	148
International:				
California (United States)	470	341	469	361
Argentina	1,388	879	1,390	891
Australia, New Zealand	569	530	610	520
Brazil	232	67	232	57
Spain	55	50	52	47

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not useable for viticulture. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted, but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each of its main Champagne brands or production operations in France, California, Argentina, Australia, Spain, Brazil and New Zealand, as well as distilleries and warehouses in Cognac, the United Kingdom and Poland. The total surface area is approximately 740,000 square meters in France and 280,000 square meters abroad.

5.1.2 Fashion and Leather Goods

Louis Vuitton owns nineteen leather goods and shoe production facilities located primarily in France, although some significant workshops are also located near Barcelona in Spain, and in San Dimas, California. The company owns its warehouses in France; those located outside France are leased. Overall, production facilities and warehouses owned by the Group represent approximately 195,000 square meters.

Fendi owns its own manufacturing facility near Florence, Italy, as well as its company headquarters, the Fendi Palazzo, in Rome, Italy.

Céline also owns manufacturing and logistics facilities near Florence in Italy.

Berluti's shoe production factory in Ferrara (Italy) is owned by the Group.

Rossimoda owns its office premises and its production facility in Stra and Vigonza in Italy.

The other facilities utilized by this business group are either leased or included within manufacturing subcontracting agreements.

5.1.3 Perfumes and Cosmetics

Buildings located near Orléans in France housing the Research and Development operations of Perfumes and Cosmetics as well as the manufacturing and distribution of Parfums Christian Dior are owned by Parfums Christian Dior and occupy a surface area of 122,000 square meters.

Guerlain owns its two manufacturing centers in Chartres and Orphin (France), for a total surface area of approximately 27,000 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of both Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, United Kingdom.

5.1.4 Watches and Jewelry

TAG Heuer leases all of its manufacturing facilities in La Chaux-de-Fonds and the Jura region of Switzerland.

Zenith owns the *Manufacture*, which houses its movement and watch manufacturing facilities in Le Locle, Switzerland. All of its European warehouses are leased.

Hublot owns its production facilities and its office premises.

The facilities operated by this business group's remaining brands – Chaumet, Fred, De Beers and Montres Dior – are leased.

5.1.5 Christian Dior Couture

In association with its Italian partners, Christian Dior Couture operates five production units for leather goods and footwear in Florence, Milan, and Padua.

For costume jewelry, Christian Dior Couture has a state-of-the-art production workshop at Pforzheim, Germany.

Baby Dior, reacquired by the Group in 2006, operates production facilities at Redon (in France) and in Thailand.

5.2 DISTRIBUTION

Retail distribution of the Group's products is most often carried out through exclusive boutiques. Most of the stores in the Group's retail network are leased and only in exceptional cases does the LVMH group own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Guam, Hawaii, Seoul, Taipei, Sydney, Rome, Genoa, Cannes and Saint-Tropez, for a total surface area of approximately 11,000 square meters.

Céline and Loewe also own the buildings housing some of their stores in Paris and Spain.

With the exception of Avenue Montaigne, Madrid, Saint-Tropez, Tokyo (Omotesando district), the stores wholly operated by Christian Dior Couture are leased. In 2010, Christian Dior Couture acquired a building in Seoul (South Korea) intended to house a Dior boutique, with the opening planned for 2012. Christian Dior owns a logistics center in Blois.

In the Selective Retailing business group:

- Le Bon Marché and Franck et Fils own the buildings in Paris that house their department stores, corresponding to a total sales area of about 70,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of December 31, 2010 the Group's store network breaks down as follows:

(in number of stores)	**2010**	**2009**	**2008**
France	387	376	355
Europe (excluding France)	691	665	650
United States	606	569	576
Japan	340	346	296
Asia (excluding Japan)	585	536	555
Other	168	168	119
TOTAL	**2,777**	**2,660**	**2,551**

(in number of stores)		2010	2009	2008
Christian Dior Couture		**232**	**237**	**237**
Fashion and Leather Goods		**1,188**	**1,164**	**1,090**
Perfumes and Cosmetics		**75**	**65**	**62**
Watches and Jewelry		**122**	**114**	**104**
Selective Retailing:	*Sephora*	1,070	986	898
	Other, including DFS	76	89	155
	Sub-total Selective Retailing	**1,146**	**1,075**	**1,053**
Other		**14**	**5**	**5**
TOTAL		**2,777**	**2,660**	**2,551**

As of December 31, 2009, DFS harmonized its methodology for counting its stores across all geographic regions, now including only the number of concessions rather than the number of points of sale per concession. If the methodology introduced in 2009 were applied to 2008, the total number of stores would have amounted to 2,476 rather than 2,551.

5.3 ADMINISTRATIVE SITES AND INVESTMENT PROPERTY

The Group owns its headquarters located at 11-17, rue François 1er, and 28-30, avenue Montaigne in Paris.

The headquarters of the main Christian Dior Couture subsidiaries outside France are leased.

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the Company owning the building housing the headquarters of LVMH on avenue Montaigne in Paris. The Group also owns three buildings in New York (total surface area of about 26,000 square meters) and a building in Osaka (about 5,000 square meters) that house the offices of subsidiaries.

Lastly, the Group owns investment property, for the most part located in Paris and mainly in the vicinity of the Samaritaine and Le Bon Marché, for a total surface area of approximately 50,000 square meters.

The group of properties previously used for the business operations of the Samaritaine is subject to a redevelopment project.

6. Supply sources and subcontracting

6.1 CHAMPAGNES AND WINES

The Group owns 1,679 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, the Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 15% of total supplies for the Group's brands. Until 1996, a theoretical price was published by the industry; to this were added specific premiums negotiated individually between wine growers and merchants. Following the signing of an initial four-year agreement in 1996, another industry agreement had been signed in the spring of 2000 covering the four harvests from 2000 to 2003, which had confirmed the aim of limiting upward or downward fluctuations in grape prices. A new industry agreement was then concluded in the spring of 2004 between the Champagne producers and the region's grape suppliers covering the five harvests from 2004 to 2009. This agreement was renewed in 2009 before its expiry date, setting the framework for negotiations relating to harvests from 2009 to 2013. Each individual agreement must now include an indexation clause for grape prices. The recommended benchmark is the average sales price of a bottle of Champagne, which ensures better value distribution for the market participants and more control over grape price speculation.

For about ten years, wine growers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain security for future years with smaller harvests.

For the 2010 harvest, the *Institut National des Appellations d'Origine* (INAO, the French organization responsible for regulating controlled place names) set the maximum yield for the Champagne appellation at 10,500kg/ha. This maximum yield represents the maximum harvest level that can be made into wine and sold under the Champagne appellation. In 2006, the INAO redefined the legal framework for the abovementioned stockpiled reserves. It is now possible to harvest grapes beyond the marketable yield within the limits of a ceiling called *plafond limite de classement* (PLC), the highest permitted yield-per-hectare. This ceiling is determined every year within the limits of the maximum total yield now set at 12,000kg/ha for the 2010 harvest. Grapes harvested over and above the marketable yield are stockpiled in reserve, kept in vats and used to complement poorer harvests. The maximum level of this stockpiled reserve is set at 8,000kg/ha.

Grape prices fell by 4% in 2009 as a result of the economic crisis and excess inventories being held by wine-merchants. The price paid for each kilogram of grapes in the 2010 harvest ranged between 4.85 euros and 5.65 euros depending on the vineyard, a 2% increase compared to 2009.

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

The Champagne Houses used subcontractors primarily for bottle handling and storing operations; these operations represented approximately 15 million euros.

6.2 COGNAC AND SPIRITS

Hennessy owns 180 hectares. The Group's vineyard has remained virtually stable since 2000, after 60 hectares of vines were cleared in 1999 as part of the industry plan implemented in 1998. The objective of the plan was to reduce the production area through premiums offered for clearing and assistance given to wine growers to encourage them to produce wines other than those used in the preparation of cognac.

Most of the wines and eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 2,500 independent producers, a collaboration which enables the Company to ensure that exceptional quality is preserved. Purchase prices for wine and *eaux-de-vie* are established between the Company and each producer based on supply and demand. In 2010, the price of wines from the harvest increased by 1% compared to the 2009 harvest.

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

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

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

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

6.3 FASHION AND LEATHER GOODS

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

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

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

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 43% of the cost of sales in 2010.

Louis Vuitton Malletier depends on outside suppliers for most of the leather and raw materials used in manufacturing its products. Even though a significant percentage of the raw materials is purchased from a fairly small number of suppliers, Louis Vuitton believes that these supplies could be obtained from other sources, if necessary. In 2004, recourse to a balanced portfolio of suppliers also limited dependence on specific suppliers. After a diversification program launched in 1998 to Norway and Spain, the portfolio of suppliers was expanded to include Italy in 2000. In 2009, as part of a continued effort to bolster this strategic supply source, Louis Vuitton formed a joint venture with Tannerie Masure, which has been providing the company with premium-quality leathers for many years. This partnership will result in the creation of Tanneries de la Comète, where hides will be tanned exclusively for Louis Vuitton using vegetal extracts. For Louis Vuitton, the leading supplier of hides and leathers represents about 38% of its total supplies of these products.

Fendi is in a similar situation, except for some exotic leathers for which suppliers are rare.

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

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

6.4 PERFUMES AND COSMETICS

The five French production centers of Guerlain, Givenchy and Parfums Christian Dior provide almost all the production for the four major French brands, including Kenzo, both in fragrances, and in make-up and beauty products. Make Up For Ever also has sufficient manufacturing capacities in France to cover its own needs. Only the newer American companies, Loewe perfumes and Acqua di Parma subcontract most of the manufacturing of their products.

In 2010, manufacturing subcontracting represented overall about 6% of the cost of sales for this activity, plus approximately 10 million euros for logistical subcontracting.

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

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

6.5 WATCHES AND JEWELRY

With its five Swiss workshops or *Manufactures*, located in Le Locle, in La Chaux-de-Fonds and in Nyon, the Group provides almost the entire assembly of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Christian Dior, Chaumet and Fred brands. In its watchmaking shop, Zenith also designs and manufactures the mechanical movements *El Primero and Elite*. In 2009, Hublot celebrated the opening of its new site in Nyon while TAG Heuer inaugurated a new workshop for the manufacture of watch movements in La Chaux-de-Fonds.

In this business, subcontracting represented overall only 5% of the cost of sales in 2010.

Because of the very high quality requirements, the components assembled are obtained from a limited number of suppliers, primarily Swiss, with the exception of the leather for the watch bands. In 2010, the industrial subsidiary Cortech in Switzerland manufactured a significant portion of the cases meeting the production needs of TAG Heuer and Zenith.

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

6.6 CHRISTIAN DIOR COUTURE

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

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

Overall for this business, subcontracting represented about 38.4% of the cost of sales in 2010.

In the ready-to-wear and fine jewelry sectors, the Company is supplied solely through outside companies.

7. Statutory Auditors

7.1 NAME AND TERM

Statutory Auditors	Start date of first term	Current terms of office: Date appointed	Current terms of office: End of term
ERNST & YOUNG et Autres 41, rue Ybry 92576 Neuilly-sur-Seine Cedex represented by Mrs. Jeanne BOILLET and Mr. Olivier BREILLOT	May 14, 2009	May 14, 2009	fiscal year 2014
MAZARS Tour Exaltis 61, rue Henri Regnault 92400 Courbevoie represented by Mr. Simon BEILLEVAIRE	May 15, 2003	May 14, 2009	fiscal year 2014
Alternate Statutory Auditors			
Auditex 11, allée de l'Arche 92400 Courbevoie	May 14, 2009	May 14, 2009	fiscal year 2014
Mr. Guillaume POTEL Tour Exaltis 61, rue Henri Regnault 92400 Courbevoie	May 15, 2003	May 14, 2009	fiscal year 2014

7.2 FEES PAID IN 2010

	Ernst & Young et Autres				Mazars			
	2010		2009		2010		2009	
(EUR thousands, excluding VAT)	Amount	%	Amount	%	Amount	%	Amount	%
Audit:								
Statutory audit, certification, audit of the individual company and consolidated financial statements:								
• Christian Dior	85	1	86	1	85	12	82	9
• Fully-consolidated subsidiaries	8,689	70	10,870	79	595	80	824	90
Other services relating directly to the statutory audit assignment:								
• Christian Dior	-	-	8	-	-	-	8	1
• Fully-consolidated subsidiaries	515	4	468	3	-	-	-	-
Sub-total	**9,289**	**75**	**11,432**	**83**	**680**	**92**	**914**	**100**
Other services provided by the firms to fully-consolidated subsidiaries:								
• Legal, tax, employee-related (1)	2,811	23	2,009	15	3	-	-	-
• Other	277	2	262	2	57	8	-	-
Sub-total	**3,088**	**25**	**2,271**	**17**	**60**	**8**	**-**	**-**
TOTAL	**12,377**	**100**	**13,703**	**100**	**740**	**100**	**914**	**100**

(1) This mainly relates to tax advisory services performed outside France, to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.

8. Statement of the Company Officer responsible for the annual financial report

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report presented on page *7* gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, March 9, 2011

Under delegation from the Chief Executive Officer

Florian OLLIVIER
Chief Financial Officer

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Christian Dior

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