LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

YEAR ENDED DECEMBER 31, 2011

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This document is a free translation into English of the original French “Documents financiers - 31 décembre 2011”, hereafter referred to as the “Financial Documents”. 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.

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

Board of directors

Bernard Arnault
Chairman and Chief Executive Officer

Antoine Bernheim [1] [2] [3]
Vice-Chairman

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [1]

Nicholas Clive Worms [1] [2]

Charles de Croisset [1] [3]

Diego Della Valle [1]

Albert Frère [1] [3]

Gilles Hennessy [2]

Marie-Josée Kravis [1]

Lord Powell of Bayswater

Yves-Thibault de Silguy [1]

Francesco Trapani

Hubert Védrine [1]

Advisory Board members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

Statutory auditors

ERNST & YOUNG et Autres
represented by Olivier Breillot and Gilles Cohen

DELOITTE & ASSOCIÉS
represented by Thierry Benoit

Executive committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion and Leather Goods

Chantal Gaemperle
Human Resources, Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Patrick Ouart
Advisor to the Chairman

Daniel Piette
Investment Funds

Pierre-Yves Roussel
Fashion

Francesco Trapani
Watches and Jewelry

Mark Weber
Donna Karan, LVMH Inc.

General secretary

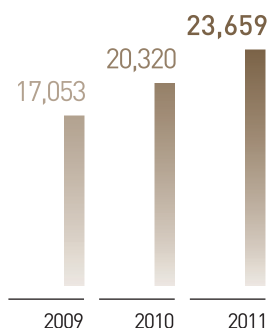
Marc-Antoine Jamet

(1) Independent Director
(2) Member of the Performance Committee Audit
(3) Member of the Nominations and Compensation Committee

FINANCIAL HIGHLIGHTS

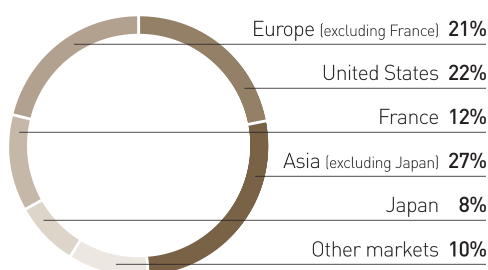
Revenue

(EUR millions)

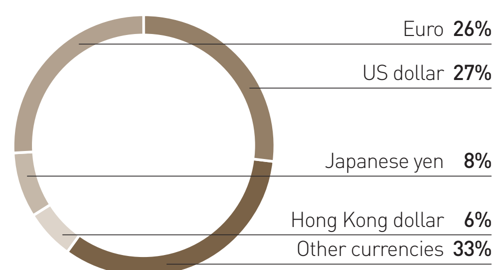


Revenue by business group *(EUR millions)*	2011	2010	2009
Wines and Spirits	3,524	3,261	2,740
Fashion and Leather Goods	8,712	7,581	6,302
Perfumes and Cosmetics	3,195	3,076	2,741
Watches and Jewelry	1,949	985	764
Selective Retailing	6,436	5,378	4,533
Other activities and eliminations	(157)	39	(27)
Total	**23,659**	**20,320**	**17,053**

Revenue by geographic region of delivery

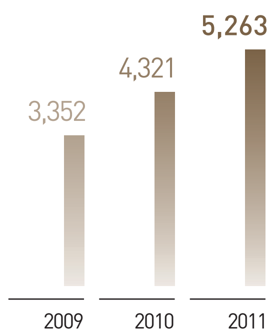


Revenue by invoicing currency



Profit from recurring operations

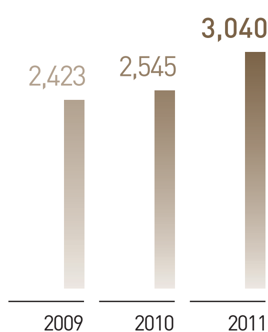
(EUR millions)



Profit from recurring operations by business group *(EUR millions)*	2011	2010	2009
Wines and Spirits	1,101	930	760
Fashion and Leather Goods	3,075	2,555	1,986
Perfumes and Cosmetics	348	332	291
Watches and Jewelry	265	128	63
Selective Retailing	716	536	388
Other activities and eliminations	(242)	(160)	(136)
Total	**5,263**	**4,321**	**3,352**

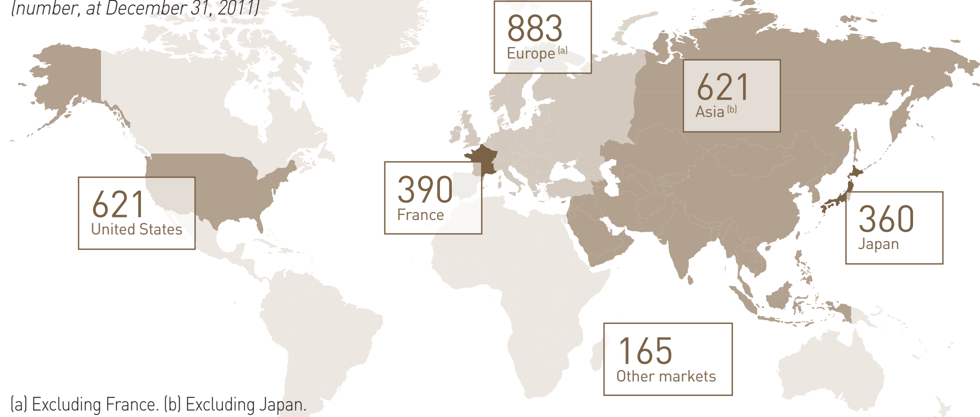
Stores

(number)



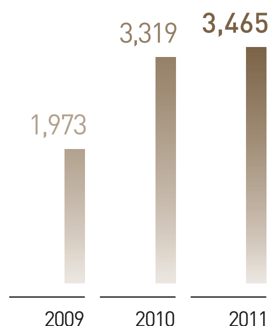
Stores by geographic region

(number, at December 31, 2011)

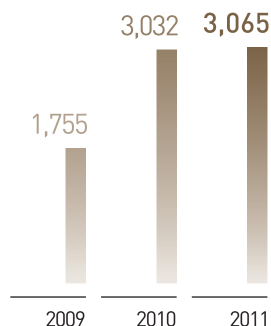


(a) Excluding France. (b) Excluding Japan.

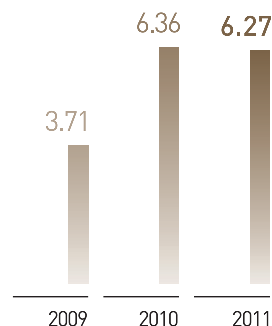
Net profit
(EUR millions)



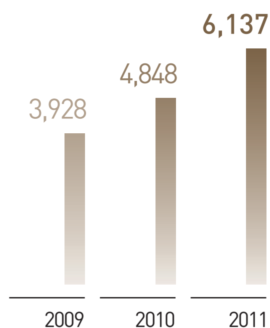
Net profit, Group share
(EUR millions)



Basic Group share of net earnings per share
(EUR)

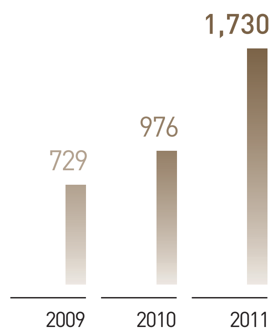


Cash from operations before changes in working capital [a]
(EUR millions)

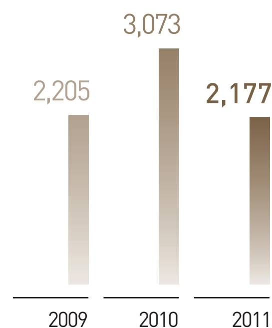


(a) Before interest and tax paid.

Operating investments
(EUR millions)

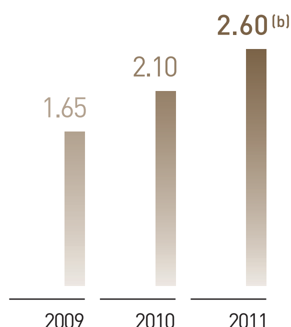


Free cash flow [a]
(EUR millions)



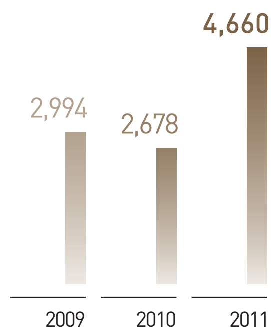
(a) Net cash from (used in) operating activities and operating investments.

Dividend per share [a]
(EUR)



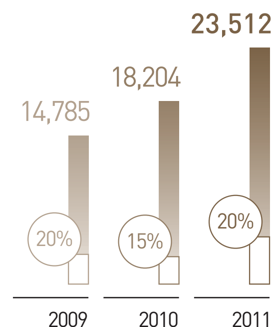
(a) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the beneficiary.
(b) Amount proposed at the Shareholders' Meeting of April 5, 2012.

Net financial debt [a]
(EUR millions)



(a) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 17.1 of notes to the condensed consolidated financial statements for definition of net financial debt.

Total equity [a] and Financial debt/Total equity ratio
(EUR millions and percentage)



(a) Including minority interests.

CAPITAL AND VOTING RIGHTS

Distribution as of December 31, 2011	Number of shares	Number of voting rights[a]	% of capital	% of voting rights
Arnault family group	236,033,646	450,924,333	46.48%	62.38%
Other	271,781,978	271,929,684	53.52%	37.62%
Total	**507,815,624**	**722,854,017**	**100.00%**	**100.00%**

(a) Total number of voting rights that may be exercised at Shareholders' Meetings.

BUSINESS REVIEW AND COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

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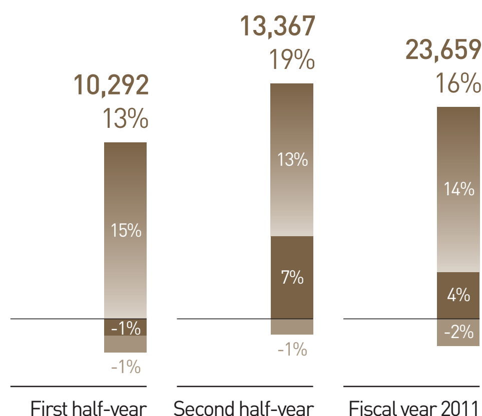
1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



Organic growth

Changes in the scope of consolidation [(a)]

Exchange rate fluctuations [(a)]

(a) The principles used to determine the net impact of exchange rate fluctuations on revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Consolidated revenue for the year ended December 31, 2011 was 23,659 million euros, up 16% from the previous year. It was affected by the depreciation of the main invoicing currencies against the euro, in particular the US dollar, which fell by 5%.

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

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

Revenue by invoicing currency

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

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 26%, yen-denominated revenue fell by 1 point to 8%, the contribution of the US dollar remained stable at 27%, while the contribution of all other currencies rose by 3 points to 39%.

Revenue by geographic region of delivery

(percentage)	2011	2010	2009
France	12	13	14
Europe (excluding France)	21	21	21
United States	22	23	23
Japan	8	9	10
Asia (excluding Japan)	27	25	23
Other markets	10	9	9
Total	**100**	**100**	**100**

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

Revenue by business group

(EUR millions)	2011	2010	2009
Wines and Spirits	3,524	3,261	2,740
Fashion and Leather Goods	8,712	7,581	6,302
Perfumes and Cosmetics	3,195	3,076	2,741
Watches and Jewelry	1,949	985	764
Selective Retailing	6,436	5,378	4,533
Other activities and eliminations	(157)	39	(27)
Total	**23,659**	**20,320**	**17,053**

The breakdown of revenue by business group changed appreciably following the consolidation of Bulgari in Watches and Jewelry in the latter part of 2011, with the contribution of Watches and Jewelry to consolidated revenue increasing by 3 points to 8%. The contributions of Wines and Spirits and

Perfumes and Cosmetics declined by 1 and 2 points to 15% and 13%, respectively, while those of Fashion and Leather Goods and Selective Retailing remained stable, accounting for 37% and 27% of consolidated revenue, respectively.

Wines and Spirits saw an increase in revenue of 8% based on published figures. Revenue for this business group increased by 10% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations and the net impact of changes in the scope of consolidation lowering Wines and Spirits revenue by 2 points. Group brands successfully took advantage of the recovery in consumer spending, boosting their revenue while making product mix improvements in line with their value-oriented strategy. Surging demand in Asia made a particularly significant contribution to the strong upturn in revenue. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic revenue growth of 16%, and 15% based on published figures. This business group's performance continues to be led by the exceptionally powerful momentum of Louis Vuitton, which again recorded double-digit revenue growth. Céline, Loewe, Givenchy, Fendi, Donna Karan and Marc Jacobs also confirmed their potential, delivering double-digit revenue growth in 2011.

Revenue for the Perfumes and Cosmetics business group increased by 9% on a constant consolidation scope and currency basis, and by 4% based on published figures. All of this business group's brands performed well. This rebound illustrates the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the current economic crisis. The Perfumes and Cosmetics business group saw considerable revenue growth in both the United States and Asia, particularly in China.

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

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

1.2. Profit from recurring operations

(EUR millions)	2011	2010	2009
Revenue	23,659	20,320	17,053
Cost of sales	(8,092)	(7,184)	(6,164)
Gross margin	15,567	13,136	10,889
Marketing and selling expenses	(8,360)	(7,098)	(6,051)
General and administrative expenses	(1,944)	(1,717)	(1,486)
Profit from recurring operations	**5,263**	**4,321**	**3,352**
Operating margin *(%)*	**22**	**21**	**20**

The Group posted a gross margin of 15,567 million euros, up 19% compared to the previous year. As a percentage of revenue, the gross margin was 66%, an increase of 1 point over the previous year, mainly attributable to tight control over the cost of goods sold.

Marketing and selling expenses totaled 8,360 million euros, up 18% based on published figures, amounting to a 14% increase on a constant consolidation scope and currency basis. This increase was mainly due to higher communications expenditures by the Group's main brands, but also to the ongoing development of the Group's retail networks. Nevertheless, the level of marketing and selling expenses remained stable as a percentage of revenue, at 35%. Among these marketing and selling expenses, advertising and promotion represented 12% of revenue, an increase of 16% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2011	2010	2009
France	390	364	353
Europe (excluding France)	883	646	620
United States	621	570	531
Japan	360	303	307
Asia (excluding Japan)	621	518	470
Other markets	165	144	142
Total	**3,040**	**2,545**	**2,423**

It should be noted that the number of stores increased significantly in 2011, partly as a result of the integration of Bulgari and Ile de Beauté.

General and administrative expenses totaled 1,944 million euros, up 13% based on published figures, and up 12% on a constant consolidation scope and currency basis. They represented 8% of revenue, remaining stable compared to 2010.

Profit from recurring operations by business group

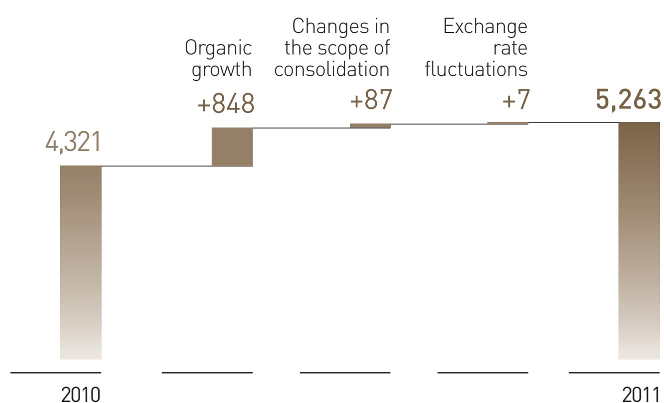
(EUR millions)	2011	2010	2009
Wines and Spirits	1,101	930	760
Fashion and Leather Goods	3,075	2,555	1,986
Perfumes and Cosmetics	348	332	291
Watches and Jewelry	265	128	63
Selective Retailing	716	536	388
Other activities and eliminations	(242)	(160)	(136)
Total	**5,263**	**4,321**	**3,352**

The Group's profit from recurring operations was 5,263 million euros, up 22% compared to 2010. The Group's operating margin as a percentage of revenue increased by 1 point to 22%.

Exchange rate fluctuations had a positive net impact on the Group's profit from recurring operations of 7 million euros compared to the previous year. This total comprises the following three items: the impact of changes in exchange rate parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone. On a constant consolidation scope and currency basis excluding changes in the net impact of currency hedges, the Group's profit from recurring operations increased by 20%.

Change in profit from recurring operations [(a)]

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on profit from recurring operations of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Wines and Spirits

	2011	2010	2009
Revenue *(EUR millions)*	3,524	3,261	2,740
Profit from recurring operations *(EUR millions)*	1,101	930	760
Operating margin *(%)*	31	29	28

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

Fashion and Leather Goods

	2011	2010	2009
Revenue *(EUR millions)*	8,712	7,581	6,302
Profit from recurring operations *(EUR millions)*	3,075	2,555	1,986
Operating margin *(%)*	35	34	32

Fashion and Leather Goods posted profit from recurring operations of 3,075 million euros, up 20% compared to 2010. Profit from recurring operations for Louis Vuitton increased sharply, while Fendi, Céline, Loewe and Donna Karan confirmed their profitable growth momentum. The operating margin as a percentage of revenue for this business group increased by 1 point to 35%.

Perfumes and Cosmetics

	2011	2010	2009
Revenue *(EUR millions)*	3,195	3,076	2,741
Profit from recurring operations *(EUR millions)*	348	332	291
Operating margin *(%)*	11	11	11

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

Watches and Jewelry

	2011	2010	2009
Revenue *(EUR millions)*	1,949	985	764
Profit from recurring operations *(EUR millions)*	265	128	63
Operating margin *(%)*	14	13	8

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

Selective Retailing

	2011	2010	2009
Revenue *(EUR millions)*	6,436	5,378	4,533
Profit from recurring operations *(EUR millions)*	716	536	388
Operating margin *(%)*	11	10	9

Profit from recurring operations for Selective Retailing was 716 million euros, up 34% compared to 2010. The operating margin as a percentage of revenue for Selective Retailing as a whole increased by 1 point to 11%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 242 million euros, representing a decline compared to 2010. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent.

1.3. Other income statement items

(EUR millions)	2011	2010	2009
Profit from recurring operations	5,263	4,321	3,352
Other operating income and expenses	(109)	(152)	(191)
Operating profit	5,154	4,169	3,161
Net financial income (expense)	(242)	612	(342)
Income taxes	(1,453)	(1,469)	(849)
Income (loss) from investments in associates	6	7	3
Net profit before minority interests	**3,465**	**3,319**	**1,973**
Minority interests	(400)	(287)	(218)
Net profit, Group share	**3,065**	**3,032**	**1,755**

Other operating income and expenses amounted to a net expense of 109 million euros, compared to a net expense of 152 million euros in 2010. In 2011, other operating income and expenses included costs for the reorganization of commercial or industrial processes, in the amount of 40 million euros. The balance of this item consisted of amortization and impairment charges in respect of intangible assets, which represented a net expense of 73 million euros.

The Group's operating profit was 5,154 million euros, representing a 24% increase over 2010.

The Group posted a net financial expense for the year of 242 million euros, compared with a net financial income of 612 million euros the previous year.

The aggregate cost of net financial debt remained stable, at 151 million euros. In 2011, the Group benefited from a lower average cost of borrowing and a better return on its investments, which served to offset the increase in the average net financial debt outstanding.

Other financial income and expenses amounted to a net expense of 91 million euros, compared to a net income of 763 million euros in 2010. Dividends received increased sharply from 14 million euros in 2010 to 54 million euros in 2011; they reflect the investment in Hermès in 2010. The financial cost of foreign exchange operations was 105 million euros in 2011 while it was 96 million euros in 2010. The net loss on current and non-current available for sale financial assets and other financial instruments amounted to 11 million euros in 2011, down from a net gain of 865 million euros in 2010, which was principally the result of a gain of 1,004 million euros related to the Hermès transactions, recorded at the settlement of equity-linked swaps. Other financial expenses amounted to 29 million euros in 2011, up from 20 million euros in 2010.

The Group's effective tax rate was 30% in 2011, compared to 31% in 2010.

Income from investments in associates was 6 million euros in 2011, down from 7 million euros in 2010.

Profit attributable to minority interests was 400 million euros in 2011, compared to 287 million euros the previous year. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS and reflects higher earnings by these entities.

The Group's share of net profit was 3,065 million euros, up 1% compared to 2010. Excluding the impact of the Hermès transactions in 2010, Group's share of net profit was up 34% in 2011. The Group's share of net profit represented 13% of revenue in 2011, compared with 11% in 2010, excluding the impact of the Hermès transactions.

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

The net impact of exchange rate fluctuations is determined by translating the accounts for the period under review of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without taking into account the impact of foreign currency hedges on profit from recurring operations, whether settled or not during the period.

The net impact of changes in the scope of consolidation is determined by deducting:
- for the period's acquisitions, revenue generated during the period by the acquired entities, as of their initial consolidation;
- for the prior period's acquisitions, current period revenue generated over the months of the prior period during which the acquired entities were not yet consolidated.
and by adding:
- for the period's disposals, prior period revenue generated over the months of the current period during which the entities were no longer consolidated;
- for the prior period's disposals, prior period revenue generated by the entities sold.
Profit from recurring operations is restated in accordance with the same principles.

2. WINES AND SPIRITS

	2011	2010	2009
Revenue *(EUR millions)*	3,524	3,261	2,740
Sales volume *(millions of bottles)*			
Champagne	55.5	55.2	48.4
Cognac	63.5	59.8	54.6
Other spirits	14.1	12.4	12.3
Still and sparkling wines	41.8	39.9	36.2
Revenue by geographic region of delivery *(%)*			
France	8	9	9
Europe (excluding France)	22	24	25
United States	23	26	26
Japan	6	6	6
Asia (excluding Japan)	26	23	22
Other markets	15	12	12
Total	100	100	100
Profit from recurring operations *(EUR millions)*	1,101	930	760
Operating margin *(%)*	31.2	28.5	27.7
Operating investments *(EUR millions)*	159	83	98

Wines and Spirits achieved 10% organic revenue growth in 2011. The business group's profit from recurring operations rose 18%. By maintaining its value-oriented strategy during the market downturn of 2009, Wines and Spirits took full advantage of the pick-up in demand. Overall sales of all champagne brands rose 5% by volume at constant consolidation scope and Hennessy cognac sales were up 6%. A stronger product mix and a firm policy of premium pricing also contributed to these excellent results.

Champagne and Wines

Moët & Chandon reaffirmed its momentum and consolidated its leading position in the world of champagne. The brand successfully rolled out *Moët Ice Impérial*, the first champagne made to be consumed over ice. To mark the brand's presence in China since 1843, the Moët & Chandon hot air balloon took off from Beijing for a trip around the globe that will continue in 2012.

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

Mercier, which has become synonymous with conviviality and authenticity, consolidated its position in the traditional restaurant segment and is preparing a new edition of its *Lieux de Toujours* restaurant guide that will also be made available on the Internet.

Ruinart, whose main strategic focus is to expand its range of prestige cuvée champagnes, increased sales substantially, particularly in Western Europe and the United States. The year-end also saw the release of two new vintages: *Dom Ruinart 2002* and *Dom Ruinart Rosé 1998*.

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

Krug achieved excellent momentum in Europe and Asia and is continuing its redeployment in the US market. Faithful to its historic values of sharing and generosity, Krug invented a new concept called "*Lieux éphémères*" (ephemeral places), which positively surprised participants in such cities as New York, Los Angeles, Paris and Milan.

Estates & Wines, Moët Hennessy's sparkling and still wines division, is growing steadily. Chandon has made strong gains, particularly in South America and Asia, and Terrazas de los Andes (Argentina) and Cloudy Bay (New Zealand) have been making good progress in key markets.

Sales of **Château d'Yquem**, the undisputed king of the Sauternes wines, were in keeping with its prestigious image. The vintages currently available offer a broad spectrum of aromas that are appreciated the world over, particularly in Asia.

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

Cognac and Spirits

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

Asia is the main growth region, with all of the brand's cognacs boasting double-digit revenue growth, notably in China and Vietnam. In the United States, high sales volume was maintained in a still sluggish economic environment and some encouraging signs of recovery were observed in the second half of the year. With *Fine de Cognac*, Hennessy strengthened its position in Europe. In Russia, a new commercial organization was established, which is wholly owned by Moët Hennessy. Beyond its historical markets, Hennessy pursued its strategy to penetrate emerging markets, such as Mexico, Nigeria, South Africa and central Europe.

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

impact. Ardbeg continues to consolidate its position as the absolute benchmark for Islay malt whiskies.

Belvedere vodka grew strongly in the United States and gained market share elsewhere. The successful releases of *Belvedere Bloody Mary* and *Belvedere Unfiltered* contributed to the brand's rapidly growing popularity throughout the world.

Outlook

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

3. FASHION AND LEATHER GOODS

	2011	2010	2009
Revenue *(EUR millions)*	8,712	7,581	6,302
Revenue by geographic region of delivery *(%)*			
France	8	8	8
Europe (excluding France)	20	21	21
United States	18	18	18
Japan	14	16	18
Asia (excluding Japan)	32	30	28
Other markets	8	7	7
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	51	52	50
Wholesale	42	41	42
Licenses	7	7	8
Total	100	100	100
Profit from recurring operations *(EUR millions)*	3,075	2,555	1,986
Operating margin *(%)*	35.3	33.7	31.5
Number of stores	1,246	1,188	1,164
Operating investments *(EUR millions)*	437	370	263

Fashion and Leather Goods generated organic revenue growth of 16% in 2011. Profit from recurring operations for this business group was up 20%.

Louis Vuitton

Propelled by the exceptional creativity of its products and its unequaled savoir-faire steeped in exacting craftsmanship, **Louis Vuitton** records steady and robust growth year after year. Once again in 2011, the brand saw double-digit revenue growth, thus continuing on its stellar course and consolidating its leadership position in the luxury goods sector. Paired with its consistently high profitability, Louis Vuitton's performance demonstrates the ever greater attractiveness and visibility of the brand as well as its organization's exceptional ability to adapt quickly to changing circumstances. Louis Vuitton's loyal customers demand the best possible quality, exclusive products, and an unparalleled level of service, and thus find that the brand's values mirror their own. Louis Vuitton is also attracting growing numbers of new customers from Asia and South America, further contributing to the brand's phenomenal development. In 2011, growth was particularly remarkable in Europe, the United States and Asia. Business activity held up well in Japan, despite the dramatic events in the month of March.

All product categories are driving Louis Vuitton's exceptional performance. In leather goods, the long-standing *Damier* line is still making strong advances, while the new *Empreinte* collection in soft leather has also met with considerable success. The production capacity has been increased during the year with, in particular, the opening of a new workshop in Marsaz in the Drôme region of France.

In Louis Vuitton's retail network, the year's high points were the inauguration of the Maison in Milan on Via Montenapoleone and the unveiling of the "Island Maison" at the Marina Bay in Singapore.

As was the case in 2010, sophistication and personalization were again the watchwords in 2011, placing the customer more than ever before at the heart of the brand's strategy. The brand's new high-end leather goods special-order line is also a fine illustration of this strategy, giving customers a cornucopia of alternatives to choose from to experience the thrill of owning a truly unique design. In 2011, the brand further increased its use of fine and exotic leathers. Following the launch of the soft-leather *Empreinte* line, another step forward has now been taken, with the introduction of pieces made of exotic leathers such as crocodile, python or ostrich, which are becoming more prevalent in the collections. In 2011, Louis Vuitton honored its commitment to ever greater mastery and excellence as demonstrated by the acquisition of Heng Long, a top-tier exotic leather tannery and La Fabrique du Temps, a Swiss luxury watchmaking workshop specializing in the design of high-end watch movements.

Constant innovation and the will to remain at the forefront of its field and to cultivate difference – all of these ambitions are reflected in Louis Vuitton's communications strategy.

Two notable developments during the year were the designation of Angelina Jolie as the new iconic ambassador for its core values campaign and a new website inviting users from around the world to experience a journey. In addition, an exhibition retracing the crowning moments in the history of Louis Vuitton at the National Museum of China and the opening of a space dedicated to contemporary art at the Louis Vuitton Maison in Tokyo's Omotesando district were among the initiatives in 2011 illustrating the brand's strong ties with the world of culture and art.

Fendi

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

Fendi is seeing strong growth across all world regions, with particularly remarkable results in China. The Japanese market saw a strong recovery in the second part of the year.

Underscoring the noble Italian brand's fundamental values of craftsmanship and creativity, 2011 saw the launch of Fendi's new event concept "Fatto a Mano for the Future", which reunites artisans, artists and designers.

Other brands

Donna Karan recorded another year of solid growth in revenue and profit. *Donna Karan Collection*, the brand's luxury line, recently enhanced by the addition of the *Casual Luxe* collection, continues to achieve excellent results. The good results of the accessories collection sold under the DKNY label demonstrate the effectiveness of the strategy pursued for the creative development of the brand. The anticipated transfer of the DKNY Jeans license in North and South America will strengthen the control over one of its emblematic businesses, opening up new development opportunities.

Marc Jacobs enjoyed rapid growth in 2011, spurred by strong results across all geographic regions. A ten-time winner at the annual "Council of Fashion Designers of America" (CFDA) Awards, the designer's runway shows during the year again generated considerable excitement and were enthusiastically applauded by the international press. Designs in the *Marc Jacobs Collection* are much in demand and the heightened sophistication of the *Marc by Marc Jacobs* second line is winning over fans. The brand continues to expand its presence in high-potential markets.

Loewe recorded very strong revenue growth and a significant increase in profitability. Men's accessories reaffirmed their strong growth potential. Growth was strong across all of the brand's markets, with China in the lead. Store renovations are continuing, using the concept developed by the architect Peter Marino.

Céline performed remarkably well in 2011, attaining record-setting revenue and profit levels. Driven by the success of the collections created by Phoebe Philo, this exceptional performance was consistent across all geographic regions and product categories. The brand's leather goods saw impressive growth and the ready-to-wear collections have vigorously reaffirmed the brand's identity and consolidated its market position, associated with iconic modernity, timeless elegance and quality. Céline has launched a renovation and expansion project for its network of stores.

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

Givenchy continued its progress during the year, with all of its lines making strong advances. Women's ready-to-wear performed well, thus confirming the successful creative revitalization of the fashion house. The brand's leather lines recorded strong growth, thus reaffirming their iconic status. Men's ready-to-wear is reaping the rewards of the successful repositioning of its collections, turning in excellent results in China and the United States.

Building on the success of its shirt collections and their thoroughly British tailoring and style, **Thomas Pink** recorded robust growth in revenue and introduced a new retail concept, representing a modern take on London's Jermyn Street heritage.

Pucci is reaping the benefits of its efforts to refocus its collections, backed by the brand's strong core values. Recent additions to its ready-to-wear and accessories collections were warmly received.

Berluti has reaffirmed its status as a house dedicated exclusively to its discerning male customers, successfully combining craftsmanship, tradition and modernity. The brand has named Alessandro Sartori as its creative director thus staking a claim in a new territory, ready-to-wear, whose first collection received an enthusiastic welcome. Berluti is focusing expansion efforts in its network of owned stores and is taking back control of its distribution in China and Hong Kong.

Outlook

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

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

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

4. PERFUMES AND COSMETICS

	2011	2010	2009
Revenue *(EUR millions)*	**3,195**	**3,076**	**2,741**
Revenue by product category *(%)*			
Perfumes	49	48	53
Cosmetics	34	34	28
Skincare products	17	18	19
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	10	14	17
Europe (excluding France)	37	39	39
United States	9	8	8
Japan	6	6	7
Asia (excluding Japan)	22	18	16
Other markets	16	15	13
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**348**	**332**	**291**
Operating margin *(%)*	**10.9**	**10.8**	**10.6**
Operating investments *(EUR millions)*	**150**	**104**	**99**
Number of stores	**85**	**75**	**65**

The **Perfumes and Cosmetics** business group posted 9% organic revenue growth in 2011. Profit from recurring operations rose 8% (at constant consolidation scope) against a background of robust commercial and advertising investments. The change in consolidation scope corresponds to the disposal of La Brosse et Dupont business at the end of 2010. All brands benefited from the vigor of the Asian and US markets. Despite a mixed business environment toward the end of the year, Europe also made a positive contribution to growth.

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

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

Make-up posted solid revenue growth, thanks to strong flagship products and successful new products. The new *Dior Addict Lipstick* is a historic success, becoming the leader in most markets in just a few months. The successful relaunch of *Diorskin Forever* has boosted the performance of the strategic foundation cream segment, while sales of the new fingernail polish colors, directly inspired by the "Haute Couture", continued to soar.

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

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

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

Parfums Givenchy increased revenue significantly, further improved its operating profit margin. Sales of *Very Irresistible* and *Ange ou Démon* are growing steadily. The new *Dahlia Noir* fragrance, whose creation was overseen by Riccardo Tisci, has been launched in several countries and is off to a promising start.

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

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

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

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

Parfums Loewe has been holding up well in its home country and is pursuing its international expansion.

Fresh is expanding its distribution network in Asia. **Acqua di Parma** has launched a new communication campaign to emphasize its historic roots and timeless elegance.

Outlook

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

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

Guerlain will launch a new women's perfume in 2012. The network of Guerlain boutiques will be further expanded. Work to enlarge and renovate the Maison on the Champs-Élysées will be undertaken and should be completed in 2013.

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

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

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

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

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

5. WATCHES AND JEWELRY

	2011	2010	2009
Revenue *(EUR millions)*	**1,949**	**985**	**764**
Revenue by geographic region of delivery *(%)*			
France	7	8	9
Europe (excluding France)	26	25	27
United States	13	17	18
Japan	14	12	12
Asia (excluding Japan)	26	21	17
Other markets	14	17	17
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**265**	**128**	**63**
Operating margin *(%)*	**13.6**	**13.0**	**8.2**
Operating investments *(EUR millions)*	**117**	**36**	**23**
Number of stores	**327**[(a)]	**122**	**114**

(a) Of which 170 additional stores as a result of the integration of Bulgari.

Watches and Jewelry generated organic revenue growth of 23% in 2011. Profit from recurring operations for this business group doubled, reflecting both the like-for-like growth of 41% and the impact of the consolidation of Bulgari from June 30, 2011.

TAG Heuer set new records for revenue and profitability in 2011. The brand posted strong organic revenue growth in all of its markets, with particularly remarkable results in China and South Korea.

TAG Heuer perpetuated its unique expertise in mastering speed and precision in 2011 by launching the *Mikrograph 100* and the *Mikrotimer Flying 1000*, entirely developed and manufactured in its own workshops. The brand continues to expand its retail network and now has nearly 130 stores worldwide (owned and franchised). In addition, TAG Heuer is working to further industrialize its processes, as evidenced by the *Calibre 1887*, the brand's first automatic movement built in-house. TAG Heuer's industrial integration is also extending to other strategic components, with the acquisition of ArteCad, a leading Swiss manufacturer of watch dials. Also present in the manufacture of watch cases through its subsidiary Cortech, TAG Heuer is staking its place in the production of mechanical movements, cases and dials.

Hublot has stepped up its expansion efforts on all fronts and performed exceptionally well in 2011. The year was marked by a number of high-profile innovations, including *Masterpieces*, a new collection dedicated to grand complications (watches involving complex horological features), and the development of a new scratch-resistant material called *Magic Gold*. The brand has enhanced its production capacities for watch movements and now directly manages all manufacturing processes for its *UNICO* chronograph movement and the mechanisms of its Grand Complications, part of a strong value-added strategy. Moreover, the strategic integration of technological know-how has intensified, with the construction of a manufacturing facility for watch micro-components, a foundry for the production of pieces made of *Magic Gold*, and the acquisition of Profusion, a distributor of carbon fiber parts and components. Hublot doubled the number of its stores worldwide and operated a total of 40 boutiques at the end of 2011.

Manufacture **Zenith** furthered its progress in 2011 and confirmed its status as a rising star in the rarefied world of prestige watchmakers. The full renewal of its collections is now complete, structured around the brand's five iconic lines. Zenith has seen strong growth in Asia and the selective expansion of its retail network continues in high-potential markets, most notably with the opening of two new boutiques in Hong Kong and Geneva.

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

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

Among the most evocative of the brand's iconic themes from the 1950s, Bulgari's *Serpenti* features prominently in its marketing and in its recent innovations in jewelry, watches and leather goods. Owing to their instantly recognizable designs, their exceptional gemstones, and the superior craftsmanship of Bulgari's artisans, the Italian jeweler's collections were exceedingly well received in 2011, surpassing all expectations. In the perfume segment, the successful launches of the new eau de toilette *Bulgari MAN* and the eau de parfum *Mon Jasmin Noir* were among the year's high points.

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

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

Montres Dior is continuing to expand its range of prestige timepieces, creating a sensation during the year with the launch of the *Dior VIII* collection and the *Grand Bal* limited edition watch series. This strategy is accompanied by an ever greater selectivity in its distribution channels.

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

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

Outlook

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

6. SELECTIVE RETAILING

	2011	2010	2009
Revenue *(EUR millions)*	**6,436**	**5,378**	**4,533**
Revenue by geographic region of delivery *(%)*			
France	20	22	24
Europe (excluding France)	10	8	10
United States	36	37	37
Japan	2	2	2
Asia (excluding Japan)	26	24	20
Other markets	6	7	7
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**716**	**536**	**388**
Operating margin *(%)*	**11.1**	**10.0**	**8.6**
Operating investments *(EUR millions)*	**215**	**196**	**181**
Number of stores			
Sephora	1,300 [a]	1,070	986
Other trade names	68	76	89

(a) Of which 125 additional stores as a result of the integration of Ile de Beauté.

Selective Retailing achieved organic revenue growth of 19%. Its profit from recurring operations improved by 34%.

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

DFS pursued its strategy of moving upmarket and continued to invest in the expansion and renovation of its strategic *Gallerias* stores in 2011, completing the renovation of its Waikiki, Hawaii Galleria and continuing the expansion and renovation of its Scottswalk, Singapore and Macao stores. DFS is enhancing the appeal of its stores by offering a diversified range of products that includes new luxury brands.

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

Sephora did remarkably well in 2011, gaining market share in all regions. The only global specialist retailer in perfume and cosmetics, Sephora continued to offer shoppers a unique experience of innovative products and exclusive services and actively developed its customer loyalty programs in all regions. At the end of 2011 there were 1,300 Sephora stores in 26 countries.

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

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

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

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

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

Le Bon Marché, one of the world's most exceptional and prestigious department stores, saw its revenue grow substantially over the year, thanks largely to luxury goods and fashion. The famous Parisian department store on the left bank of the Seine river also benefited from increased spending by foreign customers, which accounted for a significantly higher proportion of overall sales in 2011. The completion of the women's footwear area and the refurbishment of the ground floor also contributed to this growth. Le Bon Marché is preparing new and ambitious projects that include expanding its sales floor by over 4,000 sq.m.

Outlook

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

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

Sephora will continue its ambitious expansion in key markets by opening flagship stores. The chain will expand into new regions, such as Scandinavia, and will extend its presence in

South America, most notably by opening new stores in Brazil. Sephora will develop its customer-oriented strategy and focus on providing innovative new products and services.

Le Bon Marché, the world's first department store, will celebrate its 160th birthday in 2012. The men's area will be further extended and a multiyear renovation program will be launched including the renovation of the Grande Epicerie de Paris.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	2011	2010	Variation
Tangible and intangible assets	26.5	20.9	5.6
Other non-current assets	7.3	5.1	2.2
Non-current assets	**33.8**	**26.0**	**7.8**
Inventories	7.5	6.0	1.5
Other current assets	5.8	5.2	0.6
Current assets	**13.3**	**11.2**	**2.1**
Assets	**47.1**	**37.2**	**9.9**

(EUR billions)	2011	2010	Variation
Total equity	23.5	18.2	5.3
Non-current liabilities	14.0	11.9	2.1
Equity and non-current liabilities	**37.5**	**30.1**	**7.4**
Short term borrowings	3.1	1.8	1.3
Other current liabilities	6.5	5.3	1.2
Current liabilities	**9.6**	**7.1**	**2.5**
Liabilities	**47.1**	**37.2**	**9.9**

The significant increase in non-current assets compared to 2010 is chiefly attributable to the consolidation of Bulgari in 2011. Non-current assets thus represented 72% of total assets as of December 31, 2011, compared to 70% at year-end 2010.

Tangible and intangible fixed assets increased by 5.6 billion euros, with 4.2 billion euros of this amount arising from first-time consolidations during the year. This relates primarily to Bulgari, whose brand was provisionally valued at 2.1 billion euros, with goodwill amounting to 1.5 billion euros. Net of amortization and depreciation charges, investments for the year represented a 1 billion euro increase (see comments on the cash flow statement).

Other non-current assets increased by 2.2 billion euros, mainly as a result of an increase in the market value of the Group's investment in Hermès International and additional purchases of Hermès shares on the market. The Group's 22.4% stake in Hermès represented an amount of 5.4 billion euros as of December 31, 2011.

Inventories increased by 1.5 billion euros. Inventories held by entities acquired during 2011, mainly Bulgari, accounted for 0.7 billion euros of this increase, with the remainder attributable to growth in the Group's businesses.

Other non-current liabilities increased from 11.9 billion euros at year-end 2010 to 14 billion euros at year-end 2011. This increase was due to the recognition of a deferred tax liability in respect of the Bulgari brand (0.7 billion euros), an increase in long-term net financial debt (0.7 billion euros), and an increase in commitments to purchase minority interests (0.5 billion euros).

Other current liabilities increased by 1.2 billion euros compared to year-end 2010, reflecting growth in the Group's businesses.

(EUR billions)	2011	2010	Variation
Long term borrowings	4.1	3.4	0.7
Short term borrowings and derivatives	3.0	1.8	1.2
Gross borrowings after derivatives	**7.1**	**5.2**	**1.9**
Cash and cash equivalents and current available for sale financial assets	(2.4)	(2.5)	0.1
Net financial debt	**4.7**	**2.7**	**2.0**
Equity	**23.5**	**18.2**	**5.3**
Net financial debt/ Total equity ratio	**19.8%**	**14.7%**	**5.1%**

The ratio of net financial debt to equity rose by 5.1 points to 19.8% as of December 31, 2011. This increase was the result of a 2 billion euro increase in net financial debt and a 5.4 billion euro increase in equity.

Total equity amounted to 23.5 billion euros at year-end 2011, representing an increase of 29%. This significant rise is mainly attributable to the following factors: the reserved capital increase by LVMH SA, in the amount of 2.2 billion euros, intended as consideration for the contribution of Bulgari shares by the company's family shareholders; the sharp increase in the value of some assets held by the Group, in particular its investment in Hermès, whose market value rose during the year by 1.7 billion euros; and finally, the strong earnings achieved by companies across the Group, only a portion of which have been distributed. As of December 31, 2011, total equity represented 50% of the balance sheet total, thus remaining stable compared to 2010.

Gross borrowings after derivatives totaled 7.1 billion euros at year-end 2011. Bond issues and new borrowings generated 2.7 billion euros. In particular, LVMH carried out a euro-denominated public bond issue consisting of two tranches maturing in 4 and 7 years, with a par value of 500 million euros each. The Group also issued 0.2 billion euros of debt by way of private placements. The amount of commercial paper outstanding also increased by 1.3 billion euros in 2011. Conversely, borrowings of 1 billion euros were repaid in the year, in particular via the redemption of several bonds for a total

of 0.8 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 2.3 billion euros at the close of 2011, virtually stable compared to the position as of December 31, 2010.

At year-end 2011, the Group's undrawn confirmed credit lines amounted to 3.4 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 1.6 billion euros as of December 31, 2011.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2011	2010	Variation
Cash from operations before changes in working capital	**6,137**	**4,848**	**1,289**
Cost of net financial debt: interest paid	(152)	(149)	(3)
Income taxes paid	(1,544)	(897)	(647)
Net cash from operating activities before changes in working capital	**4,441**	**3,802**	**639**
Total change in working capital	(534)	247	(781)
Operating investments	(1,730)	(976)	(754)
Free cash flow	**2,177**	**3,073**	**(896)**
Financial investments	**(1,286)**	**(1,715)**	**429**
Transactions relating to equity	**(2,572)**	**(1,020)**	**(1,552)**
Change in cash before financing activity	**(1,681)**	**338**	**(2,019)**

Cash from operations before changes in working capital totaled 6,137 million euros as of December 31, 2011, compared to 4,848 million euros the previous year, an increase of 27%. Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 4,441 million euros, up 17% compared to 2010.

Interest paid, amounting to 152 million euros, represented a slight increase compared to 149 million euros paid in 2010, with the effects of the increase in net financial debt in the year offset by lower interest rates on borrowings and a better return on cash and cash equivalents.

Income tax paid amounted to 1,544 million euros, a significant increase from 897 million euros paid in 2010, as a result of the increase in taxable profit and a modified payment schedule for income tax payments on account.

Working capital requirements increased by 534 million.

The increase in inventories, particularly in Wines and Spirits, Fashion and Leather Goods, and Selective Retailing, generated a cash requirement of 768 million euros, which was partially offset by a 331 million euro increase in accounts payable, principally in Fashion and Leather Goods and Selective Retailing. These effects were the result of business growth, especially during the year-end holiday season.

Operating investments net of disposals resulted in a net cash outflow of 1,730 million euros in 2011, compared to 976 million euros a year earlier. They consisted mainly of real estate investments for commercial use or rental purposes, investments by Louis Vuitton, DFS and Sephora in their retail networks, and investments by the Group's champagne houses and Parfums Christian Dior in their production facilities, reflecting the Group's growth momentum.

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

Transactions relating to equity generated an outflow of 2,572 million euros over the year. The acquisition of minority shareholdings in Bulgari as part of the public tender offer launched in the second half of the year accounted for 1,453 million euros of this total, but does not include the amount attributable to the acquisition of Bulgari remunerated by the capital increase of LVMH SA. Dividends paid out by LVMH SA in the year, excluding the amount attributable to treasury shares, accounted for a further 1,069 million euros, consisting of 671 million euros for the final 2010 dividend and 398 million euros for the interim 2011 dividend.

Financing requirements, after all operating, investment and equity-related activities, thus amounted to 1,681 million euros, close to the amount of cash obtained from financing activities, 1,660 million euros. Cash and cash equivalents at the end of 2011 were stable with respect to the position as of December 31, 2010.

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CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2011	2010	2009
Revenue	22	23,659	20,320	17,053
Cost of sales		(8,092)	(7,184)	(6,164)
Gross margin		15,567	13,136	10,889
Marketing and selling expenses		(8,360)	(7,098)	(6,051)
General and administrative expenses		(1,944)	(1,717)	(1,486)
Profit from recurring operations	22-23	5,263	4,321	3,352
Other operating income and expenses	24	(109)	(152)	(191)
Operating profit		5,154	4,169	3,161
Cost of net financial debt		(151)	(151)	(187)
Other financial income and expenses		(91)	763	(155)
Net financial income (expense)	25	(242)	612	(342)
Income taxes	26	(1,453)	(1,469)	(849)
Income (loss) from investments in associates	7	6	7	3
Net profit before minority interests		3,465	3,319	1,973
Minority interests		(400)	(287)	(218)
Net profit, Group share		3,065	3,032	1,755
Basic Group share of net earnings per share *(EUR)*	27	6.27	6.36	3.71
Number of shares on which the calculation is based		488,769,286	476,870,920	473,597,075
Diluted Group share of net earnings per share *(EUR)*	27	6.23	6.32	3.70
Number of shares on which the calculation is based		492,207,492	479,739,697	474,838,025

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2011	2010	2009
Net profit before minority interests	3,465	3,319	1,973
Translation adjustments	190	701	(128)
Tax impact	47	89	(20)
	237	790	(148)
Change in value of available for sale financial assets	1,634	294	114
Amounts transferred to income statement	(38)	38	(11)
Tax impact	(116)	(35)	(26)
	1,480	297	77
Change in value of hedges of future foreign currency cash flows	95	(20)	133
Amounts transferred to income statement	(168)	(30)	(125)
Tax impact	21	14	(2)
	(52)	(36)	6
Change in value of vineyard land	25	206	(53)
Tax impact	(11)	(71)	18
	14	135	(35)
Gains and losses recognized in equity	1,679	1,186	(100)
Comprehensive income	5,144	4,505	1,873
Minority interests	(433)	(375)	(189)
Comprehensive income, Group share	4,711	4,130	1,684

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	2011	2010	2009
(EUR millions)				
Brands and other intangible assets - net	3	11,482	9,104	8,697
Goodwill - net	4	6,957	5,027	4,270
Property, plant and equipment - net	6	8,017	6,733	6,140
Investments in associates	7	170	223	213
Non-current available for sale financial assets	8	5,982	3,891	540
Other non-current assets		478	319	750
Deferred tax		716	668	521
Non-current assets		**33,802**	**25,965**	**21,131**
Inventories and work in progress	9	7,510	5,991	5,644
Trade accounts receivable	10	1,878	1,565	1,455
Income taxes		121	96	217
Other current assets	11	1,455	1,255	1,213
Cash and cash equivalents	13	2,303	2,292	2,446
Current assets		**13,267**	**11,199**	**10,975**
Total assets		**47,069**	**37,164**	**32,106**

LIABILITIES AND EQUITY	Notes	2011	2010	2009
(EUR millions)				
Share capital		152	147	147
Share premium account		3,801	1,782	1,763
Treasury shares and LVMH-share settled derivatives		(485)	(607)	(929)
Cumulative translation adjustment		431	230	(495)
Revaluation reserves		2,689	1,244	871
Other reserves		12,798	11,370	10,684
Net profit, Group share		3,065	3,032	1,755
Equity, Group share	14	22,451	17,198	13,796
Minority interests	16	1,061	1,006	989
Total equity		**23,512**	**18,204**	**14,785**
Long term borrowings	17	4,132	3,432	4,077
Provisions	18	1,400	1,167	990
Deferred tax		3,925	3,354	3,117
Other non-current liabilities	19	4,506	3,947	3,089
Non-current liabilities		**13,963**	**11,900**	**11,273**
Short term borrowings	17	3,134	1,834	1,708
Trade accounts payable		2,952	2,298	1,911
Income taxes		443	446	221
Provisions	18	349	339	334
Other current liabilities	20	2,716	2,143	1,874
Current liabilities		**9,594**	**7,060**	**6,048**
Total liabilities and equity		**47,069**	**37,164**	**32,106**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Share capital: number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives
Notes		14.1		14.2
As of December 31, 2008	**489,937,410**	**147**	**1,737**	**(983)**
Gains and losses recognized in equity				
Net profit				
Comprehensive income		-	-	-
Stock option plan and similar expenses				
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				50
Exercise of LVMH share subscription options	557,204		30	
Retirement of LVMH shares	(88,960)		(4)	4
Capital increase in subsidiaries				
Interim and final dividends paid				
Changes in control of consolidated entities				
Acquisition and disposal of minority interests' shares				
Purchase commitments for minority interests				
As of December 31, 2009	**490,405,654**	**147**	**1,763**	**(929)**
Gains and losses recognized in equity				
Net profit				
Comprehensive income		-	-	-
Stock option plan and similar expenses				
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				221
Exercise of LVMH share subscription options	2,012,478		120	
Retirement of LVMH shares	(1,775,900)		(101)	101
Capital increase in subsidiaries				
Interim and final dividends paid				
Changes in control of consolidated entities				
Acquisition and disposal of minority interests' shares				
Purchase commitments for minority interests				
As of December 31, 2010	**490,642,232**	**147**	**1,782**	**(607)**
Gains and losses recognized in equity				
Net profit				
Comprehensive income		-	-	-
Stock option plan and similar expenses				
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				15
Exercise of LVMH share subscription options	1,395,835		94	
Retirement of LVMH shares	(2,259,454)		(107)	107
Acquisition of a controlling interest in Bulgari	18,037,011	5	2,032	
Capital increase in subsidiaries				
Interim and final dividends paid				
Changes in control of consolidated entities, excluding Bulgari				
Acquisition and disposal of minority interests' shares				
Purchase commitments for minority interests				
As of December 31, 2011	**507,815,624**	**152**	**3,801**	**(485)**

Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity		
	Available for sale financial assets	Future foreign currency cash flows	Vineyard land		Group share	Minority interests	Total
14.4						**16**	
(371)	**136**	**59**	**623**	**11,456**	**12,804**	**989**	**13,793**
(124)	77	4	(28)		(71)	(29)	(100)
				1,755	1,755	218	1,973
(124)	**77**	**4**	**(28)**	**1,755**	**1,684**	**189**	**1,873**
				43	43	3	46
				(57)	(7)	-	(7)
					30	-	30
					-	-	-
					-	11	11
				(758)	(758)	(176)	(934)
					-	11	11
					-	(8)	(8)
					-	(30)	(30)
(495)	**213**	**63**	**595**	**12,439**	**13,796**	**989**	**14,785**
725	297	(32)	108		1,098	88	1,186
				3,032	3,032	287	3,319
725	**297**	**(32)**	**108**	**3,032**	**4,130**	**375**	**4,505**
				41	41	3	44
				(43)	178	-	178
					120	-	120
					-	-	-
					-	1	1
				(953)	(953)	(158)	(1,111)
					-	(3)	(3)
				(83)	(83)	(104)	(187)
				(31)	(31)	(97)	(128)
230	**510**	**31**	**703**	**14,402**	**17,198**	**1,006**	**18,204**
201	1,480	(46)	11		1,646	33	1,679
				3,065	3,065	400	3,465
201	**1,480**	**(46)**	**11**	**3,065**	**4,711**	**433**	**5,144**
				49	49	3	52
				(8)	7	-	7
					94	-	94
					-	-	-
				201	2,238	772	3,010
					-	4	4
				(1,069)	(1,069)	(187)	(1,256)
				(5)	(5)	20	15
				(681)	(681)	(785)	(1,466)
				(91)	(91)	(205)	(296)
431	**1,990**	**(15)**	**714**	**15,863**	**22,451**	**1,061**	**23,512**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2011	2010	2009
I. OPERATING ACTIVITIES AND INVESTMENTS				
Operating profit		5,154	4,169	3,161
Net increase in depreciation, amortization and provisions		999	788	826
Other computed expenses		(45)	(126)	(37)
Dividends received		61	20	21
Other adjustments		(32)	(3)	(43)
Cash from operations before changes in working capital		**6,137**	**4,848**	**3,928**
Cost of net financial debt: interest paid		(152)	(149)	(185)
Income taxes paid		(1,544)	(897)	(900)
Net cash from operating activities before changes in working capital		**4,441**	**3,802**	**2,843**
Change in inventories and work in progress		(768)	(126)	69
Change in trade accounts receivable		(65)	(13)	206
Change in trade accounts payable		331	295	(362)
Change in other receivables and payables		(32)	91	178
Total change in working capital		**(534)**	**247**	**91**
Net cash from operating activities		**3,907**	**4,049**	**2,934**
Purchase of tangible and intangible fixed assets		(1,749)	(1,002)	(748)
Proceeds from sale of tangible and intangible fixed assets		31	33	26
Guarantee deposits paid and other operating investments		(12)	(7)	(7)
Operating investments		**(1,730)**	**(976)**	**(729)**
Net cash from (used in) operating activities and operating investments (free cash flow)		**2,177**	**3,073**	**2,205**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(518)	(1,724)	(93)
Proceeds from sale of non-current available for sale financial assets	8	17	70	49
Impact of purchase and sale of consolidated investments[a]	2	(785)	(61)	(278)
Net cash from (used in) financial investments		**(1,286)**	**(1,715)**	**(322)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH[a]	14	94	120	30
Capital increases of subsidiaries subscribed by minority interests	16	3	1	11
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	14.2	2	155	34
Interim and final dividends paid by LVMH	14.3	(1,069)	(953)	(758)
Interim and final dividends paid to minority interests in consolidated subsidiaries	16	(189)	(158)	(175)
Purchase and proceeds from sale of minority interests	2	(1,413)	(185)	-
Net cash from (used in) transactions relating to equity		**(2,572)**	**(1,020)**	**(858)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		2,659	564	2,442
Repayment of borrowings		(1,005)	(1,290)	(2,112)
Purchase and proceeds from sale of current available for sale financial assets		6	(32)	321
Net cash from (used in) financing activities		**1,660**	**(758)**	**651**
V. EFFECT OF EXCHANGE RATE CHANGES		60	188	(120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**39**	**(232)**	**1,556**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13	**2,042**	**2,274**	**718**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	**2,081**	**2,042**	**2,274**
Transactions included in the table above, generating no change in cash:				
- acquisition of assets by means of finance leases		3	6	12

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

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1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the year ended December 31, 2011 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2011. These standards and interpretations have been applied consistently to the fiscal years presented. The 2011 consolidated financial statements were approved for publication by the Board of Directors on February 2, 2012.

The consolidated financial statements presented are "condensed", which means that they only include notes that are significant or facilitate understanding of changes in the Group's business activity and financial position during the year. They are extracted from the consolidated financial statements approved by the Board of Directors which include all of the notes to the financial statements required under IFRS, as adopted in the European Union.

1.2. Changes in the accounting framework in 2011

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

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

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

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

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

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

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

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

- IFRS 10, IFRS 11 and IFRS 12 on consolidation, redefining the concept of the control of entities, eliminating the possibility of using proportional consolidation to consolidate jointly controlled entities which are now to be accounted for uniquely using the equity method, and introducing additional disclosure requirements in the notes to the consolidated financial statements.

  The application of these standards in 2013 is not expected to have any material impact on the Group's consolidated financial statements, due to the low number of jointly controlled entities which are proportionately consolidated.

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

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

1.3. First-time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of 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;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- foreign currency translation of the financial statements of subsidiaries outside the euro zone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves";
- share-based payment: IFRS 2 Share-Based Payment was applied to all share subscription and share purchase option plans that were open at the date of transition, including those created before November 7, 2002, with the application of the standards before that date being optional.

1.4. Use of estimates

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

1.5. Methods of consolidation

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

Jointly controlled companies are consolidated on a proportionate basis.

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

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

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

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

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

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.7. Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the 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.

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

1.8. Brands, trade names and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets at their values calculated on their dates of acquisition.

Brands and goodwill are chiefly valued on the basis of the present value of forecast cash flows, or of comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands), or of stock market multiples observed for related businesses. Other complementary methods may also be employed: the royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified between the amount of revenue generated by a branded product in comparison with an unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's positioning in its market expressed in terms of volume of activity, international presence and notoriety;
- its expected long term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with definite useful lives range from 15 to 40 years, depending on their estimated period of utilization.

Any impairment expense of brands and trade names and, in some cases, amortization expense, are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.12.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision to launch the product has been taken.

Intangible assets other than brands and trade names are amortized over the following periods:

- leasehold rights, key money: based on market conditions generally between 100% and 200% of the lease period;
- development expenditure: 3 years at most;
- software: 1 to 5 years.

1.9. Goodwill

When the Group takes *de jure* or *de facto* control of an enterprise, its assets, liabilities and contingent liabilities are estimated at their fair value as of the date when control is obtained and the difference between the cost of taking control and the Group's share of the fair value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs which are disclosed under "Other operating income and expenses".

As of January 1, 2010, in accordance with IAS 27 (Revised), the difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.12. Any impairment expense recognized is included within "Other operating income and expenses".

1.10. Purchase commitments for minority interests

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the closing date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in "Other non-current liabilities";
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and reclassified minority interests is maintained as an asset on the balance sheet under goodwill, as well as subsequent changes in this difference. For commitments granted as of January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

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

1.11. Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region, or on independent appraisals. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

Vines for champagnes, cognacs and other wines produced by the Group, are considered as biological assets as defined in IAS 41 Agriculture. As their valuation at market value differs little from that recognized at historical cost, no revaluation is undertaken for these assets.

Investment property is measured at cost.

Assets acquired under finance leases are capitalized on the basis of the lower of their market value and the present value of future lease payments.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life; the estimated useful lives are as follows:

- buildings including investment property	20 to 50 years
- machinery and equipment	3 to 25 years
- store improvements	3 to 10 years
- producing vineyards	18 to 25 years

Expenses for maintenance and repairs are charged to the income statement as incurred.

1.12. Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired, and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets indefinite useful lives with is greater than the higher of their value in use or net selling price, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

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

Cash flows are forecast for each business segment defined as one or several brands or trade names under the responsibility of a dedicated management team. Smaller scale cash generating units, e.g. a group of stores, may be distinguished within a particular business segment.

The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, a period which may be extended in the case of certain brands undergoing strategic repositioning, or which have a production cycle exceeding five years. An estimated final value is added to the value resulting from discounted forecast cash flows which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and include assessment of the risk factor associated with each business.

1.13. Available for sale financial assets

Financial assets are classified as current or non-current based on their nature.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets include temporary investments in shares, shares of “SICAV”, “FCP” and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as cash and cash equivalents (see Note 1.16).

Available for sale financial assets are measured at their listed value at balance sheet date in the case of quoted investments, and at their net realizable value at that date in the case of unquoted investments.

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

1.14. Inventories and work in progress

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

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

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

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are nevertheless classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (end of season or collection, date of expiry, etc.) or lack of sales prospects.

1.15. Trade accounts receivable, loans and other receivables

Trade accounts receivable are recorded at their face value. A provision for impairment is recorded if their net realizable value, based on the probability of their collection, is less than their carrying amount.

The amount of long term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under net financial income/expense using the effective interest rate method.

1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid monetary investments subject to an insignificant risk of changes in value overtime.

Monetary investments are measured at their market value and at the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

1.17. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated.

When execution of its obligation is expected to be deferred by more than one year, the provision amount is discounted, the effects of which are recognized in net financial income/expense using the effective interest rate method.

1.18. Borrowings

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

In the case of hedging against fluctuations in the 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 amount at the balance sheet date of current available for sale financial assets, cash and cash equivalents in addition to the market value at the balance sheet date of related foreign exchange derivatives at that date.

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

1.19. Derivatives

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

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

Derivatives are recognized in the balance sheet at their 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. Treasury shares and LVMH-share settled derivatives

LVMH shares and options to purchase LVMH 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 with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

1.21. Pensions, reimbursements of medical costs and other employee commitments

When retirement indemnity plans, pensions, medical costs and other commitments entail the payment by the Group of contributions to third party organizations which assume the exclusive responsibility for paying the retirement indemnities, pensions or medical expense reimbursements, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement indemnity plans, pensions, medical costs and other commitments are to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment for the Group, and any changes in this provision are expensed within profit from recurring operations over the period, including effects of discounting.

If this commitment is either partially or wholly funded by payments made by the Group to external financial organizations,

these payments are deducted from the actuarial commitment recorded in the balance sheet.

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

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

1.22. Current and deferred tax

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

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

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 Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales through distributors are made for Wines and Spirits, and certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, generally upon shipment.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

Provisions for product returns

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' income statement items and assets and liabilities between 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 amortization of the expected benefit granted to beneficiaries calculated according to the Black & Scholes method on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

For cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated at each 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. Between that date and the settlement date, the change in the expected benefit resulting from the change in the LVMH share price is recorded in the income statement.

1.26. Definition of Profit from recurring operations and Other operating income and expenses

The Group's main business is the management and development of its brands and trade names. Profit from recurring operations is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

Other operating income and expenses comprises income statement items which, due to their nature, amount or frequency, may not be considered as inherent to the Group's recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation and the impairment of brands and goodwill, as well as any significant amount of gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

1.27. Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of all existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the period.

2. CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES

2.1. Fashion and Leather Goods

By means of a volontary cash offer closed in December 2011, LVMH acquired 51% of Heng Long International Ltd. ("Heng Long") for an amount of 47 million euros (82 million Singapore dollars) the founding family retaining 49% of the share capital of Heng Long by means of a reinvestment in the acquisition structure. Following this operation, Heng Long was delisted from the Singapore stock exchange in December 2011. The share capital held by the founding family is subject to purchase commitments that can be exercised in several tranches, mainly as from December 2016. Heng Long is renowned for its expertise in the tanning and finishing of crocodilian leather. Heng Long is fully consolidated as of December 31, 2011. Provisional goodwill arising on this acquisition amounts to 24 million euros and minority interests were valued in the amount of their share in the acquiree's restated net assets. The difference between the value of the purchase commitment for the 49% of the share capital held by the founding family and minority interests, amounting to 24 million euros, was deducted from equity.

2.2. Watches and Jewelry

Bulgari

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

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

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

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

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

In accordance with IFRS:

(a) Bulgari shares acquired by LVMH prior to the acquisition of the controlling interest were revalued at 12.25 euros per share, the share price agreed between the parties for the acquisition of the controlling interest, generating a gain of 42 million euros, which was recognized under Other operating income and expenses (see Note 24).

(b) The Bulgari shares contributed by the family shareholders were revalued according to the exchange ratio and the quotation of the LVMH share on the Paris stock exchange as of the acquisition date of the controlling interest, June 30, 2011. The impact of the revaluation, 200 million euros, was recognized under consolidated reserves.

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

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

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

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

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

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

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

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

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

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

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

ArteCad

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

2.3. Selective Retailing

The stake held by LVMH in the share capital of the company owning the Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia, was increased from 45% to 65% in June 2011, for an amount of 40 million euros. LVMH's partner benefits from an option to sell the remaining 35% stake to LVMH, which may be exercised in tranches from 2013 to 2016. This investment, which was previously accounted for under equity method, was fully consolidated with effect from June 1, 2011. The price paid was allocated to the Ile de Beauté trade name, for a provisional amount of 12 million euros. Provisional goodwill amounts to 128 million euros, in recognition of Sephora's prospects for expansion in the Russian market. Minority interests were valued in the amount of their share in the acquiree's restated net assets, with the difference between the value of the purchase commitment for the 35% of share capital that was not acquired and non-controlling interests, in the amount of 66 million euros, deducted from consolidated reserves.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2011	2010	2009
	Gross	Amortization and impairment	Net	Net	Net
Brands	9,305	(460)	8,845	6,717	6,489
Trade names	3,455	(1,406)	2,049	1,977	1,853
License rights	102	(77)	25	26	41
Leasehold rights	383	(201)	182	109	91
Software	677	(508)	169	138	110
Other	431	(219)	212	137	113
Total	**14,353**	**(2,871)**	**11,482**	**9,104**	**8,697**
Of which: assets held under finance leases	*14*	*(14)*	-	-	-

Movements in the year

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

Gross value *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	**7,142**	**3,339**	**1,143**	**11,624**
Acquisitions	-	-	246	246
Disposals and retirements	-	-	(28)	(28)
Changes in the scope of consolidation	2,101	17	211	2,329
Translation adjustment	62	99	16	177
Reclassifications	-	-	5	5
As of December 31, 2011	**9,305**	**3,455**	**1,593**	**14,353**

Accumulated amortization and impairment (EUR millions)	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	**(425)**	**(1,362)**	**(733)**	**(2,520)**
Amortization expense	(32)	(1)	(149)	(182)
Impairment expense	-	-	(1)	(1)
Disposals and retirements	-	-	27	27
Changes in the scope of consolidation	-	-	(135)	(135)
Translation adjustment	(3)	(43)	(12)	(58)
Reclassifications	-	-	(2)	(2)
As of December 31, 2011	**(460)**	**(1,406)**	**(1,005)**	**(2,871)**
Net carrying amount as of December 31, 2011	**8,845**	**2,049**	**588**	**11,482**

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

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

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

4. GOODWILL

(EUR millions)			2011	2010	2009
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	6,317	(1,175)	5,142	3,409	3,335
Goodwill arising on purchase commitments for minority interests	1,815	-	1,815	1,618	935
Total	**8,132**	**(1,175)**	**6,957**	**5,027**	**4,270**

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

(EUR millions)			2011	2010	2009
	Gross	Impairment	Net	Net	Net
As of January 1	**6,143**	**(1,116)**	**5,027**	**4,270**	**4,423**
Changes in the scope of consolidation	1,743	-	1,743	21	20
Changes in purchase commitments for minority interests	203	-	203	702	(96)
Changes in impairment	-	(40)	(40)	(54)	(56)
Translation adjustment	43	(19)	24	88	(21)
As of December 31	**8,132**	**(1,175)**	**6,957**	**5,027**	**4,270**

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

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

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

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

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2011.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2011	2010	2009
	Gross	Depreciation and impairment	Net	Net	Net
Land	941	-	941	916	859
Vineyard land and producing vineyards	1,965	(98)	1,867	1,828	1,611
Buildings	2,428	(1,029)	1,399	988	890
Investment property	603	(67)	536	297	286
Machinery and equipment	5,574	(3,679)	1,895	1,704	1,647
Other tangible fixed assets (including assets in progress)	1,956	(577)	1,379	1,000	847
Total	**13,467**	**(5,450)**	**8,017**	**6,733**	**6,140**
Of which: assets held under finance leases	*259*	*(146)*	*113*	*115*	*136*
historical cost of vineyard land and producing vineyards	*650*	*(98)*	*552*	*538*	*531*

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

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	**1,919**	**2,697**	**358**	**4,858**	**1,522**	**11,354**
Acquisitions	18	303	237	494	572	1,624
Change in the market value of vineyard land	25	-	-	-	-	25
Disposals and retirements	(1)	(26)	(1)	(293)	(45)	(366)
Changes in the scope of consolidation	-	306	-	232	56	594
Translation adjustment	2	75	10	103	22	212
Other movements, including transfers	2	14	(1)	180	(171)	24
As of December 31, 2011	**1,965**	**3,369**	**603**	**5,574**	**1,956**	**13,467**

Accumuled depreciation and impairment *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	**(91)**	**(793)**	**(61)**	**(3,154)**	**(522)**	**(4,621)**
Depreciation expense	(7)	(76)	(5)	(524)	(90)	(702)
Impairment expense	-	(1)	-	2	1	2
Disposals and retirements	1	14	1	286	31	333
Changes in the scope of consolidation	-	(159)	-	(188)	(29)	(376)
Translation adjustment	(1)	(18)	(2)	(63)	(9)	(93)
Other movements, including transfers	-	4	-	(38)	41	7
As of December 31, 2011	**(98)**	**(1,029)**	**(67)**	**(3,679)**	**(577)**	**(5,450)**
Net carrying amount as of December 31, 2011	**1,867**	**2,340**	**536**	**1,895**	**1,379**	**8,017**

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

7. INVESTMENTS IN ASSOCIATES

(EUR millions)			2011	2010	2009
	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	**223**	**-**	**223**	**213**	**216**
Share of net profit (loss) for the period	6	-	6	7	3
Dividends paid	(12)	-	(12)	(5)	(9)
Changes in the scope of consolidation	(57)	-	(57)	-	8
Translation adjustment	3	-	3	8	(5)
Other movements, including transfers	7	-	7	-	-
Share of net assets of associates as of December 31	**170**	**-**	**170**	**223**	**213**

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

- a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA;
- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development;
- a 45% equity stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports.

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

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

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

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

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

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

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

Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.13.

9. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2011	2010	2009
Wines and distilled alcohol in the process of aging	3,403	3,235	3,189
Other raw materials and work in progress	1,292	747	720
	4,695	3,982	3,909
Goods purchased for resale	822	659	527
Finished products	2,738	2,015	1,851
	3,560	2,674	2,378
Gross amount	**8,255**	**6,656**	**6,287**
Impairment	(745)	(665)	(643)
Net amount	**7,510**	**5,991**	**5,644**

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

(EUR millions)			2011	2010	2009
	Gross	Impairment	Net	Net	Net
As of January 1	**6,656**	**(665)**	**5,991**	**5,644**	**5,764**
Change in gross inventories	770	-	770	126	(69)
Fair value adjustment for the harvest of the period	14	-	14	(3)	13
Changes in impairment	-	(68)	(68)	16	(62)
Changes in the scope of consolidation	694	-	694	(39)	38
Translation adjustment	147	(12)	135	254	(29)
Reclassifications	(26)	-	(26)	(7)	(11)
As of December 31	**8,255**	**(745)**	**7,510**	**5,991**	**5,644**

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

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

(EUR millions)	2011	2010	2009
Fair value adjustment for the harvest of the period	50	36	43
Adjustment for inventory consumed	(36)	(39)	(30)
Net effect on cost of sales of the period	**14**	**(3)**	**13**

10. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2011	2010	2009
Trade accounts receivable - nominal amount	2,107	1,769	1,670
Provision for impairment	(64)	(57)	(62)
Provision for product returns	(165)	(147)	(153)
Net amount	**1,878**	**1,565**	**1,455**

The amount of the impairment expense in 2011 was 11 million euros (compared to 9 million euros in 2010 and 18 million euros in 2009).

Approximately 63% 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.

There is no difference between the present value of trade accounts receivable and their carrying amount.

11. OTHER CURRENT ASSETS

(EUR millions)	2011	2010	2009
Current available for sale financial assets	145	219	218
Derivatives	147	209	302
Tax accounts receivable, excluding income taxes	468	271	199
Advances and payments on account to vendors	163	142	113
Prepaid expenses	249	191	171
Other receivables, net	283	223	210
Total	**1,455**	**1,255**	**1,213**

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

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

12. CURRENT AVAILABLE FOR SALE ASSETS

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

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

(EUR millions)	2011	2010	2009
As of January 1	**219**	**218**	**590**
Acquisitions	256	55	15
Disposals at market value	(285)	(106)	(343)
Changes in market value	21	74	50
Changes in impairment	(1)	(26)	(31)
Reclassifications (as) from "Non-current available for sale financial assets" [a]	-	-	(59)
Changes in the scope of consolidation [b]	(65)	-	(1)
Translation adjustment	-	4	(3)
As of December 31	**145**	**219**	**218**

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

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

13. CASH AND CASH EQUIVALENTS

(EUR millions)	2011	2010	2009
Fixed term deposits (less than 3 months)	421	545	130
SICAV and FCP money market funds	216	141	93
Ordinary bank accounts	1,666	1,606	2,223
Cash and cash equivalents per balance sheet	**2,303**	**2,292**	**2,446**

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	2011	2010	2009
Cash and cash equivalents	2,303	2,292	2,446
Bank overdrafts	(222)	(250)	(172)
Net cash and cash equivalents per cash flow statement	**2,081**	**2,042**	**2,274**

14. EQUITY

14.1. Share capital

As of December 31, 2011, issued and fully paid-up shares totaled 507,815,624 (490,642,232 shares as of December 31, 2010 and 490,405,654 shares as of December 31, 2009), with a par value of 0.30 euros per share, including 224,575,071 shares with double voting rights. Double voting rights are granted to registered shares held for more than three years (225,670,153 as of December 31, 2010, 226,411,288 as of December 31, 2009).

14.2. Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

(EUR millions)		2011	2010	2009
	Number	Value	Value	Value
Share subscription option plans	6,749,676	319	429	504
Share purchase option plans	285,070	22	41	223
Bonus share plans	1,160,441	64	42	25
Other plans	1,222,491	64	70	5
Shares held for stock option and similar plans [(a)]	**9,417,678**	**469**	**582**	**757**
Liquidity contract	119,000	13	13	6
Retirement of shares	-	-	-	56
LVMH treasury shares	**9,536,678**	**482**	**595**	**819**
LVMH share-based calls [(b)]	100,000	3	12	110
LVMH treasury shares and derivatives settled in LVMH shares	**9,636,678**	**485**	**607**	**929**

(a) See Note 15 regarding stock option and similar plans.
(b) Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and related premium paid on subscription.

“Other plans” correspond to future plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2011 amounts to 13 million euros.

The portfolio movements in 2011 were as follows:

LVMH shares

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2010	**11,939,973**	**595**	**-**
Share purchases, including through the exercise of call options	2,897,370	325	(317)
Exercise of share purchase options	(218,862)	(16)	11
Bonus shares definitively allocated	(143,979)	(7)	-
Retirement of shares	(2,259,454)	(107)	-
Proceeds from disposal at net realized value	(2,678,370)	(308)	308
Gain/(loss) on disposal	-	-	-
As of December 31, 2011	**9,536,678**	**482**	**2**

LVMH share-based calls

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2010	**300,000**	**12**	
Calls purchased	-	-	-
Calls exercised	(200,000)	(9)	-
As of December 31, 2011	**100,000**	**3**	**-**

14.3. Dividends paid by the parent company LVMH SA

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares.

As of December 31, 2011, the amount available for distribution was 9,621 million euros; after taking into account the proposed dividend distribution in respect of the 2011 fiscal year, the amount available for distribution is 8,707 million euros.

(EUR millions, except for data per share in EUR)	2011	2010	2009
Interim dividend for the current year (2011: 0.80 euros; 2010: 0.70 euros; 2009: 0.35 euros)	406	343	172
Impact of treasury shares	(8)	(8)	(6)
	398	**335**	**166**
Final dividend for the previous year (2010: 1.40 euros; 2009: 1.30 euros; 2008: 1.25 euros)	685	636	612
Impact of treasury shares	(14)	(18)	(20)
	671	**618**	**592**
Total gross amount disbursed during the fiscal year [a]	**1,069**	**953**	**758**

(a) Excludes the impact of tax regulations applicable to the beneficiary.

The final dividend for 2011, as proposed to the Shareholders' Meeting of April 5, 2012 is 1.80 euros per share, representing a total amount of 914 million euros, excluding amount to be deducted in relation to treasury shares owned at date of payment.

14.4. Cumulative translation adjustment

The change in the translation adjustment recognized under equity, Group share net of hedging effects of net assets denominated in foreign currency, break down as follows by currency:

(EUR millions)	2011	Change	2010	2009
US dollar	(57)	91	(148)	(487)
Swiss franc	424	48	376	93
Japanese yen	212	60	152	44
Hong Kong dollar	88	45	43	(20)
Pound sterling	(56)	17	(73)	(82)
Other currencies	64	12	52	(41)
Foreign currency net investment hedges	(244)	(72)	(172)	(2)
Total, Group share	**431**	**201**	**230**	**(495)**

15. STOCK OPTION AND SIMILAR PLANS

Share purchase option and subscription plans

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

Each plan is valid for 10 years. The options may be exercised after a three-year period, for plans issued before 2004, or a four-year period, for plans issued from 2004.

In certain circumstances, in particular in the event of retirement, the period of three or four years before options may be exercised is not applicable.

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

Bonus share plans

The Shareholders' Meeting of March 31, 2011 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in May 2014, to grant bonus shares to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to the beneficiaries who are French residents for tax purposes becomes definitive after a two-year vesting period (three years for the 2011 allocations), which is followed by a two-year holding period during which the beneficiaries may not sell their shares.

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

Cash-settled share-based compensation plans index-linked to the change in the LVMH share price

In place of share option and bonus share plans, the Group has issued plans which are equivalent in terms of gains as for the beneficiaries of share purchase option plans and bonus share plans, but are settled in cash rather than shares. These plans have a four-year vesting period.

Performance conditions

Since 2009, certain subscription option plans and bonus share plans have been subject to performance conditions to a variable extent depending on beneficiaries, that determine whether the beneficiaries are entitled to receive the definitive allocation of these plans.

15.1. Share purchase option plans

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

	2011		2010		2009	
	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	**915,482**	**47.15**	**6,603,112**	**58.05**	**7,862,248**	**57.73**
Options expired	(311,550)	56.04	(1,078,800)	80.07	(568,634)	63.93
Options exercised	(218,862)	47.30	(4,608,830)	55.06	(690,502)	49.59
Share purchase options outstanding as of December 31	**385,070**	**39.90**	**915,482**	**47.15**	**6,603,112**	**58.05**

15.2. Share subscription option plans

The number of subscription options not exercised and the weighted average exercise prices changed as follows over the course of the fiscal years included below:

	2011		2010		2009	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share subscription options outstanding as of January 1	**8,084,215**	**68.79**	**10,214,500**	**66.99**	**9,569,660**	**67.76**
Options granted	-	-	-	-	1,304,270	56.50
Options expired	(84,463)	71.23	(117,807)	72.09	(102,226)	72.41
Options exercised	(1,395,835)	67.31	(2,012,478)	59.62	(557,204)	54.37
Share subscription options outstanding as of December 31	**6,603,917**	**69.07**	**8,084,215**	**68.79**	**10,214,500**	**66.99**

15.3. Bonus share plans

The number of non-vested shares allocated changed as follows during the period:

(number of shares)	2011	2010	2009
Non-vested shares as of January 1	**770,611**	**464,630**	**311,459**
Allocations of non-vested shares [a]	557,052	469,436	312,042
Shares vested	(143,979)	(149,590)	(149,612)
Expired allocations	(23,243)	(13,865)	(9,259)
Non-vested shares as of December 31	**1,160,441**	**770,611**	**464,630**

(a) In 2011, bonus shares with performance conditions represent 257,724 provisional allocations (274,367 for the plan launched in 2010).

The bonus share plans launched in 2010 and 2011 are subject to performance conditions to a variable extent depending on beneficiaries. Bonus shares may only be definitively granted if, in fiscal years 2011 and 2012 (2010 and 2011 for the plan launched in 2010), 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 2010 (2009 for the plan launched in 2010). The performance condition, which was met for fiscal years 2010 and 2011, was considered to have been met for fiscal year 2012, for the purpose of determining the expense for 2011.

Owned shares were remitted in settlement of the bonus shares vested during the periods presented.

15.4. Cash-settled compensation plans index-linked to the change in LVMH share price

The plans in force as of December 31, by type and number of equivalent share-based plans, together with the provision recognized in the year-end balance sheet, break down as follows:

	2011	2010	2009
Type of plan *(in equivalent number of shares)*:			
Share purchase option plan	20,050	21,450	113,500
Bonus share plan	50,364	93,848	136,538
Provision as of December 31 *(EUR millions)*	6	10	10

15.5. Expense for the period

(EUR millions)	2011	2010	2009
Share subscription and purchase option plans, bonus share plans	52	44	46
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	1	6	7
Expense for the period	**53**	**50**	**53**

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

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

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

The 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 2011 was 105.35 euros for beneficiaries who are French residents for tax purposes and 102.57 euros for beneficiaries with tax residence outside France.

16. MINORITY INTERESTS

(EUR millions)	2011	2010	2009
As of January 1	**1,006**	**989**	**989**
Minority interests' share of net profit	400	287	218
Dividends paid to minority interests	(187)	(158)	(176)
Effects of changes in control of consolidated entities:			
consolidation of Bulgari	772	-	-
consolidation of Heng Long	18		
other movements	2	(3)	11
Effects of acquisition and disposal of minority interests' shares:			
acquisition of minority interests in the Samaritaine	-	(104)	-
acquisition of minority interests in Bulgari	(771)		
other movements	(14)	-	(8)
Total effects of changes in the percentage of interests in consolidated entities	7	(107)	3
Capital increases subscribed by minority interests	4	1	11
Minority interests' share in gains and losses recognized in equity	33	88	(29)
Minority interests' share in stock option plan expenses	3	3	3
Effects of purchase commitments for minority interests	(205)	(97)	(30)
As of December 31	**1,061**	**1,006**	**989**

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Total share of minority interests
As of December 31, 2008	**(84)**	**7**	**126**	**49**
Changes for the year	(24)	2	(7)	(29)
As of December 31, 2009	**(108)**	**9**	**119**	**20**
Changes for the year	65	(4)	27	88
As of December 31, 2010	**(43)**	**5**	**146**	**108**
Changes for the year	36	(6)	3	33
As of December 31, 2011	**(7)**	**(1)**	**149**	**141**

17. BORROWINGS

17.1. Net financial debt

(EUR millions)	2011	2010	2009
Bonds and euro Medium Term Notes (EMTN)	3,390	2,776	3,425
Bank borrowings and finance lease	742	656	652
Long term borrowings	**4,132**	**3,432**	**4,077**
Bonds and euro Medium Term Notes (EMTN)	759	815	723
Commercial paper	1,603	272	200
Bank overdrafts	222	250	172
Other short term borrowings	550	497	613
Short term borrowings	**3,134**	**1,834**	**1,708**
Gross amount of borrowings	**7,266**	**5,266**	**5,785**
Interest rate risk derivatives	(159)	(82)	(89)
Other derivatives	1	5	6
Gross borrowings after derivatives	**7,108**	**5,189**	**5,702**
Current available for sale financial assets	(145)	(219)	(218)
Other current financial assets	-	-	(44)
Cash and cash equivalents	(2,303)	(2,292)	(2,446)
Net financial debt	**4,660**	**2,678**	**2,994**

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

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

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

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

(EUR millions)		Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	2012	2,952	182	3,134	(1,751)	1,747	(4)	1,201	1,929	3,130
	2013	596	496	1,092	84	(84)	0	680	412	1,092
	2014	1,114	160	1,274	(1,000)	936	(64)	114	1,096	1,210
	2015	962	6	968	(750)	691	(59)	212	697	909
	2016	6	3	9	100	(105)	(5)	106	(102)	4
	Thereafter	788	1	789	(150)	124	(26)	638	125	763
Total		**6,418**	**848**	**7,266**	**(3,467)**	**3,309**	**(158)**	**2,951**	**4,157**	**7,108**

See Note 21.2 regarding fair value of interest rate risk derivatives.

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

(EUR millions)	Falling due in 2012
First quarter	2,063
Second quarter	984
Third quarter	25
Fourth quarter	62
Total	**3,134**

17.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2011	2010	2009
Euro	5,349	3,587	4,317
US dollar	253	221	172
Swiss franc	991	988	806
Japanese yen	274	208	235
Other currencies	241	185	172
Total	**7,108**	**5,189**	**5,702**

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.

18. PROVISIONS

(EUR millions)	2011	2010	2009
Provisions for pensions, medical costs and similar commitments	283	261	240
Provisions for contingencies and losses	1,096	886	725
Provisions for reorganization	21	20	25
Non-current provisions	**1,400**	**1,167**	**990**
Provisions for pensions, medical costs and similar commitments	11	9	8
Provisions for contingencies and losses	294	274	242
Provisions for reorganization	44	56	84
Current provisions	**349**	**339**	**334**
Total	**1,749**	**1,506**	**1,324**

In 2011, the changes in provisions were as follows:

(EUR millions)	2010	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	2011
Provisions for pensions, medical costs and similar commitments	**270**	53	(56)	(2)	21	8	**294**
Provisions for contingencies and losses	**1,160**	305	(98)	(78)	58	43	**1,390**
Provisions for reorganization	**76**	22	(32)	(3)	2	-	**65**
Total	**1,506**	**380**	**(186)**	**(83)**	**81**	**51**	**1,749**
Of which: profit from recurring operations		*202*	*(148)*	*(50)*			
net financial income (expense)		*-*	*-*	*-*			
other		*178*	*(38)*	*(33)*			

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, 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.

19. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2011	2010	2009
Purchase commitments for minority interests	4,195	3,686	2,841
Derivatives	4	2	22
Employee profit sharing [a]	88	88	80
Other liabilities	219	171	146
Total	**4,506**	**3,947**	**3,089**

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

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

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

Purchase commitments for minority interests also include commitments relating to minority shareholders in Benefit (20%), Ile de Beauté (35%), Heng Long (49%) and distribution subsidiaries in various countries, mainly in the Middle East.

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

20. OTHER CURRENT LIABILITIES

(EUR millions)	2011	2010	2009
Derivatives	265	145	92
Employees and social institutions	855	687	581
Employee profit sharing [a]	86	72	67
Taxes other than income taxes	385	317	252
Advances and payments on account from customers	180	203	228
Deferred payment for tangible and financial non-current assets	282	177	186
Deferred income	111	76	61
Other	552	466	407
Total	**2,716**	**2,143**	**1,874**

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

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

Derivatives are analyzed in Note 21.

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.

These instruments are mainly centralized. Counterparties are chosen primarily according to their international rating as well as for diversification purposes.

21.1. Summary of derivatives

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

(EUR millions)			Notes	2011	2010	2009
Interest rate risk	Assets:	non-current		113	41	46
		current		57	66	90
	Liabilities:	non-current		(1)	(1)	(21)
		current		(10)	(24)	(26)
			21.2	**159**	**82**	**89**
Foreign exchange risk	Assets:	non-current		2	8	6
		current		83	139	211
	Liabilities:	non-current		(3)	(1)	(1)
		current		(255)	(121)	(56)
			21.3	**(173)**	**25**	**160**
Other risks	Assets:	non-current		28	12	74
		current		7	4	1
	Liabilities:	non-current		-	-	-
		current		-	-	(10)
				35	**16**	**65**
Total	Assets:	non-current		143	61	126
		current	11	147	209	302
	Liabilities:	non-current	19	(4)	(2)	(22)
		current	20	(265)	(145)	(92)
				21	**123**	**314**

21.2. Derivatives used to manage interest rate risk

The Group manages its interest rate exposure on the basis of total net financial debt. The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the effects of significant changes in interest rates.

As such, the Group uses interest rate swaps and options (caps and floors).

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

(EUR millions)	Nominal amounts by maturity				Market value [a]		
	2012	2013 to 2016	Beyond 2016	Total	Fair value hedges	Unallocated amounts	Total
Interest rate swaps in euros:							
- fixed rate payer	-	269	-	269	-	(8)	(8)
- floating rate payer	1,752	1,841	150	3,743	164	4	168
- floating rate/floating rate	-	152	-	152	-	-	-
Foreign currency swaps	-	386	-	386	-	(1)	(1)
Total					**164**	**(5)**	**159**

(a) Gain/(Loss).

21.3. 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 equity of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

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

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value [a]				
	2011	2012	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	2	47	-	49	-	-	-	-	-
Put GBP	10	-	-	10	-	-	-	-	-
	12	**47**	**-**	**59**	**-**	**-**	**-**	**-**	**-**
Ranges									
Written USD	420	2,866	169	3,455	(2)	(20)	-	(5)	(27)
Written JPY	13	176	-	189	(1)	(4)	-	-	(5)
	433	**3,042**	**169**	**3,644**	**(3)**	**(24)**	**-**	**(5)**	**(32)**
Forward exchange contracts [b]									
USD	327	53	-	380	(12)	(1)	-	(1)	(14)
JPY	143	462	141	746	(5)	(38)	-	(3)	(46)
GBP	32	6	-	38	(1)	-	-	-	(1)
Other	88	59	-	147	(3)	-	-	1	(2)
	590	**580**	**141**	**1,311**	**(21)**	**(39)**	**-**	**(3)**	**(63)**
Foreign exchange swaps [b]									
USD	2,450	-	-	2,450	-	-	(63)	(23)	(86)
CHF	456	-	-	456	-	-	(9)	3	(6)
GBP	322	-	-	322	-	-	-	(10)	(10)
JPY	(143)	-	-	(143)	-	-	(3)	38	35
Other	167	-	-	167	-	-	(48)	37	(11)
	3,252	**-**	**-**	**3,252**	**-**	**-**	**(123)**	**45**	**(78)**
Total					**(24)**	**(63)**	**(123)**	**37**	**(173)**

(a) Gain/(Loss).
(b) Sale/(Purchase).

21.4. Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly, as a result of its holding of equity investments and current available for sale financial assets, or indirectly, as a result of its holding of funds which are themselves partially invested in shares.

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of December 31, 2011, derivatives used to manage equity risk with an impact on the Group's net profit have a positive market value of 28 million euros. Considering nominal values of 24 million euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2011 would induce a net impact on the Group's profit for an amount of 0.3 million euros. Most of these instruments mature in 2014.

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with products, or directly by purchasing hedges from top-ranking banks. In the latter case gold is purchased from banks, or future and/or options contracts are taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2011 have a market value of 7 million euros. Considering nominal values of 94 million euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2011 would induce a net impact on the Group's consolidated reserves inferior to 1 million euros. These instruments mature in 2012.

22. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – 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. The Selective Retailing business comprises the Group's own-label retailing activities. Other activities comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

22.1. Information by business group

Fiscal year 2011

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	3,511	8,672	2,851	1,911	6,414	300	-	23,659
Sales between business groups	13	40	344	38	22	14	(471)	-
Total revenue	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**314**	**(471)**	**23,659**
Profit from recurring operations	1,101	3,075	348	265	716	(204)	(38)	5,263
Other operating income and expenses	(16)	(56)	(2)	(6)	(26)	(3)	-	(109)
Purchase of tangible and intangible fixed assets [b]	170	496	145	169	235	655	-	1,870
Depreciation and amortization expense	92	359	105	82	209	37	-	884
Impairment expense	-	20	-	-	5	15	-	40
Brands, trade names, licenses and goodwill [c]	3,047	4,705	926	5,423	2,905	871	-	17,877
Inventories	3,905	1,030	337	1,118	1,181	67	(128)	7,510
Other operating assets	2,828	2,304	799	1,043	1,610	3,472	9,625 [d]	21,681
Total assets	**9,780**	**8,039**	**2,062**	**7,584**	**5,696**	**4,410**	**9,497**	**47,068**
Equity	-	-	-	-	-	-	23,511	23,511
Operating liabilities	1,259	1,708	1,019	672	1,496	662	16,741 [e]	23,557
Total liabilities and equity	**1,259**	**1,708**	**1,019**	**672**	**1,496**	**662**	**40,252**	**47,068**

Data for fiscal year 2011 integrate data for Bulgari, which has been fully consolidated since June 30, 2011. Given the unique profile of the Bulgari's management and the Bulgari brand, and the fact that most of the business involves manufacturing and distributing watches and jewelry, all of Bulgari's activities, including perfumes and cosmetics, have been included in the Watches and Jewelry business group.

As of December 31, 2011 and with respect to the period of Bulgari's consolidation within the LVMH group, its perfumes and cosmetics business accounted for consolidated revenue of 142 million euros.

Fiscal year 2010

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	3,252	7,549	2,806	970	5,360	383	-	20,320
Sales between business groups	9	32	270	15	18	26	(370)	-
Total revenue	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**409**	**(370)**	**20,320**
Profit from recurring operations	930	2,555	332	128	536	(141)	(19)	4,321
Other operating income and expenses	(21)	(30)	(39)	(3)	(26)	(33)	-	(152)
Purchase of tangible and intangible fixed assets [b]	97	351	112	47	194	183	-	984
Depreciation and amortization expense	97	314	106	29	201	38	-	785
Impairment expense	-	21	-	-	17	16	-	54
Brands, trade names, licenses and goodwill [c]	2,853	4,675	911	1,712	2,729	867	-	13,747
Inventories	3,626	770	275	403	935	70	(88)	5,991
Other operating assets	2,700	2,034	686	336	1,485	2,689	7,496 [d]	17,426
Total assets	**9,179**	**7,479**	**1,872**	**2,451**	**5,149**	**3,626**	**7,408**	**37,164**
Equity	-	-	-	-	-	-	18,204	18,204
Operating liabilities	1,069	1,334	971	221	1,188	641	13,536 [e]	18,960
Total liabilities and equity	**1,069**	**1,334**	**971**	**221**	**1,188**	**641**	**31,740**	**37,164**

Fiscal year 2009

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	2,732	6,274	2,520	752	4,517	258	-	17,053
Sales between business groups	8	28	221	12	16	20	(305)	-
Total revenue	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(305)**	**17,053**
Profit from recurring operations	760	1,986	291	63	388	(135)	(1)	3,352
Other operating income and expenses	(41)	(71)	(17)	(32)	(19)	(13)	2	(191)
Purchase of tangible and intangible fixed assets [b]	96	284	96	26	182	90	-	774
Depreciation and amortization expense	92	268	99	27	175	40	-	701
Impairment expense	-	20	20	-	5	11	-	56
Brands, trade names, licenses and goodwill [c]	2,254	4,612	918	1,450	2,522	897	-	12,653
Inventories	3,548	701	226	369	738	128	(66)	5,644
Other operating assets	2,540	1,855	644	257	1,342	2,389	4,782 [d]	13,809
Total assets	**8,342**	**7,168**	**1,788**	**2,076**	**4,602**	**3,414**	**4,716**	**32,106**
Equity	-	-	-	-	-	-	14,785	14,785
Operating liabilities	1,013	1,137	805	176	1,001	614	12,575 [e]	17,321
Total liabilities and equity	**1,013**	**1,137**	**805**	**176**	**1,001**	**614**	**27,360**	**32,106**

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Purchases of tangible and intangible fixed assets correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.
(c) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(d) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of December 31, 2011, they include the 22.4% shareholding in Hermès International, representing an amount of 5,438 million euros, see Note 8 (3,345 million euros as of December 31, 2010 and 487 million euros as of December 31, 2009, of which 419 classified under "Other non-current assets" and 68 classified under "Non-current available for sale financial assets").
(e) Liabilities not allocated include borrowings and both current and deferred tax liabilities.

22.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2011	2010	2009
France	2,866	2,725	2,478
Europe (excluding France)	4,797	4,236	3,664
United States	5,237	4,611	3,840
Japan	1,970	1,784	1,683
Asia (excluding Japan)	6,430	4 991	3,850
Other	2,359	1,973	1,538
Revenue	**23,659**	**20,320**	**17,053**

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

(EUR millions)	2011	2010	2009
France	701	389	319
Europe (excluding France)	655	230	130
United States	161	134	106
Japan	55	31	18
Asia (excluding Japan)	224	152	149
Other	74	48	52
Purchases of tangible and intangible fixed assets	**1,870**	**984**	**774**

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

Purchases of tangible and intangible fixed assets correspond to the amounts capitalized during the fiscal year rather than payments made during the fiscal year.

22.3. Quarterly information

Quarterly sales by business group break down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	762	2,029	803	261	1,421	74	(103)	5,247
Second quarter	673	1,942	715	315	1,410	83	(93)	5,045
Third quarter	871	2,218	793	636	1,547	74	(128)	6,011
Fourth quarter	1,218	2,523	884	737	2,058	83	(147)	7,356
Total 2011	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**314**	**(471)**	**23,659**
First quarter	635	1,729	736	204	1,181	78	(91)	4,472
Second quarter	667	1,787	705	239	1,238	73	(82)	4,627
Third quarter	846	1,948	805	244	1,294	68	(94)	5,111
Fourth quarter	1,113	2,117	830	298	1,665	190	(103)	6,110
Total 2010	**3,261**	**7,581**	**3,076**	**985**	**5,378**	**409**	**(370)**	**20,320**
First quarter	540	1,598	663	154	1,085	62	(84)	4,018
Second quarter	539	1,390	622	192	1,042	68	(60)	3,793
Third quarter	682	1,549	686	187	1,040	68	(77)	4,135
Fourth quarter	979	1,765	770	231	1,366	80	(84)	5,107
Total 2009	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(305)**	**17,053**

23. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2011	2010	2009
Advertising and promotion expenses	2,711	2,267	1,809
Commercial lease expenses	1,563	1,335	1,139
Personnel costs	4,074	3,589	3,175
Research and development expenses	63	46	45

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2011, a total of 3,040 stores were operated by the Group worldwide (2,545 in 2010, 2,423 in 2009), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	2011	2010	2009
Fixed or minimum lease payments	675	561	487
Variable portion of indexed leases	348	292	262
Airport concession fees - fixed portion or minimum amount	223	279	244
Airport concession fees - variable portion	317	203	146
Commercial lease expenses	**1,563**	**1,335**	**1,139**

Personnel costs consist of the following elements:

(EUR millions)	2011	2010	2009
Salaries and social charges	3,954	3,473	3,059
Pensions, medical costs and similar expenses in respect of defined benefit plans	67	66	63
Stock option plan and related expenses	53	50	53
Personnel costs	**4,074**	**3,589**	**3,175**

24. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2011	2010	2009
Net gains (losses) on disposals of fixed assets	(4)	(36)	1
Restructuring costs	(40)	(32)	(98)
Remeasurement of shares purchased prior to their initial consolidation	22	-	-
Transaction costs relating to the acquisition of consolidated companies	(17)	-	-
Impairment or amortization of brands, trade names, goodwill and other property	(73)	(87)	(88)
Other, net	3	3	(6)
Other operating income and expenses	**(109)**	**(152)**	**(191)**

The investments in Bulgari and Ile de Beauté held prior to the acquisition date of a controlling interest were revalued at market value at that date. Transaction costs relate essentially to these two transactions.

In 2010, net losses on disposals mainly related to the disposals of La Brosse et Dupont and of Montaudon. See Note 2 Changes in the percentage interest of consolidated entities.

In 2009, restructuring costs comprised the cost of various industrial and commercial restructuring plans, relating mainly to the Fashion and Leather Goods and Watches and Jewelry business groups.

25. NET FINANCIAL INCOME/EXPENSE

(EUR millions)	2011	2010	2009
Borrowing costs	(189)	(168)	(208)
Income from cash, cash equivalents and current available for sale financial assets	41	18	20
Fair value adjustment of borrowings and interest rate hedges	(3)	(1)	1
Cost of net financial debt	**(151)**	**(151)**	**(187)**
Dividends received from non-current available for sale financial assets	54	14	11
Ineffective portion of foreign currency hedges	(105)	(96)	(46)
Net gain/(loss) related to available for sale financial assets and other financial instruments	(11)	865	(94)
Other items - net	(29)	(20)	(26)
Other financial income and expenses	**(91)**	**763**	**(155)**
Net financial income/(expense)	**(242)**	**612**	**(342)**

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	2011	2010	2009
Income from cash and cash equivalents	33	12	11
Interest from current available for sale financial assets	8	6	9
Income from cash, cash equivalents and current available for sale financial assets	**41**	**18**	**20**

The increase in dividends received in 2011 results from the increase in the equity stake in Hermès in 2010 (see Note 8).

In 2010, the net gain related to available for sale financial assets and other financial instruments included an amount of 1,004 million euros related to the Hermès transactions which corresponds to the gain, net of transaction costs, recorded on the settlement of equity linked swaps; this gain amounts to the difference between the market value of the securities acquired at the settlement date of the contracts and their value based on the Hermès share price as of December 31, 2009.

In 2010, excluding the Hermès transactions, as well as in 2011 and 2009, the net gain/loss related to available for sale financial assets and other 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.

26. INCOME TAXES

(EUR millions)	2011	2010	2009
Current income taxes for the period	(1,671)	(1,501)	(785)
Current income taxes relating to previous periods	2	(5)	4
Current income taxes	**(1,669)**	**(1,506)**	**(781)**
Change in deferred income taxes	158	35	(68)
Impact of changes in tax rates on deferred taxes	58	2	-
Deferred income taxes	**216**	**37**	**(68)**
Total tax expense per income statement	**(1,453)**	**(1,469)**	**(849)**
Tax on items recognized in equity	**(59)**	**(3)**	**(30)**

The effective tax rate is as follows:

(EUR millions)	2011	2010	2009
Profit before tax	4,912	4,781	2,819
Total income tax expense	(1,453)	(1,469)	(849)
Effective tax rate	**29.6%**	**30.7%**	**30.1%**

Total tax expense for fiscal year 2011 includes, for an amount of 11 million euros, the impact of the exceptional contribution applicable in France for 2011 and 2012.

27. EARNINGS PER SHARE

	2011	2010	2009
Net profit, Group share *(EUR millions)*	**3,065**	**3,032**	**1,755**
Average number of shares in circulation during the period	498,874,042	490,124,174	490,076,711
Average number of treasury shares owned during the period	(10,104,756)	(13,253,254)	(16,479,636)
Average number of shares on which the calculation before dilution is based	**488,769,286**	**476,870,920**	**473,597,075**
Basic Group share of profit per share *(EUR)*	**6.27**	**6.36**	**3.71**
Average number of shares on which the above calculation is based	488,769,286	476,870,920	473,597,075
Dilution effect of stock option plans	3,438,206	2,868,777	1,240,950
Other dilution effects	-	-	-
Average number of shares in circulation after dilution	**492,207,492**	**479,739,697**	**474,838,025**
Diluted Group share of profit per share *(EUR)*	**6.23**	**6.32**	**3.70**

As of December 31, 2011, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding purchase and subscription options are considered to be available to be exercised at that date, since the LVMH share price is higher than the exercise price of these options.

No events occurred between December 31, 2011 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

28. PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

The expense recorded in relation to pension, medical costs and similar commitments during the periods presented breaks down as follows:

(EUR millions)	2011	2010	2009
Service cost	56	46	43
Interest cost	33	31	30
Expected return on plan assets	(24)	(19)	(16)
Amortization of actuarial gains and losses	5	6	4
Past service cost	2	2	2
Changes in regimes	(5)	-	-
Total expense for the period for defined benefit plans	**67**	**66**	**63**
Effective return on/(cost of) plan assets	**(10)**	**24**	**46**

29. OFF BALANCE SHEET COMMITMENTS

29.1. Purchase commitments

(EUR millions)	2011	2010	2009
Grapes, wines and distilled alcohol	1,019	1,139	1,336
Other purchase commitments for raw materials	84	67	68
Industrial and commercial fixed assets	154	168	109
Investments in joint venture shares and non-current available for sale financial assets	90	96	56

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and distilled alcohol. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known year-end prices and estimated production yields.

As of December 31, 2011, the maturity dates of these commitments break down as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and distilled alcohol	616	338	65	1,019
Other purchase commitments for raw materials	81	3	-	84
Industrial and commercial fixed assets	85	38	31	154
Investments in joint venture shares and non-current available for sale financial assets	40	16	34	90

29.2. Lease and similar commitments

In addition to leasing its stores, the Group finances some of its equipment through long term operating leases. Some fixed assets and equipment were also purchased or refinanced under finance leases.

Operating leases and concession fees

The fixed or minimum portion of commitments in respect of operating lease or concession contracts over the irrevocable period of the contracts were as follows as of December 31, 2011:

(EUR millions)	2011	2010	2009
Less than one year	1,094	885	846
One to five years	2,843	2,237	2,045
More than five years	1,279	1,022	922
Commitments given for operating leases and concession fees	**5,216**	**4,144**	**3,813**
Less than one year	19	20	20
One to five years	30	42	32
More than five years	1	5	6
Commitments received for sub-leases	**50**	**67**	**58**

Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2011 breaks down as follows:

(EUR millions)	2011		2010		2009	
	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	25	23	24	24	29	31
One to five years	78	56	77	55	71	50
More than five years	354	73	354	69	336	63
Total future minimum payments	**457**		**455**		**436**	
Of which: financial interest	(305)		(307)		(292)	
Present value of minimum future payments	**152**	**152**	**148**	**148**	**144**	**144**

29.3. Collateral and other guarantees

As of December 31, 2011, these commitments break down as follows:

(EUR millions)	2011	2010	2009
Securities and deposits	49	46	69
Other guarantees	142	78	66
Guarantees given	**191**	**124**	**135**
Guarantees received	**28**	**25**	**33**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	10	27	12	49
Other guarantees	80	51	11	142
Guarantees given	**90**	**78**	**23**	**191**
Guarantees received	**17**	**5**	**6**	**28**

29.4. Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

29.5. Other commitments

The Group is not aware of any significant off balance sheet commitments other than those described above.

30. SUBSEQUENT EVENTS

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

SIMPLIFIED ACCOUNTING INFORMATION OF LVMH MOËT HENNESSY-LOUIS VUITTON SA

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INCOME STATEMENT

Income/(Expenses) *(EUR millions - French accounting principles)*	**2011**	**2010** [a]
Income from investments and other revenue	2,783	2,172
Operating income before tax	2,261	2,213
Net exceptional items	-	-
Income taxes	65	105
Net profit	2,326	2,318

(a) Since the presentation of the income statement was changed in 2011, the 2010 income statement was restated in order to make its presentation comparable with 2011.

CHANGE IN EQUITY

(EUR millions - French accounting principles)	**Share capital and share premium**	**Reserves and regulated provisons**	**Other reserves**	**Retained earnings**	**Interim dividends**	**Net profit**	**Total equity**
As of December 31, 2010 before appropriation	**1,929**	**387**	**195**	**2,596**	**(335)**	**2,318**	**7,090**
Appropriation of 2010 net income	-	-	-	2,318	-	(2,318)	-
2010 Dividend: final	-	-	-	(1,028)	335	-	(693)
Impact of treasury shares	-	-	-	22	-	-	22
Exercise of share subscription options	94	-	-	-	-	-	94
Retirement of LVMH shares	(107)	-	-	-	-	-	(107)
Contribution of Bulgari shares	2,037	1	-	-	-	-	2,038
Interim dividend 2011	-	-	-	-	(406)	-	(406)
Impact of treasury shares	-	-	-	-	8	-	8
Net profit for the year	-	-	-	-	-	2,326	2,326
As of December 31, 2011 before appropriation	**3,953**	**388**	**195**	**3,908**	**(398)**	**2,326**	**10,372**

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LVMH

MOËT HENNESSY . LOUIS VUITTON

For any information:
LVMH, 22 avenue Montaigne - 75008 Paris
Tel. +33 1 44 13 22 22 - Fax +33 1 44 13 21 19

www.lvmh.com