LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2012

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This document is a free translation into English of the original French "Documents financiers - 31 décembre 2012", 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

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Nicholas Clive Worms [a] [b]

Charles de Croisset [a] [c]

Diego Della Valle [a]

Albert Frère [a] [c]

Gilles Hennessy [b]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Yves-Thibault de Silguy [a] [b] [c]

Francesco Trapani

Hubert Védrine [a]

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

Yves Carcelle
Fondation Louis Vuitton

Chantal Gaemperle
Human resources

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Daniel Piette
Investment funds

Pierre-Yves Roussel
Fashion

Philippe Schaus
Travel retail

Francesco Trapani
Watches and Jewelry

Jean-Baptiste Voisin
Strategy

Mark Weber
Donna Karan, LVMH Inc.

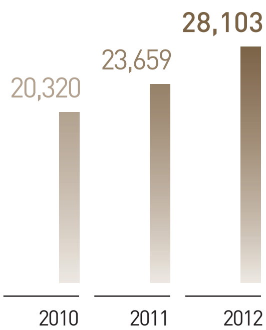
General secretary

Marc-Antoine Jamet

(a) Independent Director.
(b) Member of the Performance Committee Audit.
(c) Member of the Nominations and Compensation Committee.

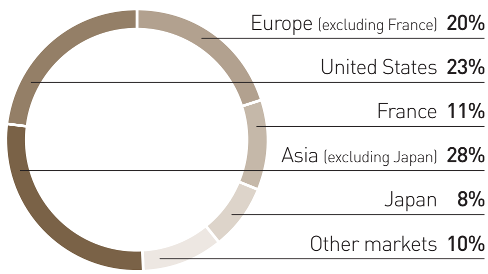
FINANCIAL HIGHLIGHTS

Revenue
(EUR millions)

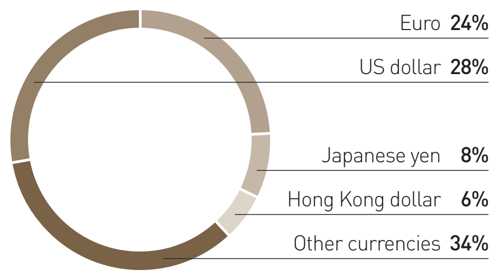


Revenue by business group *(EUR millions)*	2012	2011	2010
Wines and Spirits	4,137	3,524	3,261
Fashion and Leather Goods	9,926	8,712	7,581
Perfumes and Cosmetics	3,613	3,195	3,076
Watches and Jewelry	2,836	1,949	985
Selective Retailing	7,879	6,436	5,378
Other activities and eliminations	(288)	(157)	39
Total	**28,103**	**23,659**	**20,320**

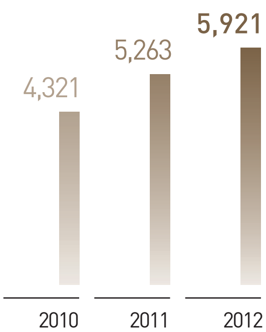
Revenue by geographic region of delivery



Revenue by invoicing currency

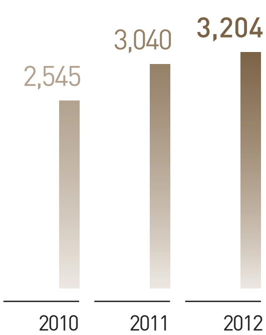


Profit from recurring operations
(EUR millions)

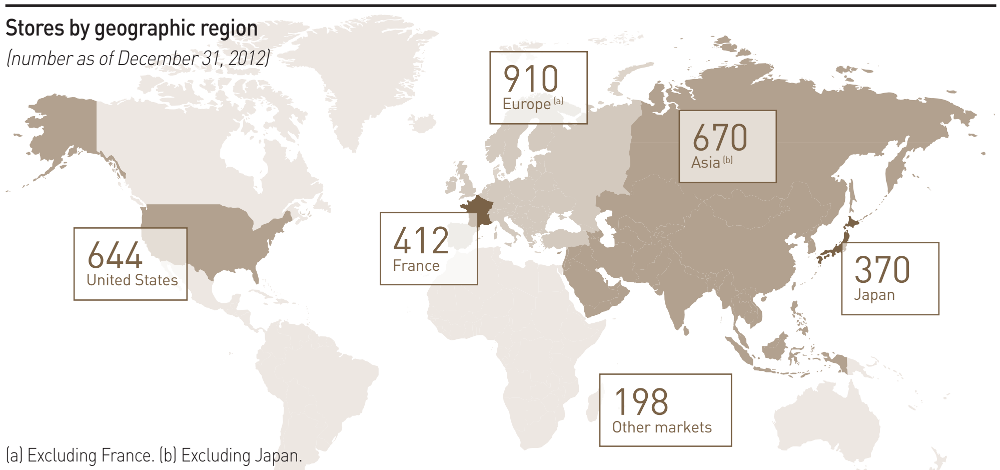


Profit from recurring operations by business group *(EUR millions)*	2012	2011	2010
Wines and Spirits	1,260	1,101	930
Fashion and Leather Goods	3,264	3,075	2,555
Perfumes and Cosmetics	408	348	332
Watches and Jewelry	334	265	128
Selective Retailing	854	716	536
Other activities and eliminations	(199)	(242)	(160)
Total	**5,921**	**5,263**	**4,321**

Stores
(number)

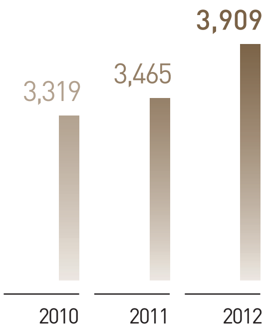


Stores by geographic region
(number as of December 31, 2012)

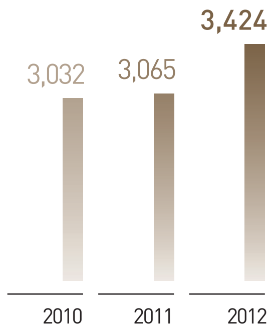


(a) Excluding France. (b) Excluding Japan.

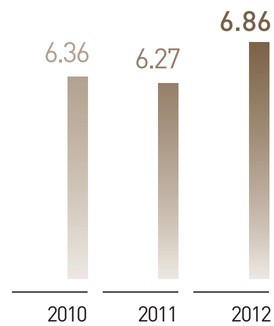
Net profit
(EUR millions)



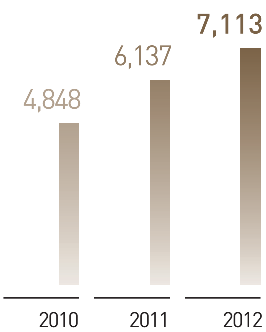
Net profit, Group share
(EUR millions)



Basic Group share of net earnings per share
(EUR)

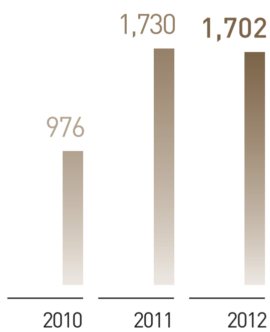


Cash from operations before changes in working capital [a]
(EUR millions)

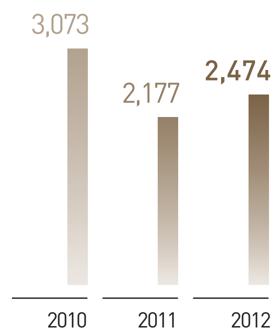


(a) Before interest and tax paid.

Operating investments
(EUR millions)

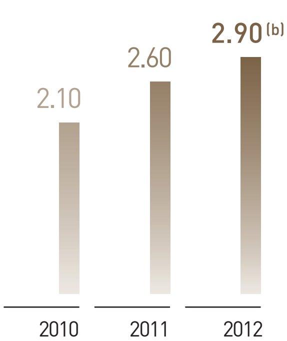


Free cash flow [a]
(EUR millions)



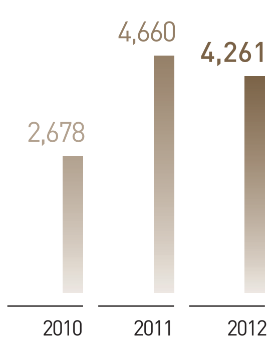
(a) Net cash from operating activities and operating investments.

Dividend per share [a]
(EUR)



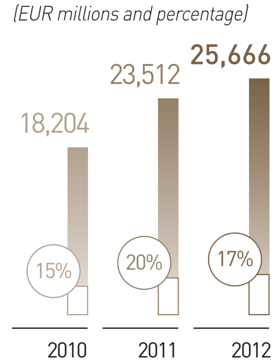
(a) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the beneficiary.
(b) Amount proposed at the Shareholders' Meeting of April 18, 2013.

Net financial debt [a]
(EUR millions)



(a) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 18.1 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

	Number of shares	Number of voting rights [a]	% of capital	% of voting rights
Arnault family group	235,886,503	453,988,436	46.42%	62.65%
Other	272,276,846	270,706,743	53.58%	37.35%
Total	**508,163,349**	**724,695,179**	**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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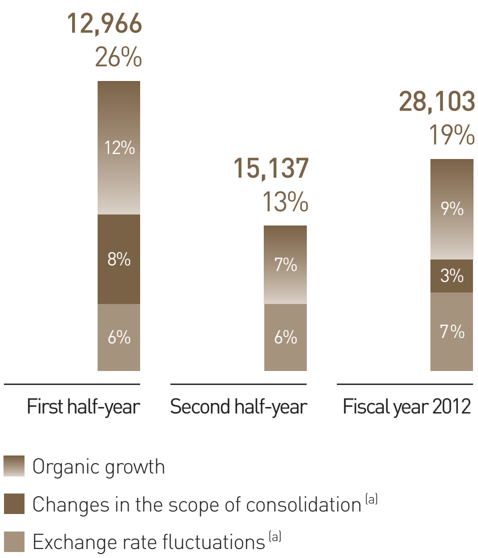
1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period
(EUR millions and percentage)



(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 fiscal year 2012 was 28,103 million euros, up 19% over the preceding year. It was favorably impacted by the appreciation of the Group's main invoicing currencies against the euro, in particular the US dollar, which appreciated by 8%.

The following changes have been made in the Group's scope of consolidation since 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 3 points to revenue growth for the year.

On a constant consolidation scope and currency basis, revenue increased by 9%.

Revenue by invoicing currency

(percentage)	2012	2011	2010
Euro	24	26	28
US dollar	28	27	27
Japanese yen	8	8	9
Hong Kong dollar	6	6	6
Other currencies	34	33	30
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 24%, yen-denominated revenue remained stable at 8%, whereas the contribution of the US dollar and of all other currencies rose by 1 point to 28% and 40%, respectively.

Revenue by geographic region of delivery

(percentage)	2012	2011	2010
France	11	12	13
Europe (excluding France)	20	21	21
United States	23	22	23
Japan	8	8	9
Asia (excluding Japan)	28	27	25
Other markets	10	10	9
Total	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of France and Europe (excluding France) to Group revenue declined by 1 point, coming to 11% and 20%, respectively. Japan and Other markets remained stable at 8% and 10%, while the United States and Asia (excluding Japan) increased by 1 point to 23% and 28%, respectively.

Revenue by business group

(EUR millions)	2012	2011	2010
Wines and Spirits	4,137	3,524	3,261
Fashion and Leather Goods	9,926	8,712	7,581
Perfumes and Cosmetics	3,613	3,195	3,076
Watches and Jewelry	2,836	1,949	985
Selective Retailing	7,879	6,436	5,378
Other activities and eliminations	(288)	(157)	39
Total	**28,103**	**23,659**	**20,320**

The breakdown of revenue by business group changed appreciably as a result of the consolidation of Bulgari in Watches and Jewelry with effect from June 30, 2011, with the contribution of this business group to consolidated revenue increasing by 2 points to 10%. The contribution of Selective Retailing rose by 1 point to 28% and that of Wines and Spirits remained stable at 15%, while the contributions of Fashion and Leather Goods and Perfumes and Cosmetics declined by 2 points and 1 point to 35% and 13%, respectively.

Wines and Spirits saw an increase in revenue of 17% based on published figures. Revenue for this business group increased by 11% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations raising Wines and Spirits revenue by 6 points. This performance was made possible by higher sales volumes and a sustained policy of price increases in line with the ongoing value-creation strategy. Surging demand in Asia made a particularly significant contribution to this 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 7%, and 14% based on published figures. This business group's performance benefited from the solid results achieved by Louis Vuitton, which recorded double-digit revenue growth. Céline, Loewe, Givenchy, Berluti, Donna Karan, and Marc Jacobs confirmed their potential, also delivering double-digit revenue growth in 2012.

Revenue for Perfumes and Cosmetics increased by 8% on a constant consolidation scope and currency basis, and by 13% based on published figures. All of this business group's brands performed well. This rebound confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis. The Perfumes and Cosmetics business group saw considerable revenue growth in the United States.

Revenue for Watches and Jewelry increased by 6% on a constant consolidation scope and currency basis, and by 46% based on published figures. The consolidation of Bulgari with effect from June 30, 2011 boosted this business group's revenue by 34%. The rebuilding of inventories by retailers and the recovery in consumer demand helped to drive stronger revenue. For all of the business group's brands, Europe and Japan were the most dynamic regions.

Based on published figures, revenue for Selective Retailing increased by 22%, and by 14% on a constant consolidation scope and currency basis. The 2% positive effect of changes in the scope of consolidation relates to the consolidation of Ile de Beauté, the Russian perfume and cosmetics retail chain, with effect from June 2011. 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 Hawaï.

1.2. Profit from recurring operations

(EUR millions)	2012	2011	2010
Revenue	28,103	23,659	20,320
Cost of sales	(9,917)	(8,092)	(7,184)
Gross margin	18,186	15,567	13,136
Marketing and selling expenses	(10,101)	(8,360)	(7,098)
General and administrative expenses	(2,164)	(1,944)	(1,717)
Profit from recurring operations	**5,921**	**5,263**	**4,321**
Operating margin *(%)*	**21**	**22**	**21**

The Group posted a gross margin of 18,186 million euros, up 17% compared to the previous year. As a percentage of revenue, the gross margin was 65%, a decrease of 1 point: this decrease reflects a change in the structure of revenue by brand and the lower margins of the companies acquired in 2011, Bulgari and Ile de Beauté.

Marketing and selling expenses totaled 10,101 million euros, up 21% based on published figures, amounting to an 11% 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. The level of these marketing and selling expenses nonetheless rose by only 1 point as a percentage of revenue, amounting to 36%. Among these marketing and selling expenses, advertising and promotion represented 12% of revenue, an increase of 13% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2012	2011	2010
France	412	390	364
Europe (excluding France)	910	883	646
United States	644	621	570
Japan	370	360	303
Asia (excluding Japan)	670	621	518
Other markets	198	165	144
Total	**3,204**	**3,040**	**2,545**

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. Nearly 160 new stores were added in 2012, essentially as part of the Group's Selective Retailing activity.

General and administrative expenses totaled 2,164 million euros, up 11% based on published figures, and up 4% on a constant consolidation scope and currency basis. They represented 8% of revenue, the same proportion as in 2011.

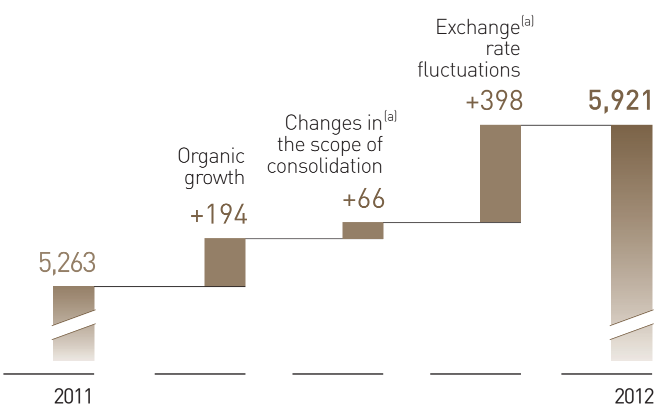
Profit from recurring operations by business group

(EUR millions)	2012	2011	2010
Wines and Spirits	1,260	1,101	930
Fashion and Leather Goods	3,264	3,075	2,555
Perfumes and Cosmetics	408	348	332
Watches and Jewelry	334	265	128
Selective Retailing	854	716	536
Other activities and eliminations	(199)	(242)	(160)
Total	**5,921**	**5,263**	**4,321**

The Group's profit from recurring operations was 5,921 million euros, representing an increase of 13%. The operating margin as a percentage of revenue decreased by 1 point compared to 2011, to 21%.

Change in profit from recurring operations

(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.

Exchange rate fluctuations had a positive net impact on the Group's profit from recurring operations of 398 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 Eurozone.

Wines and Spirits

	2012	2011	2010
Revenue *(EUR millions)*	4,137	3,524	3,261
Profit from recurring operations *(EUR millions)*	1,260	1,101	930
Operating margin *(%)*	30	31	29

Profit from recurring operations for Wines and Spirits was 1,260 million euros, up 14% compared to 2011. This performance was the result of both sales volume growth and a sustained policy of price increases. Control of costs, together with the positive impact of exchange rate fluctuations, partially offset the rise in advertising and promotional expenditures focused on strategic markets. The operating margin as a percentage of revenue fell 1 point for this business group to 30%.

Fashion and Leather Goods

	2012	2011	2010
Revenue *(EUR millions)*	9,926	8,712	7,581
Profit from recurring operations *(EUR millions)*	3,264	3,075	2,555
Operating margin *(%)*	33	35	34

Fashion and Leather Goods posted profit from recurring operations of 3,264 million euros, up 6% compared to 2011. Profit from recurring operations for Louis Vuitton increased, and Céline, Loewe, Givenchy, and Marc Jacobs confirmed their profitable growth momentum. The operating margin as a percentage of revenue fell 2 points to 33%.

Perfumes and Cosmetics

	2012	2011	2010
Revenue *(EUR millions)*	3,613	3,195	3,076
Profit from recurring operations *(EUR millions)*	408	348	332
Operating margin *(%)*	11	11	11

Profit from recurring operations for Perfumes and Cosmetics was 408 million euros, up 17% compared to 2011. This growth was driven by Parfums Christian Dior, Benefit, 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 remained stable at 11%.

Watches and Jewelry

	2012	2011	2010
Revenue *(EUR millions)*	2,836	1,949	985
Profit from recurring operations *(EUR millions)*	334	265	128
Operating margin *(%)*	12	14	13

Profit from recurring operations for Watches and Jewelry was 334 million euros, up 26% with respect to 2011. This sharp rise was due mainly to the consolidation of the results of Bulgari's operations. Since the operating margin achieved by Bulgari was lower than the average margin for the business group as a whole, Watches and Jewelry nevertheless saw a 2 point decline in its operating margin as a percentage of revenue, to 12%.

Selective Retailing

	2012	2011	2010
Revenue *(EUR millions)*	7,879	6,436	5,378
Profit from recurring operations *(EUR millions)*	854	716	536
Operating margin *(%)*	11	11	10

Profit from recurring operations for Selective Retailing was 854 million euros, up 19% compared to 2011. The operating margin as a percentage of revenue for Selective Retailing taken as a whole remained stable at 11%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 199 million euros, representing an improvement compared to 2011. 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)	2012	2011	2010
Profit from recurring operations	5,921	5,263	4,321
Other operating income and expenses	(182)	(109)	(152)
Operating profit	5,739	5,154	4,169
Net financial income (expense)	(14)	(242)	612
Income taxes	(1,820)	(1,453)	(1,469)
Income (loss) from investments in associates	4	6	7
Net profit before minority interests	**3,909**	**3,465**	**3,319**
Minority interests	(485)	(400)	(287)
Net profit, Group share	**3,424**	**3,065**	**3,032**

Other operating income and expenses amounted to a net expense of 182 million euros, compared to a net expense of 109 million euros in 2011. In 2012, this item included an impairment loss of 74 million euros recognized for property assets, with the remainder mainly comprised of amortization and impairment charges for brands and goodwill.

The Group's operating profit was 5,739 million euros, representing a 11% increase over 2011.

The net financial expense for the fiscal year was 14 million euros, compared with a net financial expense of 242 million euros in 2011. This item comprises:

- the aggregate cost of net financial debt, which amounted to 140 million euros, showing a slight decrease compared to 2011. The increase in the average net financial debt outstanding during the fiscal year was offset by a lower average borrowing cost; and
- other financial income and expenses, amounting to a net income of 126 million euros, compared to a net expense of 91 million euros in 2011. This positive result consists essentially of dividends received in connection with the Group's shareholding in Hermès, which increased significantly as a result of the payment of an exceptional dividend.

The Group's effective tax rate was 32%, compared to 30% in 2011.

Income from investments in associates was 4 million euros in 2012, down from 6 million euros in 2011.

Profit attributable to minority interests was 485 million euros, compared to 400 million euros in 2011. 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 3,424 million euros, up 12% compared to 2011. This represented 12% of revenue in 2012, down 1 point compared to 2011.

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

The impact of exchange rate fluctuations is determined by translating the accounts for the fiscal year of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without any other adjustments.

The impact of changes in the scope of consolidation is determined:

- for the fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;
- for the fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated by the divested entities in the prior fiscal year over the months during which those entities were no longer consolidated in the current fiscal year;
- for the prior fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated in the prior fiscal year by the divested entities.

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

2. WINES AND SPIRITS

	2012	2011	2010
Revenue *(EUR millions)*	**4,137**	**3,524**	**3,261**
Sales volume *(millions of bottles)*			
Champagne	56.8	55.5	55.2
Cognac	67.1	63.5	59.8
Other spirits	15.7	14.1	12.4
Still and sparkling wines	43.3	41.8	39.9
Revenue by geographic region of delivery *(%)*			
France	7	8	9
Europe (excluding France)	20	22	24
United States	22	23	26
Japan	6	6	6
Asia (excluding Japan)	30	26	23
Other markets	15	15	12
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,260**	**1,101**	**930**
Operating margin *(%)*	**30**	**31**	**29**
Operating investments *(EUR millions)*	**182**	**159**	**83**

In keeping with the positive trend observed in the wines and spirits market in 2011, demand remained robust in 2012. Sales by volume grew by 2% for all LVMH champagne brands, with prestige cuvées, rosé and vintages in high demand; sales volume rose 6% for Hennessy cognac, which had a very good year for all its qualities, and in all of its markets. **Wines and Spirits** saw organic revenue growth of 11%, attributable not only to higher volumes and an enhanced product mix, but also to a firm pricing policy. Profit from recurring operations rose 14%.

Champagne and Wines

Moët & Chandon consolidated its position as the world leader in champagne thanks to its expansion in emerging markets coupled with a good performance in Japan and Australia as well as a reaffirmed value-creation strategy in the United States. The champagne house successfully launched its *Grand Vintage 2004*. The new Mont Aigu winery is the first step in a major project and expands on the production capacity of the historic sites while maintaining its strong focus on quality control. As of 2013, Roger Federer becomes Moët & Chandon's new ambassador, with a new advertising campaign being launched outside France.

Dom Pérignon's strong revenue growth, especially in Japan, was boosted by the successful launches of two new vintages: *Dom Pérignon 2003* and *Dom Pérignon Rosé 2000*. The brand continued to deploy its Power of Creation concept, organizing exceptional events with world-famous creators. It also showed another side to its creativity through its collaboration with David Lynch on a special year-end holiday gift box.

Mercier, a leading brand in France, continued to develop its presence at traditional dining venues.

Veuve Clicquot pursued its value-creation strategy successfully, with many new innovative products, such as *Ponsardine* and *Suit Me*. Veuve Clicquot Season events, such as polo tournaments in New York and Los Angeles, continued to underpin the Veuve Clicquot's communication. *Veuve Clicquot Rosé* confirmed its excellent results. Like the other champagne brands, the brand significantly improved its performance in Japan and Australia, and growth also continued in emerging markets such as Russia, Brazil, and South America.

Ruinart continued to progress in France and to develop internationally, most notably in Asia, Africa and Latin America. The Miroir collection, designed by Hervé Van der Straeten, has made Ruinart's emblematic *Blanc de Blancs* an even bigger success. Increasingly engaged in the world of contemporary art, Ruinart is now the official champagne of many international art fairs.

Krug achieved good growth in Europe and demonstrated excellent momentum in Japan as well as elsewhere in the Asia-Pacific region. In the United States the champagne house continued to redeploy its operations. Through such events as its "Lieux éphémères" in New York, Paris and London, and its "Voyages Ambassades", Krug affirmed its exceptional and unique character.

Estates & Wines still and sparkling wines once again posted significant revenue growth. Chandon continued its vigorous gains and launched its innovative *Chandon Délice* cuvée with success. Still wines benefited from upmarket repositioning and posted very strong performances.

Demand for the broad range of **Château d'Yquem** vintages is growing in emerging markets. Auction prices for mythical rare bottles have confirmed its legendary status. **Château Cheval Blanc** consolidated its rank as a 1er Grand Cru Classé A.

Cognac and Spirits

As was the case in 2011, sales of all qualities of **Hennessy** cognac grew strongly in all regions. The world's number one cognac, in terms of both volume and value, Hennessy achieved historical heights of performance in 2012. The main driver of its rapid growth continued to be Asia, where in an environment of managed development of prestige quality volumes, the younger qualities have performed quite robustly, as seen by the very promising launch of *Classivm* in China. Hennessy continues to progress throughout the Asian market, and to maintain strong positions in Taiwan, Vietnam, Malaysia and China, where well over a million cases have been sold. The brand has confirmed its number-one position in the Americas while growing rapidly in many promising new markets, such as Mexico, Eastern Europe, Nigeria, South Africa and the Caribbean.

Glenmorangie and **Ardbeg** single malt whiskies once again progressed rapidly in their key markets. Glenmorangie is increasing its visibility in the United Kingdom by becoming the new sponsor of The Open, the world's most prestigious golf tournament. To celebrate its experiment in "molecular aging" on board the International Space Station, Ardbeg released *Galileo*, a limited edition whisky that was highly successful in most markets.

Belvedere vodka showed good momentum, particularly outside of American markets. In the United States, its first televised advertising campaign was launched late in the year.

10 Cane rum raised its profile with new packaging and a changed formula.

Wenjun pursued its expansion, aiming to become China's number one luxury brand of Baiju, the world's best-selling white liquor, and gained significantly in renown across the territory.

Outlook

In 2013, Wines and Spirits houses will maintain a strategy of value-creation and targeted innovation, with the goal of continuously enhancing the desirability and reputation of their products throughout the world. Active efforts will be made to increase prices and move the product mix further upmarket, in conjunction with substantial investments in communication, particularly via online media. With the outlook for Europe's economy uncertain, Moët Hennessy maintains its firm ambitions for its mature markets and will accelerate expansion in emerging markets, especially those of Asia. A powerful global distribution network and experienced, performance-driven staff should enable the business group to continue to grow consistently and profitably, and to strengthen its leadership in the world of luxury wines and spirits.

3. FASHION AND LEATHER GOODS

	2012	2011	2010
Revenue *(EUR millions)*	**9,926**	**8,712**	**7,581**
Revenue by geographic region of delivery *(%)*			
France	8	8	8
Europe (excluding France)	19	20	21
United States	20	18	18
Japan	14	14	16
Asia (excluding Japan)	31	32	30
Other markets	8	8	7
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	51	51	52
Wholesale	43	42	41
Licenses	6	7	7
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**3,264**	**3,075**	**2,555**
Operating margin *(%)*	**33**	**35**	**34**
Operating investments *(EUR millions)*	**579**	**437**	**370**
Number of stores	**1,280**	**1,246**	**1,188**

Fashion and Leather Goods posted organic revenue growth of 7% in 2012. Profit from recurring operations for this business group was up 6%.

Louis Vuitton achieved another year of double-digit revenue growth, a performance all the more remarkable as it was driven by the contributions of every one of its businesses. Revenue growth continues to be coupled with exceptional profitability.

Backed by consistent strategy and the continued excellence of its savoir-faire, Louis Vuitton pursued carefully managed expansion plans in 2012, once again demonstrating its inexhaustible creativity.

In a mixed global business environment, Louis Vuitton's various customer segments reaffirmed their attachment to the brand and their endorsement of its focus on quality. Asian customers, who are venturing beyond their borders in ever larger numbers, continue to embody a strong dynamic. Purchases by US customers have also shown particularly remarkable progress. In Europe, Louis Vuitton made steady gains, still fully reaping the rewards of the brand's extraordinary appeal among both local and international customers.

In leather goods, the Maison placed special emphasis during the year on its fine leather lines. The Maison also continued to expand its "Haute Maroquinerie" collection, a fine testament to the excellence of its artisanal savoir-faire and the high degree of sophistication offered to Vuitton's customers. At the end of 2012, Louis Vuitton opened its first "Cabinet d'Écriture" on the Place Saint-Germain-des-Prés in Paris. This space is dedicated entirely to the art of writing, a universe long treasured by the Maison and often associated with travel.

Louis Vuitton continued the selective, quality-driven development of its network of stores. Following the grand opening of the Roma Étoile Maison and a boutique in Amman marking the brand's arrival in Jordan, the reopening in July 2012 of the Maison in Shanghai at Plaza 66, which coincided with the celebration of Louis Vuitton's 20th anniversary in China, was one of the high points of the year. Louis Vuitton also expanded into Kazakhstan and unveiled its first shoe salon at Saks Fifth Avenue department store in New York. Finally, the second half of the year saw the launch of Louis Vuitton's first boutique exclusively dedicated to fine jewelry and timepieces, complete with its own workshop, on the Place Vendôme in Paris.

A collaboration with the Japanese artist Yayoi Kusama provided an opportunity to underscore the brand's enduring ties with the art world. An exhibition titled "Louis Vuitton – Marc Jacobs" was held at the Musée des Arts Décoratifs in Paris from March to September 2012.

Fendi continued the quality-driven expansion of its retail network with the aim of raising the brand's profile through more spacious stores, better able to showcase its high-end offerings. In addition, Fendi put in place a more selective policy to govern its presence in multi-brand stores. In leather goods, 2012 was a year of record sales for the brand's iconic *Baguette* bag, marking its 15th anniversary. Fendi's other star lines, *Peekaboo* and *Selleria*, also continued to see strong growth, while its newly launched *2Jours* model performed remarkably well. Fur, the brand's most iconic symbol, enjoyed increased visibility. Fendi carried out selective store openings in certain high-end department stores in Europe and Japan. The brand further expanded its retail network in Mexico, the Middle East, and in Asia, with the opening of a new Fendi flagship store on Canton Road in Hong Kong.

Céline performed remarkably well in 2012, setting new records for revenue and profit. The brand saw impressive growth across all geographic regions and product categories. Céline's ready-to-wear collections continue to vigorously reaffirm the brand's identity, associated with iconic modernity, timeless elegance and quality. Its leather goods performed exceptionally well again, buoyed by the success of the iconic lines *Luggage*, *Cabas* and *Classic*, combined with the strong results of the year's innovative additions, including *Trapèze*. Céline has launched a refurbishment and expansion plan targeting its retail network, which will move into higher gear in 2013.

Marc Jacobs recorded steady growth, with particularly strong gains in Japan and in the rest of Asia. The brand's vitality is driven by the continued success of the designer's upscale *Marc Jacobs Collection*. The launch of the *Antonia* bag received excellent acclaim. Benefiting from a strong position in the growing contemporary fashion market, the heightened sophistication of the designer's second line, *Marc by Marc Jacobs*, is building on its success. The *Denim* line also had an excellent year. Another highlight of 2012 was the launch of *Dot*, Marc Jacobs' new fragrance for women.

Donna Karan has moved forward with its strategy, whose major thrusts are the qualitative expansion of the brand's distribution network combined with efforts to intensify the spirit of its designs, always reflecting the pulse of New York so central to Donna Karan's values. The brand's results in 2012 were buoyed by the reacquisition of the *DKNY Jeans* line on a direct basis, whose new market positioning, marrying chic and casual, has garnered kudos. Donna Karan is also building on the success of its *DKNY* accessories collection while expanding its presence around the world, in particular by adding new retail locations in China and inaugurating its first stores in Russia.

Loewe performed well, in terms of both revenue and profit. In leather goods, the iconic *Amazona* line as well as *Flamenco*, a more recent addition, remain strong sellers for the brand. Loewe continued the roll-out of its new store concept designed by architect Peter Marino. A flagship store was unveiled on Barcelona's Paseo de Gracia, with a Galeria Loewe museum next door. The Getafe production site will soon expand in size with the upcoming opening of a center dedicated to leather cutting as well as a leather crafts school. Penelope Cruz is Loewe's new brand ambassador.

Under the guidance of the creative team of Humberto Leon and Carol Lim, **Kenzo** has recovered the young and modern energy and spirit responsible for its early renown. Warmly received by the press, the successes of the team's first collections were further underpinned by a new advertising campaign produced by Jean-Paul Goude.

Givenchy had an excellent year, reaching record levels for both revenue and profit. Accessories and men's ready-to-wear made particularly strong gains. In leather goods, the *Antigona* bag continues to perform well and has become a new iconic model, alongside the popular *Nightingale* and *Pandora* lines. Givenchy expanded its presence in China during the year.

Thomas Pink has further reinforced its specialist positioning as a quintessentially British, chic and upscale shirtmaker. The brand has proceeded with its expansion plans in key markets, reflected in the signing of a joint venture with a Chinese partner and store openings in South Africa and India. Its online sales are growing rapidly.

Pucci continues to revamp its brand image, as reflected in its latest advertising campaign. The brand unveiled its new store concept with the opening of a flagship store in New York as well as its first retail location in mainland China.

Berluti has seen rapid growth, driven by its creative renewal and a strengthened international presence. The ready-to-wear collections designed by creative director Alessandro Sartori and the brand's many new shoe creations have been very positively received. Berluti acquired Arnys, a specialist in made-to-measure tailoring for men, as well as the bootmaker Anthony Delos. The brand has begun the roll-out of its new boutique concept, designed to showcase all of its product categories.

Outlook

Louis Vuitton will maintain its strong innovative momentum in 2013, thus further heightening its appeal across all its product categories. Alongside the further development of the iconic *Monogram* canvas, special initiatives will be focused on the leather lines and its "Haute Maroquinerie" collection. Qualitative development of the brand's retail network will remain a key priority, in line with Louis Vuitton's relentless quest to offer its customers a unique experience in each and every one of its exceptional stores. Thanks to its talented teams and their culture of excellence, Louis Vuitton plans to further optimize its organization in order to accompany its revenue growth and strengthen the various centers of expertise that constitute its universe.

Fendi will continue to emphasize the development of its high-end offerings and its fur creations. More spacious stores will be opened, as part of a revamping and expansion of the brand's retail network. A new store concept, currently under development, will be rolled out initially at key Fendi locations, including New Bond Street in London, Avenue Montaigne in Paris and Via Montenapoleone in Milan.

Driven by their creative spirit, the business group's **other brands** will continue to bolster their strategic markets in 2013. A distinctive and compelling identity will serve as the foundation for further growth, reaffirming the relevance of the strategic choices made. By harnessing their creativity, their pursuit of excellence, and their savoir-faire, the brands' teams will reinforce the effectiveness of actions across all dimensions of business development.

4. PERFUMES AND COSMETICS

	2012	2011	2010
Revenue *(EUR millions)*	**3,613**	**3,195**	**3,076**
Revenue by product category *(%)*			
Perfumes	48	49	48
Cosmetics	35	34	34
Skincare products	17	17	18
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	13	10	14
Europe (excluding France)	33	37	39
United States	12	9	8
Japan	6	6	6
Asia (excluding Japan)	22	22	18
Other markets	14	16	15
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**408**	**348**	**332**
Operating margin *(%)*	**11**	**11**	**11**
Operating investments *(EUR millions)*	**196**	**150**	**104**
Number of stores	**94**	**85**	**75**

Perfumes and Cosmetics posted organic revenue growth of 8% in 2012, an exceptional performance in a competitive business environment. Profit from recurring operations for this business group increased by 17%.

Thanks to the brand's exceptional reach and appeal, **Parfums Christian Dior** again reported excellent results. Perfume sales were buoyed by the exceptional vitality of its emblematic product lines. *J'adore* further strengthened its leadership position in France and gained market share in all countries. *Miss Dior* has opened a new page in its history with the launch of *Eau Fraîche* and *Miss Dior Le Parfum*. *Dior Homme Sport* recorded strong growth and is now firmly positioned as one of the leading men's fragrances. Other notable successes of 2012 were the major relaunches of *Eau Sauvage Parfum* and two new versions of *Dior Addict*, targeting younger consumers. Two new exclusive fragrances were added to the *Collection Privée Christian Dior*.

Make-up lines maintained their excellent international momentum, fueled by the successful launches of *Diorshow New Look* mascara and of *Diorskin Nude*. The exceptional reception for the new lipstick *Dior Addict Extrême* helped solidify *Dior Addict Lipstick*'s position as number one in its main markets.

In skincare, the premium *Prestige* line, emblematic of Dior's innovative and high-end savoir-faire, saw solid growth during the year.

Guerlain maintained its strong growth momentum. Fully reflecting its singular creative spirit, and spurred by operational excellence, *La Petite Robe Noire* turned in truly exceptional results, rising to the number two position in the French market only eight months after its launch. *Orchidée Impériale* again recorded double-digit growth, confirming its position as the mainstay of Guerlain's skincare line. Guerlain is focusing its development efforts on its strategic markets, especially China and France, where it has gained market share for the sixth consecutive year. Reaffirming its status as a top-tier luxury brand, Guerlain further expanded its selective retail network and now has nearly a hundred exclusive points of sale worldwide.

Parfums Givenchy performed particularly well in Russia, China, the Middle East and Latin America. The most successful lines in 2012 were *Dahlia Noir*, launched globally during the year, and *Play pour Homme*, extended with a Sport version. Strong growth was seen in the make-up segment, thanks in particular to the success of *Noir Couture* mascara, now benefiting from wider distribution.

Kenzo Parfums was buoyed by the solid performance of its new fragrance *KenzoHomme Sport*. *Madly Kenzo* expanded its distribution, notably in Russia and Latin America, where the fragrance made strong headway.

Fendi Parfums strengthened its presence across a number of countries. The initial results achieved by *Fan di Fendi Extrême* and *Fan di Fendi pour Homme*, launched at the end of the year, were very promising.

Thanks to a unique positioning, appreciated for its playful and offbeat style, **Benefit** again recorded double-digit revenue growth in all of its markets. *They're Real!* mascara and *Hello Flawless!* powder foundation were in great demand. The brand has stepped up the pace of its expansion in Southeast Asia and has moved into new, high-potential markets such as Philippines and Vietnam.

Make Up For Ever had another year of strong growth, fueled by the contributions of its two star product lines, *HD* and *Aqua*. The brand successfully expanded into two new markets, Brazil and Mexico. After Paris and Los Angeles, Make Up For Ever has opened a new directly owned store in Dallas.

Parfums Loewe delivered a fresh boost to its international expansion, especially in Russia. Following its successful opening in Hong Kong, **Fresh** inaugurated its expansion into mainland China. **Acqua di Parma** reinforced its retail network with the opening of two new stores in Milan and Paris.

Outlook

In keeping with the momentum developed in 2012, all LVMH brands have a dynamic year ahead of them in 2013 and will maintain their ambitious strategies in terms of innovation and advertising investments. Each shows strong growth potential and they have set new targets for market share gains.

Parfums Christian Dior will continue to affirm its status as a "Maison de Haute Parfumerie", increasing its visibility and appeal in close association with the world of "Haute Couture". The focus will once again be on Dior's star fragrance lines. The quality-driven reinforcement of the brand's retail network through an ambitious refurbishment program will be a key development priority.

Guerlain will pursue its ambitious plans for the development of *La Petite Robe Noire*, in France and internationally. It will also affirm its status as an exceptional perfume house with the design of a new, revamped flagship boutique at its legendary address, 68 Avenue des Champs-Élysées, due to open in the second half of 2013.

Parfums Givenchy will celebrate the 10th anniversary of the *Very Irresistible* line with a new advertising campaign, and will launch a new men's fragrance, a modern take on Givenchy's long-standing core values.

At **Kenzo Parfums**, the *FlowerbyKenzo* line will be expanded with a new version. **Fendi Parfums** will enhance its collection with the launch of a new, highly luxurious women's fragrance in the second half of the year.

Benefit will pursue expansion in all regions, focusing on effective and ingenious innovations. In Asia, the brand will move into the Indian and Indonesian markets, poised to serve as significant drivers of further growth. **Make Up For Ever** will expand its retail network in both the Middle East and Asia, and will enhance its communications, particularly in the digital realm.

5. WATCHES AND JEWELRY

	2012	2011	2010
Revenue *(EUR millions)*	2,836	1,949	985
Revenue by geographic region of delivery *(%)*			
France	6	7	8
Europe (excluding France)	27	26	25
United States	12	13	17
Japan	14	14	12
Asia (excluding Japan)	26	26	21
Other markets	15	14	17
Total	100	100	100
Profit from recurring operations *(EUR millions)*	334	265	128
Operating margin *(%)*	12	14	13
Operating investments *(EUR millions)*	136	117	36
Number of stores [a]	347	327 [b]	122

(a) Excluding franchises.
(b) Including 170 additional stores following the integration of Bulgari.

In 2012, **Watches and Jewelry** posted organic revenue growth of 6%. The business group saw a 26% improvement in profit from recurring operations, reflecting especially the impact of the consolidation of Bulgari from June 30, 2011.

TAG Heuer set new records in revenue and profit in 2012. The brand delivered particularly remarkable performances in Europe, Japan and the Middle East, and proved very resilient in the United States. It continued to illustrate its unique savoir-faire in speed and precision control with the *MikrotourbillonS* model, presented at Baselworld, and the *Carrera Mikrogirder* chronograph, winner of the Geneva Watchmaking Grand Prix. The brand proceeded with its manufacturing integration, increasing in-house production of its *Calibre 1887* automatic movements and building a new movement manufacturing facility. TAG Heuer asserted itself as a major Swiss market player, also producing watch cases at its Cortech unit and dials at its ArteCad subsidiary, which joined the Group in 2012. The brand launched its new *Link Lady* women's line, embodied by Cameron Diaz, who joins the prestigious ranks of TAG Heuer's brand ambassadors. A sponsorship deal was also set up with Oracle Team USA for the America's Cup. The brand's retail network continued to expand, reaching nearly 155 directly owned and franchised stores.

Hublot continued to record remarkable growth in sales volume and value. Its *Classic Fusion* line met with increasing success alongside the other iconic lines *King Power* and *Big Bang*. A new version of *Big Bang*, launched in partnership with Ferrari, encapsulates the two brands' shared values of performance and design. Hublot reaffirmed its great creativity and upmarket strategy by developing high-end models in women's watches and jewelry. Cutting-edge technology was behind the first timepieces produced with the brand's new, scratch-resistant gold alloy, *Magic Gold*. The brand stepped up in-house production of its *UNICO* chronograph movement and began manufacturing numerous complications with high added value, thus reaping the rewards of its strategy to integrate technological and manufacturing expertise. Hublot accelerated its worldwide expansion with twenty new openings, bringing the number of its points of sale to 54 at year-end 2012.

Zenith kept up its solid growth in the highly exclusive world of prestige manufacturing brands. The brand's collection, which had been totally reworked over the past three years, was refocused on its five iconic product lines. The famous *El Primero Striking 10th* chronograph, true to its avant-garde technology, raised its profile thanks to the widespread media coverage of Felix Baumgartner's supersonic leap wearing a Zenith *Stratos* watch. While the manufacturing facility in Le Locle was undergoing major renovations, the brand's network of stores continued its selective expansion in high-potential markets.

Bulgari performed well and pursued its integration within the business group. In jewelry, it enjoyed success with the new designs that enhanced the iconic *Serpenti* and famous *B.zero1* lines. The brand's creativity and the savoir-faire of its craftspeople were in the limelight at the Paris Biennale des Antiquaires, with more than a hundred new pieces on display. In the watches segment, the new *Bulgari Octo* was positioned as the men's top-of-the-line premium timepiece. Sales of accessories continued to grow, fueled by the wide array of *Isabella Rossellini* handbag range extensions. While maintaining distribution on a very selective basis, fragrances continued their development with the launch of *Bulgari Man* and *Mon Jasmin Noir*. The successful program to raise funds from sales of the ring created specifically for Save the Children set new standards in corporate social responsibility. The brand's retail network enhanced its upscale image through an ambitious store expansion and renovation project. Bulgari unveiled its first presence in Brazil. After Rome, Paris and Beijing, a new retrospective organized in Shanghai paid tribute to the brand's artisanal and cultural heritage.

At the Biennale des Antiquaires, **Chaumet** presented its collection of high-end jewelry, *12 Vendôme*, which subtly blends modernity and the French tradition to which it remains historically linked. It successfully strengthened its position in jewelry watches and men's watches, and continued to expand in China.

Montres Dior reinforced its upscale image with new models in the *Dior VIII* collection and with the *Grand Bal* limited edition, in keeping with the vision and tradition of "Haute Couture" excellence upheld by the brand. The brand coupled this strategy with ever increasing selectivity in its distribution network.

De Beers, the leading reference in the solitaire diamonds segment, showcased the full extent of its savoir-faire in a recent collection of high-end jewelry, *Imaginary Nature*. De Beers continued its expansion in China with a fourth boutique, this time in Shanghai.

With its eminently contemporary designs, **Fred** recorded rapid targeted growth in France and Japan. Its iconic *Force 10* line continued to gain ground, and a new collection, *Baie des Anges*, was released.

Outlook

The favorable trends seen in the last few months of the year offer the perspective of a confident and determined start to 2013 despite current economic uncertainties. Significant marketing and communications investments targeted on the principal markets will further strengthen the image and visibility of all watch and jewelry brands. The retail network will continue to expand in China, with the opening of new boutiques, as well as on other strategic markets. All brands will support the development of their iconic product lines while at the same time maintaining rigorous control over their costs and promoting synergies, especially in manufacturing.

6. SELECTIVE RETAILING

		2012	2011	2010
Revenue *(EUR millions)*		**7,879**	**6,436**	**5,378**
Revenue by geographic region of delivery *(%)*				
France		17	20	22
Europe (excluding France)		11	10	8
United States		36	36	37
Japan		1	2	2
Asia (excluding Japan)		27	26	24
Other markets		8	6	7
Total		**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*		**854**	**716**	**536**
Operating margin *(%)*		**11**	**11**	**10**
Operating investments *(EUR millions)*		**332**	**215**	**196**
Number of stores	Sephora	1,398	1,300 [a]	1,070
	Other	68	68	76

(a) Including 125 additional stores following the integration of Ile de Beauté.

Selective Retailing achieved organic revenue growth of 14% in 2012. Profit from recurring operations rose by 19%.

DFS once again reported strong growth in both sales and profits, buoyed by solid momentum from its Asian clientele, and particularly in Hong Kong and Macao. Three major concessions were won at Hong Kong airport in 2012, and DFS saw its concession renewed at the Los Angeles airport, which underwent a major upgrade. The opening of a third *Galleria* in Hong Kong's Causeway Bay neighborhood enabled DFS to expand its presence in this high-potential tourist destination.

While continuing to benefit from an expanding Asian clientele, DFS remained focused on diversifying both its customer base and its geographical coverage. It continued with its strategy of upscaling across all destinations, renovating existing stores and bringing in new luxury brands aimed at strengthening the vitality and appeal of its product range.

Miami Cruiseline, which enjoys a strong position in the cruise market, delivered a solid performance. Business related to the Asian and South American routes saw strong growth, buoyed by rising passenger spending and an increase in cruise line capacity. Miami Cruiseline continued to move its boutiques further upmarket and adapt its sales approach and product range to suit the specific characteristics of each region and each cruise line's customers.

Sephora continued to deliver an excellent set of performances, winning market share in all its regions. As the only global selective retailer of perfumes and cosmetics, Sephora proposes an innovative offering combined with a unique range of major selective brands. It has further added to its exclusive services by developing beauty bars and nail bars. Launched in the United States in 2011, the mobile payment system, which allows customers to pay for their purchases directly with a sales assistant, was extended in 2012 to France, where a new tool for personalizing in-store customer relations, *MySephora*, was also rolled out.

Sephora runs a continuous skills development program for its staff in order to ensure that its customers benefit from the best possible expertise.

As of December 31, 2012, its global network comprised 1,398 stores in 30 countries. Three new online retail sites were launched in Italy, Canada and Russia. The US site, which after being completely overhauled offers an unrivaled online sales experience, stepped up the pace of its growth. A mobile application was also launched in the United States and France.

Sephora strengthened its positions in Europe, particularly in France and Italy, where the brand enjoyed sustained growth. Two new countries – Denmark and Sweden – were added in 2012. In Russia, the Ile de Beauté chain, in which Sephora holds a 65% stake, posted an excellent performance.

Exceptional growth momentum was maintained in the United States, while Sephora also consolidated its success in Canada. Brand awareness in this market was boosted by the renovation of several flagship stores in New York.

Sephora stepped up its expansion in China at the same time as launching a program to renovate its existing network. It made particularly rapid progress in Mexico, Malaysia, Singapore and the Middle East. The retailer also opened its first stores in the high-growth markets of Brazil and India.

Le Bon Marché Rive Gauche delivered a strong performance, buoyed by the luxury and women's fashion segments. The world's first ever department store celebrated its 160th birthday in 2012. Major commercial projects were carried out, including the opening of new luxury boutiques and the inauguration of a new menswear department combining high-quality products with unique services. Work began on the transformation of the Grande Épicerie de Paris food store with the inauguration of a spectacular wine department setting a new standard in quality. New websites for Le Bon Marché Rive Gauche and the Grande Épicerie were launched at the end of the year.

Outlook

DFS is set to benefit in 2013 from a full year of activity at its new Hong Kong airport concessions as well as continued work to extend and renovate its stores. DFS's appeal will be heightened by the installation of new facades for its *Gallerias* and the development of innovative marketing and service programs. The completion of renovation work at the *Gallerias* in Macao, Hawaii and Singapore Scottswalk will enable the business to enhance its product range. DFS will continue to look out for opportunities to diversify both its customer base and its geographical coverage.

Miami Cruiseline, which is well placed to leverage the globalization of the cruise market, will continue with its store renovation program and maintain its efforts to hone its sales approach and target its offering to various distinct customer groups.

Sephora will continue with its ambitious international expansion plans, particularly in Southeast Asia and Latin America. In China, one of the high points for the beginning of the new year will be the opening of a flagship store in Shanghai. Sephora will more than ever place the emphasis on a customer-focused strategy, extending its loyalty program to new regions and offering new personalized services. Product and service innovation will remain at the heart of its priorities both in stores and in the digital universe.

Le Bon Marché Rive Gauche will remain focused on the exceptional values that define its unique character as a "concept store", as well as continuing to develop its commercial plans with the opening of a new watches and accessories department and the completion of renovation work at the Grande Épicerie de Paris. A new customer relations program will also be implemented.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	2012	2011	Change
Tangible and intangible assets	28.1	26.5	1.6
Other	7.6	7.3	0.3
Non-current assets	**35.7**	**33.8**	**1.9**
Inventories	8.1	7.5	0.6
Other	6.1	5.8	0.3
Current assets	**14.2**	**13.3**	**0.9**
Assets	**49.9**	**47.1**	**2.8**

(EUR billions)	2012	2011	Change
Total equity	25.6	23.5	2.1
Non-current liabilities	14.8	14.0	0.8
Equity and non-current liabilities	**40.4**	**37.5**	**2.9**
Short term borrowings	3.0	3.1	(0.1)
Other	6.5	6.5	0.0
Current liabilities	**9.5**	**9.6**	**(0.1)**
Liabilities and equity	**49.9**	**47.1**	**2.8**

LVMH's consolidated balance sheet totaled 49.9 billion euros at year-end 2012, representing a 6% increase from year-end 2011. Non-current assets rose by 1.9 billion euros and represented 72% of total assets, the same percentage as at year-end 2011.

Tangible and intangible fixed assets grew by 1.6 billion euros. This amount includes 0.7 billion euros in respect of investments for the year, net of disposals as well as amortization and depreciation charges. The comments on the cash flow statement provide further information about investments. The revaluation of purchase commitments for minority interests, reflecting in particular the strong performance of the business activities to which those commitments correspond, also led to a 0.8 billion euro increase in the amount of goodwill.

Other non-current assets increased by 0.3 billion euros, mainly due to an increase in deferred tax assets. The value of the investment in Hermès International changed little; the impact of acquisitions of shares on the market during the first six months of the year was offset by a reduction in the market value of the investment, resulting from the slight dip in the share price of Hermès International in 2012. At year-end 2012, the 22.6% stake in Hermès amounted to 5.4 billion euros, the same as at year-end 2011.

Inventories increased by 0.6 billion euros, reflecting the growth of the Group's business activities. The comments on the cash flow statement provide further information on this change.

Other current assets grew by 0.3 billion euros, mainly due to the increased market value of foreign exchange risk hedging instruments; other current assets thus came to 6.1 billion euros.

Purchase commitments for minority interests, which increased by 0.8 billion euros, accounted for most of the change in non-current liabilities, which grew from 14.0 billion euros at year-end 2011 to 14.8 billion euros at year-end 2012. In addition to this, provisions and other non-current liabilities increased by 0.3 billion euros in total. Conversely, long term borrowings decreased by 0.3 billion euros.

Other current liabilities held steady at 6.5 billion euros. The 0.2 billion euro increase in trade accounts payable was offset by changes in the market value of foreign exchange risk hedging instruments.

(EUR billions)	2012	2011	Change
Long term borrowings	3.8	4.1	(0.3)
Short term borrowings and derivatives	2.8	3.0	(0.2)
Gross borrowings after derivatives	**6.6**	**7.1**	**(0.5)**
Cash and cash equivalents and current available for sale financial assets	(2.3)	(2.4)	0.1
Net financial debt	**4.3**	**4.7**	**(0.4)**
Equity	**25.6**	**23.5**	**2.1**
Net financial debt/Total equity ratio	**17%**	**20%**	**-3%**

The ratio of net financial debt to equity, which was 20% as of December 31, 2011, fell 3 points to 17%. This favorable change was due mainly to a 2.1 billion euro increase in equity, but also to a 0.4 billion euro reduction in net financial debt.

Total equity amounted to 25.6 billion euros at year-end 2012, representing an increase of 9% compared to year-end 2011. This growth reflects the Group's strong results, which were only partially distributed. As of December 31, 2012, total equity accounted for 51% of the balance sheet total, up slightly from the 50% recorded at year-end 2011.

Gross borrowings after derivatives totaled 6.6 billion euros at year-end 2012, representing a 0.5 billion euro decrease compared to year-end 2011. In June, LVMH issued five-year bonds in a total nominal amount of 850 million US dollars (equivalent to 681 million euros as of the issue date), and issued or subscribed to 0.3 billion euros in other borrowings. Conversely, repayments of borrowings amounted to 1.5 billion euros, including the 2005 bond (supplemented in 2008) in the amount of 0.8 billion euros, as well as miscellaneous bank borrowings of 0.2 billion euros. In addition to this, commercial paper outstanding decreased by 0.4 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 2.3 billion euros at the end of the fiscal year, down slightly from 2.4 billion euros at year-end 2011.

As of year-end 2012, the Group's undrawn confirmed credit lines amounted to 3.3 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 1.2 billion euros as of December 31, 2012.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2012	2011	Change
Cash from operations before changes in working capital	**7,113**	**6,137**	**976**
Cost of net financial debt: interest paid	(154)	(152)	(2)
Income taxes paid	(1,970)	(1,544)	(426)
Net cash from operating activities before changes in working capital	**4,989**	**4,441**	**548**
Total change in working capital	(813)	(534)	(279)
Operating investments	(1,702)	(1,730)	28
Free cash flow	**2,474**	**2,177**	**297**
Financial investments	**(140)**	**(1,286)**	**1,146**
Transactions relating to equity	**(1,860)**	**(2,572)**	**712**
Change in cash before financing activity	**474**	**(1,681)**	**2,155**

Cash from operations before changes in working capital totaled 7,113 million euros, compared to 6,137 million euros a year earlier, representing an increase of 16%. Net cash from operating activities before changes in working capital (i.e. after interest and income tax paid) amounted to 4,989 million euros, up 12% compared to fiscal year 2011.

Interest paid, which totaled 154 million euros, was stable compared to its 2011 amount. Lower interest rates on borrowings and better returns on available cash offset the increase in interest expenses related to the higher average amount of debt outstanding compared with 2011.

Income tax paid came to 1,970 million euros, a significant increase from 1,544 million paid in the prior year, due to an increase in taxable profit, and a rise in the effective rate of income tax.

Working capital requirements increased by 813 million euros, primarily as a result of a rise in inventories, which generated a cash requirement of 829 million euros. This increase in inventories, driven by growth in volume of the Group's business activities and number of stores, was mainly related to Selective Retailing (DFS in particular, which won new airport concessions), Fashion and Leather Goods, and Wines and Spirits, especially as a result of purchases of *eaux-de-vie*. The remaining change in working capital requirements was close to zero, since cash requirements related to higher commercial and operational receivables were financed by an increase in trade accounts payable.

Operating investments net of disposals resulted in a net cash outflow of 1,702 million euros in 2012, compared to 1,730 million euros a year earlier. They consisted mainly of investments by Louis Vuitton, Sephora, and DFS in their retail networks, investments by the Group's champagne houses in their production facilities, and investments by Parfums Christian Dior in new display counters, together with real estate investments for commercial or rental purposes.

Financial investments accounted for a 140 million euro outflow in 2012, of which 45 million euros related to purchase of consolidated investments.

Transactions relating to equity generated an outflow of 1,860 million euros. A portion of this amount, 1,447 million euros, corresponds to dividends paid out during the fiscal year by LVMH SA (excluding the amount attributable to treasury shares), including 898 million euros for the final dividend payment in respect of fiscal year 2011 and 549 million euros for the interim dividend payment in respect of fiscal year 2012. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 314 million euros, and the impact of acquisitions of minority interests totaled 206 million euros, corresponding mainly to the acquisition of the 20% stake not yet owned in the share capital of Benefit. Conversely, share subscription options exercised during the fiscal year generated an inflow of 94 million euros.

The net cash inflow after all operating, investment, and equity-related activities thus amounted to 474 million euros, and was used to reduce the level of debt. The cash balance at the end of the fiscal year was slightly lower than at year-end 2011.

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CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2012	2011	2010
Revenue	23	**28,103**	**23,659**	**20,320**
Cost of sales		(9,917)	(8,092)	(7,184)
Gross margin		**18,186**	**15,567**	**13,136**
Marketing and selling expenses		(10,101)	(8,360)	(7,098)
General and administrative expenses		(2,164)	(1,944)	(1,717)
Profit from recurring operations	23-24	**5,921**	**5,263**	**4,321**
Other operating income and expenses	25	(182)	(109)	(152)
Operating profit		**5,739**	**5,154**	**4,169**
Cost of net financial debt		(140)	(151)	(151)
Other financial income and expenses		126	(91)	763
Net financial income (expense)	26	**(14)**	**(242)**	**612**
Income taxes	27	(1,820)	(1,453)	(1,469)
Income (loss) from investments in associates	7	4	6	7
Net profit before minority interests		**3,909**	**3,465**	**3,319**
Minority interests	17	(485)	(400)	(287)
Net profit, Group share		**3,424**	**3,065**	**3,032**
Basic Group share of net earnings per share *(EUR)*	28	**6.86**	**6.27**	**6.36**
Number of shares on which the calculation is based		499,133,643	488,769,286	476,870,920
Diluted Group share of net earnings per share *(EUR)*	28	**6.82**	**6.23**	**6.32**
Number of shares on which the calculation is based		502,229,952	492,207,492	479,739,697

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2012	2011	2010
Net profit before minority interests	**3,909**	**3,465**	**3,319**
Translation adjustments	(99)	190	701
Tax impact	(18)	47	89
	(117)	**237**	**790**
Change in value of available for sale financial assets	(27)	1,634	294
Amounts transferred to income statement	(14)	(38)	38
Tax impact	(6)	(116)	(35)
	(47)	**1,480**	**297**
Change in value of hedges of future foreign currency cash flows	182	95	(20)
Amounts transferred to income statement	13	(168)	(30)
Tax impact	(50)	21	14
	145	**(52)**	**(36)**
Change in value of vineyard land	85	25	206
Tax impact	(28)	(11)	(71)
	57	**14**	**135**
Gains and losses recognized in equity	**38**	**1,679**	**1,186**
Comprehensive income	**3,947**	**5,144**	**4,505**
Minority interests	(482)	(433)	(375)
Comprehensive income, Group share	**3,465**	**4,711**	**4,130**

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	2012	2011	2010
(EUR millions)				
Brands and other intangible assets	3	11,510	11,482	9,104
Goodwill	4	7,806	6,957	5,027
Property, plant and equipment	6	8,769	8,017	6,733
Investments in associates	7	163	170	223
Non-current available for sale financial assets	8	6,004	5,982	3,891
Other non-current assets	9	524	478	319
Deferred tax		881	716	668
Non-current assets		**35,657**	**33,802**	**25,965**
Inventories and work in progress	10	8,080	7,510	5,991
Trade accounts receivable	11	1,985	1,878	1,565
Income taxes		201	121	96
Other current assets	12	1,811	1,455	1,255
Cash and cash equivalents	14	2,196	2,303	2,292
Current assets		**14,273**	**13,267**	**11,199**
Total assets		**49,930**	**47,069**	**37,164**

LIABILITIES AND EQUITY	Notes	2012	2011	2010
(EUR millions)				
Share capital		152	152	147
Share premium account		3,848	3,801	1,782
Treasury shares and LVMH-share settled derivatives		(414)	(485)	(607)
Cumulative translation adjustment		342	431	230
Revaluation reserves		2,819	2,689	1,244
Other reserves		14,393	12,798	11,370
Net profit, Group share		3,424	3,065	3,032
Equity, Group share	15	24,564	22,451	17,198
Minority interests	17	1,102	1,061	1,006
Total equity		**25,666**	**23,512**	**18,204**
Long term borrowings	18	3,836	4,132	3,432
Provisions	19	1,530	1,400	1,167
Deferred tax		3,960	3,925	3,354
Other non-current liabilities	20	5,456	4,506	3,947
Non-current liabilities		**14,782**	**13,963**	**11,900**
Short term borrowings	18	2,976	3,134	1,834
Trade accounts payable		3,134	2,952	2,298
Income taxes		442	443	446
Provisions	19	335	349	339
Other current liabilities	21	2,595	2,716	2,143
Current liabilities		**9,482**	**9,594**	**7,060**
Total liabilities and equity		**49,930**	**47,069**	**37,164**

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	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land		Group share	Minority interests	Total
Notes		15.1		15.2	15.4						17	
As of December 31, 2009	**490,405,654**	**147**	**1,763**	**(929)**	**(495)**	**213**	**63**	**595**	**12,439**	**13,796**	**989**	**14,785**
Gains and losses recognized in equity					725	297	(32)	108		1,098	88	1,186
Net profit									3,032	3,032	287	3,319
Comprehensive income		**-**	**-**	**-**	**725**	**297**	**(32)**	**108**	**3,032**	**4,130**	**375**	**4,505**
Stock option plan and similar expenses									41	41	3	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				221					(43)	178	-	178
Exercise of LVMH share subscription options	2,012,478		120							120	-	120
Retirement of LVMH shares	(1,775,900)		(101)	101	-					-	-	-
Capital increase in subsidiaries										-	1	1
Interim and final dividends paid									(953)	(953)	(158)	(1,111)
Changes in control of consolidated entities										-	(3)	(3)
Acquisition and disposal of minority interests' shares									(83)	(83)	(104)	(187)
Purchase commitments for minority interests' shares									(31)	(31)	(97)	(128)
As of December 31, 2010	**490,642,232**	**147**	**1,782**	**(607)**	**230**	**510**	**31**	**703**	**14,402**	**17,198**	**1,006**	**18,204**
Gains and losses recognized in equity					201	1,480	(46)	11		1,646	33	1,679
Net profit									3,065	3,065	400	3,465
Comprehensive income		**-**	**-**	**-**	**201**	**1,480**	**(46)**	**11**	**3,065**	**4,711**	**433**	**5,144**
Stock option plan and similar expenses									49	49	3	52
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				15					(8)	7	-	7
Exercise of LVMH share subscription options	1,395,835		94							94	-	94
Retirement of LVMH shares	(2,259,454)		(107)	107						-		-
Acquisition of a controlling interest in Bulgari	18,037,011	5	2,032	-					201	2,238	772	3,010
Capital increase in subsidiaries										-	4	4
Interim and final dividends paid									(1,069)	(1,069)	(187)	(1,256)
Changes in control of consolidated entities, excluding Bulgari									(5)	(5)	20	15
Acquisition and disposal of minority interests' shares									(681)	(681)	(785)	(1,466)
Purchase commitments for minority interests' shares									(91)	(91)	(205)	(296)
As of December 31, 2011	**507,815,624**	**152**	**3,801**	**(485)**	**431**	**1,990**	**(15)**	**714**	**15,863**	**22,451**	**1,061**	**23,512**
Gains and losses recognized in equity					(89)	(47)	133	44		41	(3)	38
Net profit									3,424	3,424	485	3,909
Comprehensive income		**-**	**-**	**-**	**(89)**	**(47)**	**133**	**44**	**3,424**	**3,465**	**482**	**3,947**
Stock option plan and similar expenses									50	50	3	53
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				24					(12)	12	-	12
Exercise of LVMH share subscription options	1,344,975		94							94	-	94
Retirement of LVMH shares	(997,250)		(47)	47						-	-	-
Capital increase in subsidiaries										-	8	8
Interim and final dividends paid									(1,448)	(1,448)	(317)	(1,765)
Changes in control of consolidated entities									(11)	(11)	(11)	(22)
Acquisition and disposal of minority interests' shares									(39)	(39)	(26)	(65)
Purchase commitments for minority interests' shares									(10)	(10)	(98)	(108)
As of December 31, 2012	**508,163,349**	**152**	**3,848**	**(414)**	**342**	**1,943**	**118**	**758**	**17,817**	**24,564**	**1,102**	**25,666**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2012	2011	2010
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,739	5,154	4,169
Net increase in depreciation, amortization and provisions		1,299	999	788
Other computed expenses		(62)	(45)	(126)
Dividends received		188	61	20
Other adjustments		(51)	(32)	(3)
Cash from operations before changes in working capital		**7,113**	**6,137**	**4,848**
Cost of net financial debt: interest paid		(154)	(152)	(149)
Income taxes paid		(1,970)	(1,544)	(897)
Net cash from operating activities before changes in working capital		**4,989**	**4,441**	**3,802**
Change in working capital	14.1	(813)	(534)	247
Net cash from operating activities		**4,176**	**3,907**	**4,049**
Operating investments	14.2	**(1,702)**	**(1,730)**	**(976)**
Net cash from operating activities and operating investments (free cash flow)		**2,474**	**2,177**	**3,073**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(131)	(518)	(1,724)
Proceeds from sale of non-current available for sale financial assets	8	36	17	70
Impact of purchase and sale of consolidated investments	2	(45)	(785) [a]	(61)
Net cash from (used in) financial investments		**(140)**	**(1,286)**	**(1,715)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH	15.1	94	94 [a]	120
Capital increases of subsidiaries subscribed by minority interests	17	8	3	1
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	15.2	5	2	155
Interim and final dividends paid by LVMH	15.3	(1,447)	(1,069)	(953)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(314)	(189)	(158)
Purchase and proceeds from sale of minority interests	2	(206)	(1,413)	(185)
Net cash from (used in) transactions relating to equity		**(1,860)**	**(2,572)**	**(1,020)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		1,068	2,659	564
Repayment of borrowings		(1,526)	(1,005)	(1,290)
Purchase and proceeds from sale of current available for sale financial assets	13	(67)	6	(32)
Net cash from (used in) financing activities		**(525)**	**1,660**	**(758)**
V. EFFECT OF EXCHANGE RATE CHANGES		(42)	60	188
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**(93)**	**39**	**(232)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14	**2,081**	**2,042**	**2,274**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**1,988**	**2,081**	**2,042**
Transactions included in the table above, generating no change in cash: - acquisition of assets by means of finance leases		5	3	6

(a) Not including the impact of the amount attributable to the acquisition of Bulgari remunerated by the capital increase of LVMH SA as of June 30, 2011, which did not generate any cash flows.

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1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the year ended December 31, 2012 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2012. These standards and interpretations have been applied consistently to the fiscal years presented. The 2012 consolidated financial statements were approved for publication by the Board of Directors on January 31, 2013.

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. 2012 Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations for which application is mandatory in 2012

The amendment to IFRS 7 on required disclosures in the event of a change in valuation method of financial assets, applicable as of January 1, 2012, did not have a significant impact on the Group's consolidated financial statements.

Standards, amendments and interpretations for which application is mandatory after 2012

The following standards, amendments and interpretations applicable to LVMH, whose mandatory application date is January 1, 2013 or 2014, relate to:

- amendment to IAS 1 on the presentation of gains and losses recognized in equity;
- IFRS 13, which defines the measurement principles of fair value and related disclosures, in case fair value applies. The application of this text will not have a significant impact on the Group's consolidated financial statements, since the accounting policies applied by LVMH comply overall with the IFRS 13 standard;
- 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 will not have a material impact on the Group's consolidated financial statements, due to the low number of jointly controlled entities which are proportionately consolidated. Specifically, the consolidation method of distribution subsidiaries jointly owned with the Diageo group will not be impacted. See Notes 1.5 and 1.23.
- amendments to IAS 19 on employee benefit commitments which require full and immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

  The 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.

Other changes

The Group is aware of the draft interpretation issued by the IFRIC in May 2012, which would require recognition in the income statement of the effect of changes in purchase commitments for minority interests, net of minority interests. See Note 1.10 regarding the accounting policy for those commitments as of December 31, 2012.

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;

- 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 Eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Use of estimates

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

1.5. Methods of consolidation

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

Jointly controlled companies are consolidated on a proportionate basis.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo group, only the portion of assets and liabilities and results of operations relating to the 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 Eurozone

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

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

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

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

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

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

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

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

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

- leasehold rights, key money: based on market conditions generally over the lease period;
- development expenditure: three years at most;
- software: one to five years.

1.9. Changes in the percentage of interest in consolidated entities

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

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

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

1.10. Purchase commitments for minority interests

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 balance sheet 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 from 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
- leasehold improvements	3 to 10 years
- producing vineyards	18 to 25 years

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

1.12. Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired, and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or 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 SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as cash and cash equivalents (see Note 1.16).

Available for sale financial assets are measured at their listed value at 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. 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-hedging derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

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

Net financial debt comprises short and long term borrowings, the market value at the 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.

Market value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

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

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

If this commitment is either partially or wholly funded by payments made by the Group to external financial organizations, these payments are deducted from the actuarial commitment recorded in the balance sheet.

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

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 value of assets and liabilities for purposes of consolidation and the value resulting from application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the 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

Definition of 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 is generated 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 balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Between that date and the settlement date, the change in the expected benefit resulting from the change in the LVMH share price is recorded in the income statement.

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

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

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

1.27. Earnings per share

Earnings per share are calculated based on the weighted average number of shares 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

Fashion and Leather Goods

In May 2012, LVMH acquired the entire share capital of Les Tanneries Roux (France), a supplier of high quality leather. In June 2012, LVMH acquired a 100% ownership interest in Arnys (France), a ready-to-wear and made-to-measure menswear label. These two acquisitions were consolidated with effect from June 2012.

Perfumes and Cosmetics

In October 2012, LVMH acquired the 20% stake in the share capital of Benefit that it did not own; the price paid generated the recognition of goodwill in the amount of 133 million euros, previously recorded under Goodwill arising on purchase commitments for minority interests.

Watches and Jewelry

As of December 31, 2012, goodwill recognized following the definitive allocation of the purchase price paid by LVMH upon taking control of Bulgari amounts to 1,523 million euros (1,522 as of December 31, 2011). The value determined for the Bulgari brand is unchanged at 2,100 million euros.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2012	2011	2010
	Gross	Amortization and impairment	Net	Net	Net
Brands	9,318	(499)	8,819	8,850	6,717
Trade names	3,389	(1,380)	2,009	2,044	1,977
License rights	95	(73)	22	25	26
Leasehold rights	468	(220)	248	182	109
Software, web sites	759	(559)	200	169	138
Other	472	(260)	212	212	137
Total	**14,501**	**(2,991)**	**11,510**	**11,482**	**9,104**
Of which: assets held under finance leases	*14*	*(14)*	-	-	-

Movements during the year ended December 31, 2012 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, web sites	Leasehold rights	Other intangible assets	Total
As of December 31, 2011	**9,310**	**3,450**	**687**	**383**	**523**	**14,353**
Acquisitions	-	-	81	72	85	238
Disposals and retirements	-	-	(34)	(9)	(6)	(49)
Changes in the scope of consolidation	-	-	1	20	3	24
Translation adjustment	8	(61)	(5)	(1)	(7)	(66)
Reclassifications	-	-	29	3	(31)	1
As of December 31, 2012	**9,318**	**3,389**	**759**	**468**	**567**	**14,501**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, web sites	Leasehold rights	Other intangible assets	Total
As of December 31, 2011	**(460)**	**(1,406)**	**(515)**	**(201)**	**(289)**	**(2,871)**
Amortization expense	(40)	(1)	(85)	(21)	(54)	(201)
Impairment expense	-	-	-	-	-	-
Disposals and retirements	-	-	33	5	7	45
Changes in the scope of consolidation	-	-	(1)	(2)	(2)	(5)
Translation adjustment	1	27	5	(2)	5	36
Reclassifications	-	-	4	1	-	5
As of December 31, 2012	**(499)**	**(1,380)**	**(563)**	**(220)**	**(333)**	**(2,991)**
Net carrying amount as of December 31, 2012	**8,819**	**2,009**	**200**	**248**	**234**	**11,510**

The gross value of amortized brands and trademarks was 848 million euros as of December 31, 2012.

4. GOODWILL

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	6,451	(1,181)	5,270	5,142	3,409
Goodwill arising on purchase commitments for minority interests	2,539	(3)	2,536	1,815	1,618
Total	**8,990**	**(1,184)**	**7,806**	**6,957**	**5,027**

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

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
As of January 1	**8,132**	**(1,175)**	**6,957**	**5,027**	**4,270**
Changes in the scope of consolidation [(a)]	42	1	43	1,743	21
Changes in purchase commitments for minority interests	836	-	836	203	702
Changes in impairment	-	(24)	(24)	(40)	(54)
Translation adjustment	(20)	14	(6)	24	88
As of December 31	**8,990**	**(1,184)**	**7,806**	**6,957**	**5,027**

(a) See Note 2.

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.

Please refer also to Note 20 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 2012.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2012	2011	2010
	Gross	Depreciation and impairment	Net	Net	Net
Land	1,250	(68)	1,182	941	916
Vineyard land and producing vineyards	2,051	(80)	1,971	1,867	1,828
Buildings	2,615	(1,301)	1,314	1,399	988
Investment property	580	(71)	509	536	297
Leaseholds improvements, machinery and equipment	5,933	(3,809)	2,124	1,895	1,704
Assets in progress	716	-	716	511	289
Other tangible fixed assets	1,538	(585)	953	868	711
Total	**14,683**	**(5,914)**	**8,769**	**8,017**	**6,733**
Of which: assets held under finance leases	*241*	*(131)*	*110*	*113*	*115*
historical cost of vineyard land and producing vineyards	*655*	*(80)*	*575*	*552*	*538*

Movements in property, plant and equipment during 2012 break down as follows:

Gross value *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Leaseholds improvements, machinery and equipment**			**Assets in progress**	**Other tangible fixed assets**	**Total**
				Stores	**Production, logistics**	**Other**			
As of December 31, 2011	**1,965**	**3,369**	**603**	**3,381**	**1,514**	**679**	**511**	**1,445**	**13,467**
Acquisitions	14	133	74	466	106	92	608	120	1,613
Change in the market value of vineyard land	86	-	-	-	-	-	-	-	86
Disposals and retirements	(25)	(60)	-	(211)	(32)	(49)	(2)	(37)	(416)
Changes in the scope of consolidation	-	11	-	11	-	3	-	19	44
Translation adjustment	(5)	(59)	(2)	(49)	(2)	(13)	(6)	(7)	(143)
Other movements, including transfers	16	471	(95)	(144)	43	138	(395)	(2)	32
As of December 31, 2012	**2,051**	**3,865**	**580**	**3,454**	**1,629**	**850**	**716**	**1,538**	**14,683**

Depreciation and impairment *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Leaseholds improvements, machinery and equipment**			**Assets in progress**	**Other tangible fixed assets**	**Total**
				Stores	**Production, logistics**	**Other**			
As of December 31, 2011	**(98)**	**(1,029)**	**(67)**	**(2,185)**	**(1,003)**	**(491)**	**-**	**(577)**	**(5,450)**
Depreciation expense	(6)	(143)	(5)	(371)	(111)	(92)	-	(90)	(818)
Impairment expense	-	(75)	-	-	(1)	-	-	-	(76)
Disposals and retirements	24	45	-	207	31	48	-	33	388
Changes in the scope of consolidation	-	(5)	-	(7)	-	(3)	-	(13)	(28)
Translation adjustment	-	27	1	33	1	7	-	4	73
Other movements, including transfers	-	(189)	-	184	11	(67)	-	58	(3)
As of December 31, 2012	**(80)**	**(1,369)**	**(71)**	**(2,139)**	**(1,072)**	**(598)**	**-**	**(585)**	**(5,914)**
Net carrying amount as of December 31, 2012	**1,971**	**2,496**	**509**	**1,315**	**557**	**252**	**716**	**953**	**8,769**

Purchases of property, plant and equipment reflect investments by Louis Vuitton, Sephora and DFS in their retail networks, those of the Champagne Houses in their production equipment, of Parfums Christian Dior in new display counters, in addition to the effects of real estate investments dedicated to commercial or rental purposes.

7. INVESTMENTS IN ASSOCIATES

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	**170**	**-**	**170**	**223**	**213**
Share of net profit (loss) for the period	4	-	4	6	7
Dividends paid	(9)	-	(9)	(12)	(5)
Changes in the scope of consolidation	1	-	1	(57)	-
Translation adjustment	(4)	-	(4)	3	8
Other movements, including transfers	1	-	1	7	-
Share of net assets of associates as of December 31	**163**	**-**	**163**	**170**	**223**

As of December 31, 2012, investments in associates consisted primarily of:

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

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

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
Total	**6,161**	**(157)**	**6,004**	**5,982**	**3,891**

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

(EUR millions)		2012	2011	2010
	Total	Of which Hermès		
As of January 1	**5,982**	**5,438**	**3,891**	**540**
Acquisitions	125	77	496	2,756
Disposals at net realized value	(36)	-	(17)	(70)
Changes in market value	(38)	(106)	1,613	(114)
Changes in impairment	(4)	-	(6)	(12)
Changes in the scope of consolidation	-	-	6	-
Translation adjustment	(5)	-	6	19
Reclassifications from "Other non-current assets" to "Non-current available for sale financial assets"	-	-	-	775
Other reclassifications	(20)	-	(7)	(3)
As of December 31	**6,004**	**5,409**	**5,982**	**3,891**

As of December 31, 2012, non-current available for sale assets mainly includes an investment in Hermès International SCA ("Hermès") with a gross and net amount of 5,409 million euros (5,438 million euros as of December 31, 2011, 3,345 million euros as of December 31, 2010). The stake in the share capital of Hermès increased from 22.4% to 22.6% in 2012, resulting from the acquisition of shares on the market. Given the legal form of Hermès, a "Société en Commandite par Actions", the investment stake held by LVMH is not accounted for under the equity method.

As of December 31, 2012, the stake in Hermès, corresponding to 23.9 million shares, represented, on the basis of the Hermès share price at that date on Paris stock exchange, an amount of 5.4 billion euros, for a total amount of 3.5 billion euros on initial recognition (2.5 billion euros in cash after deducting the gain recognized in 2010, upon the settlement of equity linked swaps covering 12.8 million shares).

As of December 31, 2012, the Hermès share price, applied for the purpose of valuing this investment, was 226.30 euros (230.35 as of December 31, 2011, 156.75 as of December 31, 2010).

9. OTHER NON-CURRENT ASSETS

(EUR millions)	2012	2011	2010
Warranty deposits	210	185	130
Derivatives	176	143	62
Other loans and receivables	115	125	110
Assets related to pension commitments	23	25	17
Total	**524**	**478**	**319**

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	3,504	(26)	3,478	3,377	3,208
Other raw materials and work in progress	1,366	(304)	1,062	951	546
	4,870	(330)	4,540	4,328	3,754
Goods purchased for resale	1,297	(126)	1,171	988	793
Finished products	2,890	(521)	2,369	2,194	1,444
	4,187	(647)	3,540	3,182	2,237
Total	**9,057**	**(977)**	**8,080**	**7,510**	**5,991**

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

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
As of January 1	**8,487**	**(977)**	**7,510**	**5,991**	**5,644**
Change in gross inventories [a]	827	-	827	770	126
Fair value adjustment for the harvest of the period	(26)	-	(26)	14	(3)
Changes in impairment	-	(192)	(192)	(68)	16
Changes in the scope of consolidation	37	(5)	32	694	(39)
Translation adjustment	(85)	7	(78)	135	254
Other, including reclassifications	(183)	190	7	(26)	(7)
As of December 31	**9,057**	**(977)**	**8,080**	**7,510**	**5,991**

(a) Including the impact of product returns, see Note 1.23.

Changes in the scope of consolidation in 2011 primarily reflected 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)	2012	2011	2010
Fair value adjustment for the harvest of the period	12	50	36
Adjustment for inventory consumed	(38)	(36)	(39)
Net effect on cost of sales of the period	**(26)**	**14**	**(3)**

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2012	2011	2010
Trade accounts receivable, nominal amount	2,227	2,107	1,769
Provision for impairment	(63)	(64)	(57)
Provision for product returns	(179)	(165)	(147)
Net amount	**1,985**	**1,878**	**1,565**

The change in trade accounts receivable for the periods presented breaks down as follows:

(EUR millions)			2012	2011	2010
	Gross	Impairment	Net	Net	Net
As of January 1	**2,107**	**(229)**	**1,878**	**1,565**	**1,455**
Change in gross receivables	147	-	147	80	23
Changes in provision for impairment	-	1	1	4	7
Changes in provision for product return	-	(5)	(5)	(14)	(15)
Changes in the scope of consolidation	9	(11)	(2)	183	(24)
Translation adjustment	(45)	1	(44)	55	106
Reclassifications	9	1	10	5	13
As of December 31	**2,227**	**(242)**	**1,985**	**1,878**	**1,565**

Approximately 63% of the Group's sales is generated through its own stores (63% in 2011, 61% in 2010). 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.

12. OTHER CURRENT ASSETS

(EUR millions)	2012	2011	2010
Current available for sale financial assets	177	145	219
Derivatives	425	147	209
Tax accounts receivable, excluding income taxes	393	468	271
Advances and payments on account to vendors	195	163	142
Prepaid expenses	284	249	191
Other receivables	337	283	223
Total	**1,811**	**1,455**	**1,255**

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

Please also refer to Note 13 Current available for sale financial assets and Note 22 Financial instruments and market risk management.

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2012	2011	2010
Unlisted securities, shares in non-money market SICAVs and funds	13	14	32
Listed securities	164	131	187
Total	**177**	**145**	**219**
Of which: historical cost of current available for sale financial assets	*176*	*161*	*280*

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

(EUR millions)	2012	2011	2010
As of January 1	**145**	**219**	**218**
Acquisitions	-	256	55
Disposals at market value	(4)	(285)	(106)
Changes in market value	11	21	74
Changes in impairment	-	(1)	(26)
Changes in the scope of consolidation [a]	-	(72)	-
Translation adjustment	-	-	4
Reclassifications (as)/from Non-current available for sale financial assets [b]	25	7	-
As of December 31	**177**	**145**	**219**

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

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

14. CASH AND CASH EQUIVALENTS

(EUR millions)	2012	2011	2010
Fixed term deposits (less than 3 months)	480	421	545
SICAV and FCP money market funds	112	216	141
Ordinary bank accounts	1,604	1,666	1,606
Cash and cash equivalents per balance sheet	**2,196**	**2,303**	**2,292**

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)	2012	2011	2010
Cash and cash equivalents	2,196	2,303	2,292
Bank overdrafts	(208)	(222)	(250)
Net cash and cash equivalents per cash flow statement	**1,988**	**2,081**	**2,042**

14.1. Change in working capital

The change in working capital breaks down as follows for the periods presented:

(EUR millions)	Notes	2012	2011	2010
Change in inventories and work in progress	10	(829)	(768)	(126)
Change in trade accounts receivable	11	(147)	(65)	(13)
Change in trade accounts payable		173	331	295
Change in other receivables and payables		(10)	(32)	91
Change in working capital [(a)]		**(813)**	**(534)**	**247**

(a) Increase (Decrease) in cash and cash equivalents.

14.2. Operating investments

Operating investments comprise the following elements for the periods presented:

(EUR millions)	Notes	2012	2011	2010
Purchase of intangible fixed assets	3	(238)	(244)	(136)
Purchase of tangible fixed assets	6	(1,613)	(1,624)	(848)
Change in accounts payable related to fixed asset purchases		141	119	(18)
Net cash used in purchases of fixed assets [(a)]		**(1,710)**	**(1,749)**	**(1,002)**
Net cash from fixed assets disposals [(a)]		**44**	**31**	**33**
Guarantee deposits paid and other operating investments		(36)	(12)	(7)
Operating investments		**(1,702)**	**(1,730)**	**(976)**

(a) Increase (Decrease) in cash and cash equivalents.

15. EQUITY

15.1. Share capital and share premium account

As of December 31, 2012, issued and fully paid-up shares totaled 508,163,349 (507,815,624 shares as of December 31, 2011 and 490,642,232 shares as of December 31, 2010), with a par value of 0.30 euros per share, including 224,699,349 shares with double voting rights. Double voting rights are granted to registered shares held for more than three years (224,575,071 as of December 31, 2011, 225,670,153 as of December 31, 2010).

Changes in the share capital and share premium account, in value terms and in terms of the number of shares, break down as follows:

(EUR millions)	2012				2011	2010
	Number	Value			Value	Value
		Share capital	Share premium account	Total		
As of January 1	**507,815,624**	**152**	**3,801**	**3,953**	**1,929**	**1,910**
Increase in share capital related to the contribution of Bulgari shares	-	-	-	-	2,037	-
Exercise of share subscription options	1,344,975	-	94	94	94	120
Retirement of shares	(997,250)	-	(47)	(47)	(107)	(101)
As of December 31	**508,163,349**	**152**	**3,848**	**4,000**	**3,953**	**1,929**

15.2. 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)		2012	2011	2010
	Number	Value	Value	Value
Share subscription option plans	5,722,880	270	319	429
Share purchase option plans	105,320	7	22	41
Bonus share plans	1,273,136	75	64	42
Other plans	969,183	49	64	70
Shares held for stock option and similar plans [a]	**8,070,519**	**401**	**469**	**582**
Liquidity contract	97,000	13	13	13
LVMH treasury shares	**8,167,519**	**414**	**482**	**595**
LVMH share-based calls [b]	-	-	3	12
LVMH treasury shares and derivatives settled in LVMH shares	**8,167,519**	**414**	**485**	**607**

(a) See Note 16 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, 2012 amounts to 13 million euros.

The portfolio movements in 2012 were as follows:

LVMH shares

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2011	**9,536,678**	**482**	
Share purchases, including through the exercise of call options	2,050,314	250	(246)
Exercise of share purchase options	(136,100)	(11)	5
Bonus shares definitively allocated	(313,809)	(18)	-
Retirement of shares	(997,250)	(47)	-
Proceeds from disposal at net realized value	(1,972,314)	(246)	246
Gain/(loss) on disposal	-	4	-
As of December 31, 2012	**8,167,519**	**414**	**5**

LVMH share-based calls

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2011	**100,000**	**3**	
Calls exercised	(100,000)	(3)	-
As of December 31, 2012	**-**	**-**	**-**

15.3. 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, 2012, the amount available for distribution was 9,954 million euros; after taking into account the proposed dividend distribution in respect of the 2012 fiscal year, the amount available for distribution is 9,039 million euros.

(EUR millions, except for data per share in EUR)	2012	2011	2010
Interim dividend for the current fiscal year (2012: 1.10 euros; 2011: 0.80 euros; 2010: 0.70 euros)	559	406	343
Impact of treasury shares	(9)	(8)	(8)
	550	**398**	**335**
Final dividend for the previous fiscal year (2011: 1.80 euros; 2010: 1.40 euros; 2009: 1.30 euros)	914	685	636
Impact of treasury shares	(16)	(14)	(18)
	898	**671**	**618**
Total gross amount disbursed during the fiscal year [a]	**1,448**	**1,069**	**953**

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

The final dividend for 2012, as proposed to the Shareholders' Meeting of April 18, 2013 is 1.80 euros per share, representing a total amount of 915 million euros, excluding the amount to be deducted in relation to treasury shares held at date of payment.

15.4. 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)	2012	Change	2011	2010
US dollar	(99)	(42)	(57)	(148)
Swiss franc	446	22	424	376
Japanese yen	120	(92)	212	152
Hong Kong dollar	60	(28)	88	43
Pound sterling	(40)	16	(56)	(73)
Other currencies	65	1	64	52
Foreign currency net investment hedges	(210)	34	(244)	(172)
Total, Group share	**342**	**(89)**	**431**	**230**

16. STOCK OPTION AND SIMILAR PLANS

Share purchase option and subscription plans

The Shareholders' Meeting of April 5, 2012 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in June 2015, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 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.

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 beneficiaries who are French residents for tax purposes becomes definitive after a two-year vesting period (generally three years for allocations in respect of plans opened as from 2011), 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 may be freely transferred 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 share subscription option plans and bonus share plans have been subject to performance conditions in proportions determined based on the hierarchical level and status of the beneficiary, that determine whether the beneficiaries are entitled to receive the definitive allocation of these plans.

16.1. Share purchase option plans

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

	2012		2011		2010	
	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	**385,070**	**39.90**	**915,482**	**47.15**	**6,603,112**	**58.05**
Options expired	(143,650)	42.26	(311,550)	56.04	(1,078,800)	80.07
Options exercised	(136,100)	39.35	(218,862)	47.30	(4,608,830)	55.06
Share purchase options outstanding as of December 31	**105,320**	**37.39**	**385,070**	**39.90**	**915,482**	**47.15**

16.2. 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:

	2012		2011		2010	
	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	**6,603,917**	**69.07**	**8,084,215**	**68.79**	**10,214,500**	**66.99**
Options expired	(29,546)	65.36	(84,463)	71.23	(117,807)	72.09
Options exercised	(1,344,975)	69.96	(1,395,835)	67.31	(2,012,478)	59.62
Share subscription options outstanding as of December 31	**5,229,396**	**68.86**	**6,603,917**	**69.07**	**8,084,215**	**68.79**

16.3. Bonus share plans.

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

(number of shares)	2012	2011	2010
Non-vested shares as of January 1	**1,160,441**	**770,611**	**464,630**
Allocations of non-vested shares during the period	462,439	557,052	469,436
Non-vested shares vested during the period	(313,809)	(143,979)	(149,590)
Expired allocations during the period	(35,935)	(23,243)	(13,865)
Non-vested shares as of December 31	**1,273,136**	**1,160,441**	**770,611**

The bonus share plans launched in 2010 and 2012 and one of the plans instituted in 2011 are subject to performance conditions to a variable extent depending on beneficiaries. Bonus shares may only be definitively granted if, in fiscal years 2012 and 2013 (2011 and 2012 for the corresponding 2011 plan, 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 2011 (2010 for the plan launched in 2011, 2009 for the plan launched in 2010). The performance condition, which was met for fiscal years 2010, 2011 and 2012, was considered to have been met for fiscal year 2013, for the purpose of determining the expense for 2012.

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

16.4. 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 balance sheet, break down as follows:

	2012	2011	2010
Type of plan *(in equivalent number of shares)*:			
Share purchase option plan	8,050	20,050	21,450
Bonus share plan	-	50,364	93,848
Provision as of December 31 *(EUR millions)*	**-**	**6**	**10**

16.5. Expense for the period

(EUR millions)	2012	2011	2010
Share subscription and purchase option plans, bonus share plans	53	52	44
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	1	1	6
Expense for the period	**54**	**53**	**50**

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 LVMH share price on the day preceding the grant date of the 2012 plan amounted to 126.9 euros for shares granted on April 5, 2012 and to 120.55 euros for shares granted on July 26, 2012.

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 2012 was 114.06 euros for beneficiaries who are French residents for tax purposes and 109.47 euros for beneficiaries with tax residence outside France.

17. MINORITY INTERESTS

(EUR millions)	2012	2011	2010
As of January 1	**1,061**	**1,006**	**989**
Minority interests' share of net profit	485	400	287
Dividends paid to minority interests	(317)	(187)	(158)
Effects of changes in control of consolidated entities:			
consolidation of Bulgari	-	772	-
consolidation of Heng Long	-	18	-
other movements	(11)	2	(3)
Effects of acquisition and disposal of minority interests' shares:			
acquisition of minority interests in Bulgari	-	(771)	-
acquisition of minority interests in La Samaritaine	-	-	(104)
other movements	(26)	(14)	-
Total effects of changes in the percentage of interests in consolidated entities	(37)	7	(107)
Capital increases subscribed by minority interests	8	4	1
Minority interests' share in gains and losses recognized in equity	(3)	33	88
Minority interests' share in stock option plan expenses	3	3	3
Effects of changes in purchase commitments for minority interests	(98)	(205)	(97)
As of December 31	**1,102**	**1,061**	**1,006**

The change in minority interests' share in gains and losses recognized in equity breaks down 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, 2009	**(108)**	**9**	**119**	**20**
Changes for the fiscal year	65	(4)	27	88
As of December 31, 2010	**(43)**	**5**	**146**	**108**
Changes for the fiscal year	36	(6)	3	33
As of December 31, 2011	**(7)**	**(1)**	**149**	**141**
Changes for the fiscal year	(28)	12	13	(3)
As of December 31, 2012	**(35)**	**11**	**162**	**138**

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	2012	2011	2010
Bonds and Euro Medium Term Notes (EMTN)	3,337	3,390	2,776
Bank borrowings and finance lease	499	742	656
Long term borrowings	**3,836**	**4,132**	**3,432**
Bonds and Euro Medium Term Notes (EMTN)	696	759	815
Commercial paper	1,212	1,603	272
Bank overdrafts	208	222	250
Other short term borrowings	860	550	497
Short term borrowings	**2,976**	**3,134**	**1,834**
Gross amount of borrowings	**6,812**	**7,266**	**5,266**
Interest rate risk derivatives	(178)	(159)	(82)
Other derivatives	-	1	5
Gross borrowings after derivatives	**6,634**	**7,108**	**5,189**
Current available for sale financial assets	(177)	(145)	(219)
Cash and cash equivalents	(2,196)	(2,303)	(2,292)
Net financial debt	**4,261**	**4,660**	**2,678**

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 20).

In June 2012, LVMH carried out a five-year bond issue in the amount of 850 million US dollars, redeemable on maturity at par value in June 2017. The proceeds of the bond, issued at 99.713% of par value with a coupon rate of 1.625%, were swapped on issuance, thus converting the entire issue into a floating-rate euro-denominated financing arrangement.

In addition, the 760 million euro bond issue in 2005 and 2008 was redeemed in June 2012.

18.2. 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:	2013	2,235	741	2,976	5	(9)	(4)	2,240	732	2,972
	2014	1,105	188	1,293	(1,000)	936	(64)	105	1,124	1,229
	2015	1,050	29	1,079	(701)	635	(66)	349	664	1,013
	2016	10	-	10	-	(5)	(5)	10	(5)	5
	2017	829	7	836	(794)	760	(34)	35	767	802
	2017	527	-	527	-	(5)	(5)	527	(5)	522
	Thereafter	89	2	91	-	-	-	89	2	91
Total		**5,845**	**967**	**6,812**	**(2,490)**	**2,312**	**(178)**	**3,355**	**3,279**	**6,634**

See Note 22.3 regarding market value of interest rate risk derivatives.

The breakdown by quarter of the amount falling due in 2013 is as follows:

(EUR millions)	Falling due in 2013
First quarter	1,802
Second quarter	630
Third quarter	98
Fourth quarter	446
Total	**2,976**

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2012	2011	2010
Euro	4,753	5,349	3,587
US dollar	174	253	221
Swiss franc	992	991	988
Japanese yen	266	274	208
Other currencies	449	241	185
Total	**6,634**	**7,108**	**5,189**

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

19. PROVISIONS

(EUR millions)	2012	2011	2010
Provisions for pensions, medical costs and similar commitments	293	283	261
Provisions for contingencies and losses	1,219	1,096	886
Provisions for reorganization	18	21	20
Non-current provisions	**1,530**	**1,400**	**1,167**
Provisions for pensions, medical costs and similar commitments	13	11	9
Provisions for contingencies and losses	282	294	274
Provisions for reorganization	40	44	56
Current provisions	**335**	**349**	**339**
Total	**1,865**	**1,749**	**1,506**

In 2012, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2011	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	Dec. 31, 2012
Provisions for pensions, medical costs and similar commitments	**294**	69	(55)	(3)	3	(2)	**306**
Provisions for contingencies and losses	**1,390**	297	(146)	(48)	1	7	**1,501**
Provisions for reorganization	**65**	13	(23)	(3)	-	6	**58**
Total	**1,749**	**379**	**(224)**	**(54)**	**4**	**11**	**1,865**
Of which: profit from recurring operations		*208*	*(183)*	*(39)*			
net financial income (expense)		-	-	-			
other		*171*	*(41)*	*(15)*			

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.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2012	2011	2010
Purchase commitments for minority interests	5,022	4,195	3,686
Derivatives	41	4	2
Employee profit sharing [a]	93	88	88
Other liabilities	300	219	171
Total	**5,456**	**4,506**	**3,947**

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

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

As of December 31, 2012, 2011 and 2010 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 Ile de Beauté (35%), Heng Long (39%) and distribution subsidiaries in various countries, mainly in the Middle East. The commitment relating to Benefit was settled in 2012, see Note 2.

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

21. OTHER CURRENT LIABILITIES

(EUR millions)	2012	2011	2010
Derivatives	20	265	145
Employees and social institutions	924	855	687
Employee profit sharing [a]	95	86	72
Taxes other than income taxes	361	385	317
Advances and payments on account from customers	139	180	203
Deferred payment for tangible and financial non-current assets	367	282	177
Deferred income	116	111	76
Other liabilities	573	552	466
Total	**2,595**	**2,716**	**2,143**

(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 22.

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

Both the management of foreign exchange, interest rate and transactions involving shares and financial instruments are centralized.

The Group has implemented a stringent policy, as well as rigorous management guidelines to manage, measure, and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

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

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to an established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

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

22.2. Summary of derivatives

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

(EUR millions)			Notes	2012	2011	2010
Interest rate risk	Assets:	non-current		131	113	41
		current		56	57	66
	Liabilities:	non-current		(1)	(1)	(1)
		current		(8)	(10)	(24)
			22.3	**178**	**159**	**82**
Foreign exchange risk	Assets:	non-current		17	2	8
		current		369	83	139
	Liabilities:	non-current		(40)	(3)	(1)
		current		(9)	(255)	(121)
			22.4	**337**	**(173)**	**25**
Other risks	Assets:	non-current		28	28	12
		current		-	7	4
	Liabilities:	non-current		-	-	-
		current		(3)	-	-
				25	**35**	**16**
Total	Assets:	non-current	9	176	143	61
		current	12	425	147	209
	Liabilities:	non-current	20	(41)	(4)	(2)
		current	21	(20)	(265)	(145)
				540	**21**	**123**

22.3. Derivatives used to manage interest rate risk

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

As such, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2012 break down as follows:

(EUR millions)	Nominal amounts by maturity			Market value [a]		
	2013	2014 to 2017	Total	Fair value hedges	Unallocated amounts	Total
Interest rate swaps in euros:						
- fixed rate payer	91	-	91	-	(4)	(4)
- floating rate payer	91	1,900	1,991	171	3	174
- floating rate/floating rate	-	152	152	-	-	-
Foreign currency swaps	438	1,621	2,059	8	-	8
Total				**179**	**(1)**	**178**

(a) Gain/(Loss).

22.4. Derivatives used to manage foreign exchange risk

A significant part of Group companies' sales to customers and to their own retail subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are inter-company cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or, under certain conditions, to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

In addition, the Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the Eurozone, 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, 2012 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value [a]				
	2012	2013	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	74	19	-	93	-	1	-	2	3
Put JPY	-	29	-	29	-	5	-	-	5
Put GBP	36	62	-	98	1	2	-	-	3
	110	**110**	**-**	**220**	**1**	**8**	**-**	**2**	**11**
Collars									
Written USD	358	3,652	-	4,010	5	147	-	2	154
Written JPY	17	47	-	64	1	5	-	-	6
Written Other	-	-	-	-	-	-	-	-	-
	375	**3,699**	**-**	**4,074**	**6**	**152**	**-**	**2**	**160**
Forward exchange contracts [b]									
USD	139	(25)	-	114	3	-	-	1	4
JPY	134	590	89	813	10	77	-	2	89
GBP	-	13	-	13	-	-	-	-	-
Other	41	(58)	-	(17)	1	2	-	-	3
	314	**520**	**89**	**923**	**14**	**79**	**-**	**3**	**96**
Foreign exchange swaps [b]									
USD	3,083	58	-	3,141	(2)	-	21	20	39
CHF	249	40	-	289	-	-	(3)	1	(2)
GBP	265	5	-	270	-	-	-	3	3
JPY	196	-	-	196	1	-	4	21	26
Other	330	8	-	338	-	-	14	(10)	4
	4,123	**111**	**-**	**4,234**	**(1)**	**-**	**36**	**35**	**70**
Total					**20**	**239**	**36**	**42**	**337**

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

22.5. 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 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, 2012, 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 20 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of December 31, 2012 would induce a net impact on the Group's profit for an amount of less than 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 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, 2012 have a negative market value of 4 million euros. Considering nominal values of 97 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of December 31, 2012 would induce a net impact on the Group's consolidated reserves for an amount of less than 1 million euros. These instruments mature in 2013.

23. 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 and holding companies comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

23.1. Information by business group

Fiscal year 2012

(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	4,116	9,872	3,165	2,778	7,856	316	-	28,103
Intra-Group sales	21	54	448	58	23	16	(620)	-
Total revenue	**4,137**	**9,926**	**3,613**	**2,836**	**7,879**	**332**	**(620)**	**28,103**
Profit from recurring operations	1,260	3,264	408	334	854	(164)	(35)	5,921
Other operating income and expenses	(13)	(108)	(7)	(8)	(19)	(27)	-	(182)
Impairment expense	1	81	-	-	3	16	-	101
Intangible assets and goodwill [b]	3,881	4,640	967	5,439	2,916	813	-	18,656
Property, plant and equipment	1,937	1,768	312	378	1,252	3,122	-	8,769
Inventories	4,008	1,158	339	1,213	1,421	101	(160)	8,080
Other operating assets	1,165	875	653	773	589	592	9,778 [c]	14,425
Total assets	**10,991**	**8,441**	**2,271**	**7,803**	**6,178**	**4,628**	**9,618**	**49,930**
Equity	-	-	-	-	-	-	25,666	25,666
Liabilities	1,208	1,824	1,067	693	1,791	622	17,059 [d]	24,264
Total liabilities and equity	**1,208**	**1,824**	**1,067**	**693**	**1,791**	**622**	**42,725**	**49,930**
Operating investments [e]	(182)	(579)	(196)	(136)	(332)	(277)	-	(1,702)

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
Intra-Group sales	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)
Impairment expense	-	20	-	-	5	15	-	40
Intangible assets and goodwill [(b)]	3,047	4,705	926	5,423	2,905	870	-	17,876
Property, plant and equipment	1,820	1,635	237	354	1,114	2,857	-	8,017
Inventories	3,905	1,030	337	1,118	1,181	67	(128)	7,510
Other operating assets	1,008	669	562	689	496	616	9,626 [(c)]	13,666
Total assets	**9,780**	**8,039**	**2,062**	**7,584**	**5,696**	**4,410**	**9,498**	**47,069**
Equity	-	-	-	-	-	-	23,512	23,512
Liabilities	1,259	1,708	1,019	672	1,496	662	16,741 [(d)]	23,557
Total liabilities and equity	**1,259**	**1,708**	**1,019**	**672**	**1,496**	**662**	**40,253**	**47,069**
Operating investments [(e)]	(159)	(437)	(150)	(117)	(215)	(652)	-	(1,730)

Data for fiscal year 2011 integrated 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
Intra-Group sales	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)
Impairment expense	-	21	-	-	17	16	-	54
Intangible assets and goodwill [b]	2,853	4,675	911	1,712	2,729	867	-	13,747
Property, plant and equipment	1,722	1,474	221	102	1,060	2,154	-	6,733
Inventories	3,626	770	275	403	935	70	(88)	5,991
Other operating assets	978	560	465	234	425	535	7,496 [c]	10,693
Total assets	**9,179**	**7,479**	**1,872**	**2,451**	**5,149**	**3,626**	**7,408**	**37,164**
Equity	-	-	-	-	-	-	18,204	18,204
Liabilities	1,069	1,334	971	221	1,188	641	13,536 [d]	18,960
Total liabilities and equity	**1,069**	**1,334**	**971**	**221**	**1,188**	**641**	**31,740**	**37,164**
Operating investments [e]	(83)	(370)	(104)	(36)	(196)	(187)	-	(976)

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.
As of December 31, 2012, they include the 22.6% shareholding in Hermès International, representing an amount of 5,409 million euros, see Note 8 (5,438 million euros as of December 31, 2011 and 3,345 million euros as of December 31, 2010).
(d) Liabilities not allocated include borrowings and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2012	2011	2010
France	3,107	2,866	2,725
Europe (excluding France)	5,455	4,797	4,236
United States	6,390	5,237	4,611
Japan	2,363	1,970	1,784
Asia (excluding Japan)	7,895	6,430	4,991
Other	2,893	2,359	1,973
Revenue	**28,103**	**23,659**	**20,320**

Operating investments by geographic region are as follows:

(EUR millions)	2012	2011	2010
France	648	692	406
Europe (excluding France)	290	601	216
United States	283	127	124
Japan	69	46	28
Asia (excluding Japan)	326	194	159
Other	86	70	43
Operating investments	**1,702**	**1,730**	**976**

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.

23.3. 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	926	2,374	899	630	1,823	84	(154)	6,582
Second quarter	833	2,282	828	713	1,767	99	(138)	6,384
Third quarter	1,006	2,523	898	690	1,862	66	(145)	6,900
Fourth quarter	1,372	2,747	988	803	2,427	83	(183)	8,237
Total 2012	**4,137**	**9,926**	**3,613**	**2,836**	**7,879**	**332**	**(620)**	**28,103**
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**

24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2012	2011	2010
Advertising and promotion expenses	3,277	2,711	2,267
Commercial lease expenses	1,944	1,563	1,335
Personnel costs	4,803	4,074	3,589
Research and development expenses	69	63	46

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, 2012, a total of 3,402 stores were operated by the Group worldwide (3,040 in 2011, 2,545 in 2010), 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)	2012	2011	2010
Fixed or minimum lease payments	873	675	561
Variable portion of indexed leases	408	348	292
Airport concession fees - fixed portion or minimum amount	214	223	279
Airport concession fees - variable portion	449	317	203
Commercial lease expenses	**1,944**	**1,563**	**1,335**

Personnel costs consist of the following elements:

(EUR millions)	2012	2011	2010
Salaries and social charges	4,667	3,954	3,473
Pensions, reimbursement of medical costs and similar expenses in respect of defined benefit plans	83	67	66
Stock option plan and related expenses	54	53	50
Personnel costs	**4,803**	**4,074**	**3,589**

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2012	2011	2010
Net gains (losses) on disposals of fixed assets	(4)	(4)	(36)
Restructuring costs	(28)	(40)	(32)
Remeasurement of shares purchased prior to their initial consolidation	-	22	-
Transaction costs relating to the acquisition of consolidated companies	(3)	(17)	-
Impairment or amortization of brands, trade names, goodwill and other property	(139)	(73)	(87)
Other items, net	(8)	3	3
Other operating income and expenses	**(182)**	**(109)**	**(152)**

Amounts booked as impairment or amortization in 2012 include an impairment loss of 74 million euros related to fixed property assets, with the balance comprised of amortization or impairment charges for brands and goodwill.

In 2011, the investments in Bulgari and Ile de Beauté held prior to the acquisition date of a controlling interest were revalued at market value at that date. Transaction costs essentially related to these two transactions.

In 2010, net losses on disposals mainly related to the disposals of La Brosse et Dupont and of Montaudon.

26. NET FINANCIAL INCOME (EXPENSE)

(EUR millions)	2012	2011	2010
Borrowing costs	(164)	(189)	(168)
Income from cash, cash equivalents and current available for sale financial assets	26	41	18
Fair value adjustment of borrowings and interest rate hedges	(2)	(3)	(1)
Cost of net financial debt	**(140)**	**(151)**	**(151)**
Dividends received from non-current available for sale financial assets	174	54	14
Ineffective portion of foreign currency hedges	(49)	(105)	(96)
Net gain/(loss) related to available for sale financial assets and other financial instruments	31	(11)	865
Other items - net	(30)	(29)	(20)
Other financial income and expenses	**126**	**(91)**	**763**
Net financial income (expense)	**(14)**	**(242)**	**612**

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

(EUR millions)	2012	2011	2010
Income from cash and cash equivalents	17	33	12
Interest from current available for sale financial assets	9	8	6
Income from cash, cash equivalents and current available for sales financial assets	**26**	**41**	**18**

In 2012, dividends received in respect of non-current available for sale financial assets include an exceptional dividend received from Hermès International SCA in the amount of 120 million euros (5 euros per share).

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 corresponded 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 on Paris stock exchange as of December 31, 2009.

In 2012, as well as in 2011 and 2010, excluding the Hermès transactions, the net gain/loss related to available for sale financial assets and other financial instruments is due to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets.

27. INCOME TAXES

(EUR millions)	2012	2011	2010
Current income taxes for the fiscal year	(2,039)	(1,671)	(1,501)
Current income taxes relating to previous fiscal years	20	2	(5)
Current income taxes	**(2,019)**	**(1,669)**	**(1,506)**
Change in deferred income taxes	199	158	35
Impact of changes in tax rates on deferred taxes	-	58	2
Deferred income taxes	**199**	**216**	**37**
Total tax expense per income statement	**(1,820)**	**(1,453)**	**(1,469)**
Tax on items recognized in equity	**(100)**	**(59)**	**(3)**

The effective tax rate is as follows:

(EUR millions)	2012	2011	2010
Profit before tax	5 725	4 912	4 781
Total income tax expense	(1,820)	(1,453)	(1,469)
Effective tax rate	**31.8%**	**29.6%**	**30.7%**

Total income tax expense for fiscal year 2012 includes, for an amount of 30 million euros, the impact of the exceptional contribution applicable in France from 2011 to 2014.

28. EARNINGS PER SHARE

	2012	2011	2010
Net profit, Group share *(EUR millions)*	**3,424**	**3,065**	**3,032**
Average number of shares in circulation during the fiscal year	508,041,429	498,874,042	490,124,174
Average number of treasury shares owned during the fiscal year	(8,907,786)	(10,104,756)	(13,253,254)
Average number of shares on which the calculation before dilution is based	**499,133,643**	**488,769,286**	**476,870,920**
Basic Group share of profit per share *(EUR)*	**6.86**	**6.27**	**6.36**
Average number of shares on which the above calculation is based	499,133,643	488,769,286	476,870,920
Dilution effect of stock option plans	3,096,309	3,438,206	2,868,777
Other dilution effects	-	-	-
Average number of shares in circulation after dilution	**502,229,952**	**492,207,492**	**479,739,697**
Diluted Group share of profit per share *(EUR)*	**6.82**	**6.23**	**6.32**

As of December 31, 2012, 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, 2012 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.

29. PROVISIONS FOR PENSIONS, REIMBURSEMENT OF MEDICAL COSTS AND SIMILAR COMMITMENTS

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

(EUR millions)	2012	2011	2010
Service cost	64	56	46
Interest cost	36	33	31
Expected return on plan assets	(25)	(24)	(19)
Amortization of actuarial gains and losses	9	5	6
Past service cost	1	2	2
Changes in regimes	(2)	(5)	-
Total expense for the period for defined benefit plans	**83**	**67**	**66**
Effective return on/(cost of) plan assets	**56**	**(10)**	**24**

30. OFF BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	2012	2011	2010
Grapes, wines and *eaux-de-vie*	1,012	1,019	1,139
Other purchase commitments for raw materials	80	84	67
Industrial and commercial fixed assets	205	154	168
Investments in joint venture shares and non-current available for sale financial assets	41	90	96

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

As of December 31, 2012, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	268	681	63	1,012
Other purchase commitments for raw materials	75	5	-	80
Industrial and commercial fixed assets	107	81	17	205
Investments in joint venture shares and non-current available for sale financial assets	3	9	29	41

30.2. Lease and similar contracts

In the course of its business activity, the Group signs space lease agreements and airport concession contracts. The Group also finances some of its equipment under long term operating leases.

• The fixed minimum portion of commitments in respect of such operating lease or concession contracts was as follows as of December 31, 2012:

(EUR millions)	2012	2011	2010
Less than one year	1,235	1,094	885
One to five years	3,208	2,843	2,237
More than five years	1,551	1,279	1,022
Commitments given for operating leases and concessions	**5,994**	**5,216**	**4,144**
Less than one year	15	19	20
One to five years	25	30	42
More than five years	1	1	5
Commitments received for sub-leases	**41**	**50**	**67**

• Moreover, the Group may sign operating lease agreements or concession contracts that include a variable guaranteed amount. In June 2012, DFS won three additional five-year concession contracts from Hong Kong airport. The contract provides for the payment of a variable fee whose amount is established, in particular, in reference to the number of passengers transiting through the airport. Based on an estimate of this number of passengers as of the concession contract date, the amount of the minimum fee would amount, for a full calendar year, to approximately 300 million euros.

30.3. Collateral and other guarantees

As of December 31, 2012, these commitments break down as follows:

(EUR millions)	2012	2011	2010
Securities and deposits	55	49	46
Other guarantees	101	142	78
Guarantees given	**156**	**191**	**124**
Guarantees received	**19**	**28**	**25**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	13	28	14	55
Other guarantees	64	28	9	101
Guarantees given	**77**	**56**	**23**	**156**
Guarantees received	**15**	**1**	**3**	**19**

30.4. 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.

30.5. Other commitments

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

31. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2012 and January 31, 2013, the date on which the financial statements 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)*	**2012**	**2011**
Income from subsidiaries and investments	1,951	2,603
Profit from recurring operations before tax	1,731	2,261
Exceptional income (expense)	-	-
Income taxe income (expense)	(64)	65
Net profit	1,667	2,326

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, 2011 before appropriation of 2011 net profit	**3,953**	**388**	**195**	**3,908**	**(398)**	**2,326**	**10,372**
Appropriation of 2011 net income	-	-	-	2,326	-	(2,326)	-
Dividend: final	-	-	-	(1,320)	398	-	(922)
Impact of treasury shares	-	-	-	24	-	-	24
Exercise of share subscription options	94	-	-	-	-	-	94
Retirement of LVMH shares	(47)	-	-	-	-	-	(47)
2012 interim dividend	-	-	-	-	(559)	-	(559)
Of which treasury shares	-	-	-	-	9	-	9
Net profit for the year	-	-	-	-	-	1,667	1,667
As of December 31, 2012	**4,000**	**388**	**195**	**4,938**	**(550)**	**1,667**	**10,638**

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