LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH DOCUMENT DE RÉFÉRENCE

FISCAL YEAR ENDED DECEMBER 31, 2011

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This document is a free translation into English of the original French "Document de référence", hereafter referred to as the "Reference Document". 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.

HISTORY

Although the history of the LVMH group began in 1987 with the merger of Moët Hennessy and Louis Vuitton, the roots of the Group actually stretch back much further, to eighteenth-century Champagne, when a man named Claude Moët decided to build on the work of Dom Pérignon, a contemporary of Louis XIV; and to nineteenth-century Paris, famous for its imperial celebrations, where Louis Vuitton, a craftsman trunk-maker, invented modern luggage. Today, the LVMH group is the world's leading luxury goods company, the result of successive alliances among companies that, from generation to generation, have successfully combined traditions of excellence and creative passion with a cosmopolitan flair and a spirit of conquest. These companies now form a powerful, global group in which the historic companies share their expertise with the newer brands, and continue to cultivate the art of growing while transcending time, without losing their soul or their image of distinction.

From the 16th century to the present

16th century	1593	Château d'Yquem
18th century	1729	Ruinart
	1743	Moët & Chandon
	1765	Hennessy
	1772	Veuve Clicquot
	1780	Chaumet
19th century	1815	Ardbeg
	1828	Guerlain
	1832	Château Cheval Blanc
	1843	Krug
		Glenmorangie
	1846	Loewe
	1849	Royal Van Lent
	1852	Le Bon Marché
	1854	Louis Vuitton
	1858	Mercier
	1860	TAG Heuer
	1865	Zenith
	1870	La Samaritaine
	1884	Bulgari
	1895	Berluti
20th century	1908	Les Echos
	1916	Acqua Di Parma
	1925	Fendi
	1936	Dom Pérignon
		Fred
	1942	Rossimoda
	1945	Céline
	1947	Parfums Christian Dior
		Emilio Pucci
	1951	Wen Jun
	1952	Givenchy
		Connaissance des Arts
	1957	Parfums Givenchy
	1960	DFS
		Domaine Chandon
	1963	Miami Cruiseline
	1969	Sephora
	1970	Kenzo
	1974	Investir-Le Journal des Finances
	1976	Benefit Cosmetics
	1977	Newton
		Cape Mentelle
	1980	Hublot
	1982	Radio Classique
	1984	Thomas Pink
		Marc Jacobs
		Donna Karan
		Make Up For Ever
	1985	Cloudy Bay
	1988	Kenzo Parfums
	1991	Fresh
	1993	Belvedere
	1998	Numanthia Termes
	1999	Terrazas de los Andes
		Cheval des Andes
21st century	2001	De Beers Diamond Jewellers
	2005	10 Cane

FINANCIAL HIGHLIGHTS

Key consolidated data

(EUR millions and percentage)	2011	2010	2009
Revenue	23,659	20,320	17,053
Profit from recurring operations	5,263	4,321	3,352
Net profit	3,465	3,319	1,973
Net profit, Group share	3,065	3,032	1,755
Cash from operations before changes in working capital [a]	6,137	4,848	3,928
Operating investments	1,730	976	729
Free cash flow [b]	2,177	3,073	2,205
Total equity [c]	23,512	18,204	14,785
Net financial debt [d]	4,660	2,678	2,994
Net financial debt/Total equity ratio	20%	15%	20%

(a) Before interest and tax paid.
(b) Net cash from (used in) operating activities and operating investments.
(c) Including minority interests.
(d) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 17.1 of notes to the consolidated financial statements.

Data per share

(EUR)	2011	2010	2009
Earnings per share			
Basic Group share of earnings per share	6.27	6.36	3.71
Diluted Group share of earnings per share	6.23	6.32	3.70
Dividend per share			
Interim	0.80	0.70	0.35
Final	1.80	1.40	1.30
Gross amount paid for fiscal year [e] [f]	2.60	2.10	1.65

(e) Excludes the impact of tax regulations applicable to the beneficiary.
(f) For fiscal year 2011, amount proposed at the Shareholders' Meeting of April 5, 2012.

Information by business group

(EUR millions)	2011	2010	2009
Revenue by business group			
Wines and Spirits	3,524	3,261	2,740
Fashion and Leather Goods	8,712	7,581	6,302
Perfumes and Cosmetics	3,195	3,076	2,741
Watches and Jewelry	1,949	985	764
Selective Retailing	6,436	5,378	4,533
Other activities and eliminations	(157)	39	(27)
Total	**23,659**	**20,320**	**17,053**
Profit from recurring operations by business group			
Wines and Spirits	1,101	930	760
Fashion and Leather Goods	3,075	2,555	1,986
Perfumes and Cosmetics	348	332	291
Watches and Jewelry	265	128	63
Selective Retailing	716	536	388
Other activities and eliminations	(242)	(160)	(136)
Total	**5,263**	**4,321**	**3,352**

Information by geographic region

	2011	2010	2009
Revenue by geographic region of delivery *(%)*			
France	12	13	14
Europe (excluding France)	21	21	21
United States	22	23	23
Japan	8	9	10
Asia (excluding Japan)	27	25	23
Other markets	10	9	9
Total	**100**	**100**	**100**
Revenue by invoicing currency *(%)*			
Euro	26	28	30
US dollar	27	27	27
Japanese Yen	8	9	10
Hong Kong dollar	6	6	5
Other currencies	33	30	28
Total	**100**	**100**	**100**
Number of stores			
France	390	364	353
Europe (excluding France)	883	646	620
United States	621	570	531
Japan	360	303	307
Asia (excluding Japan)	621	518	470
Other markets	165	144	142
Total	**3,040** (g)	**2,545**	**2,423**

(g) Of which 170 additional stores as a result of the integration of Bulgari and 125 as a result of the integration of Ile de Beauté (Russia).

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS AS OF DECEMBER 31, 2011

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antoine Bernheim [a]
Vice-Chairman

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Nicholas Clive Worms [a]

Charles de Croisset [a]

Diego Della Valle [a]

Albert Frère [a]

Gilles Hennessy

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Yves-Thibault de Silguy [a]

Francesco Trapani [b]

Hubert Védrine [a]

Advisory Board members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn [b]

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion and Leather Goods

Chantal Gaemperle
Human Resources, Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Patrick Ouart
Advisor to the Chairman

Daniel Piette
Investment Funds

Pierre-Yves Roussel
Fashion

Francesco Trapani
Watches and Jewelry

Mark Weber
Donna Karan, LVMH Inc.

General secretary

Marc-Antoine Jamet

Performance Audit Committee

Antoine Bernheim [a]
Chairman

Nicholas Clive Worms [a]

Gilles Hennessy

Nominations and Compensation Committee

Antoine Bernheim [a]
Chairman

Charles de Croisset [a]

Albert Frère [a]

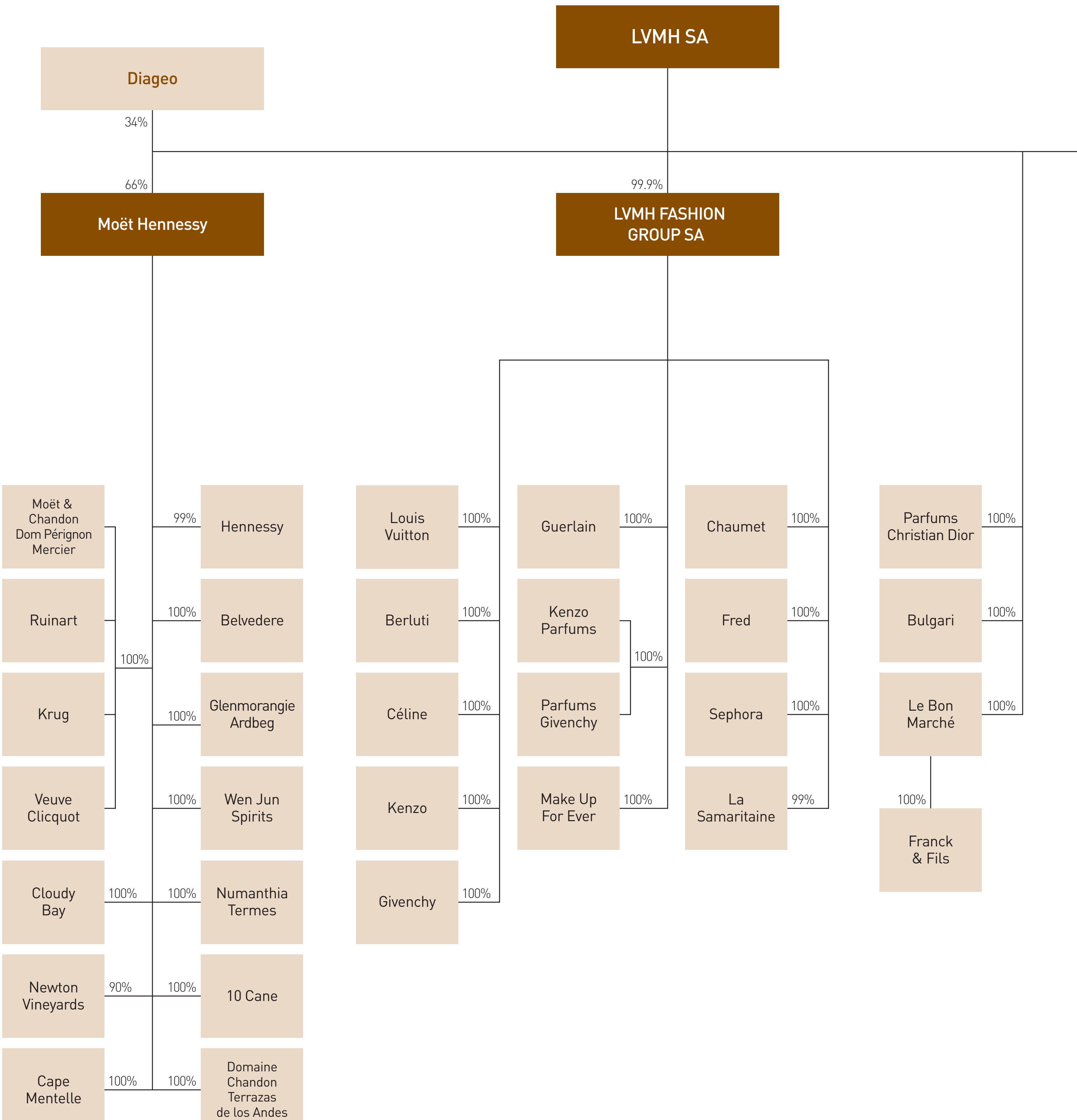
Statutory Auditors

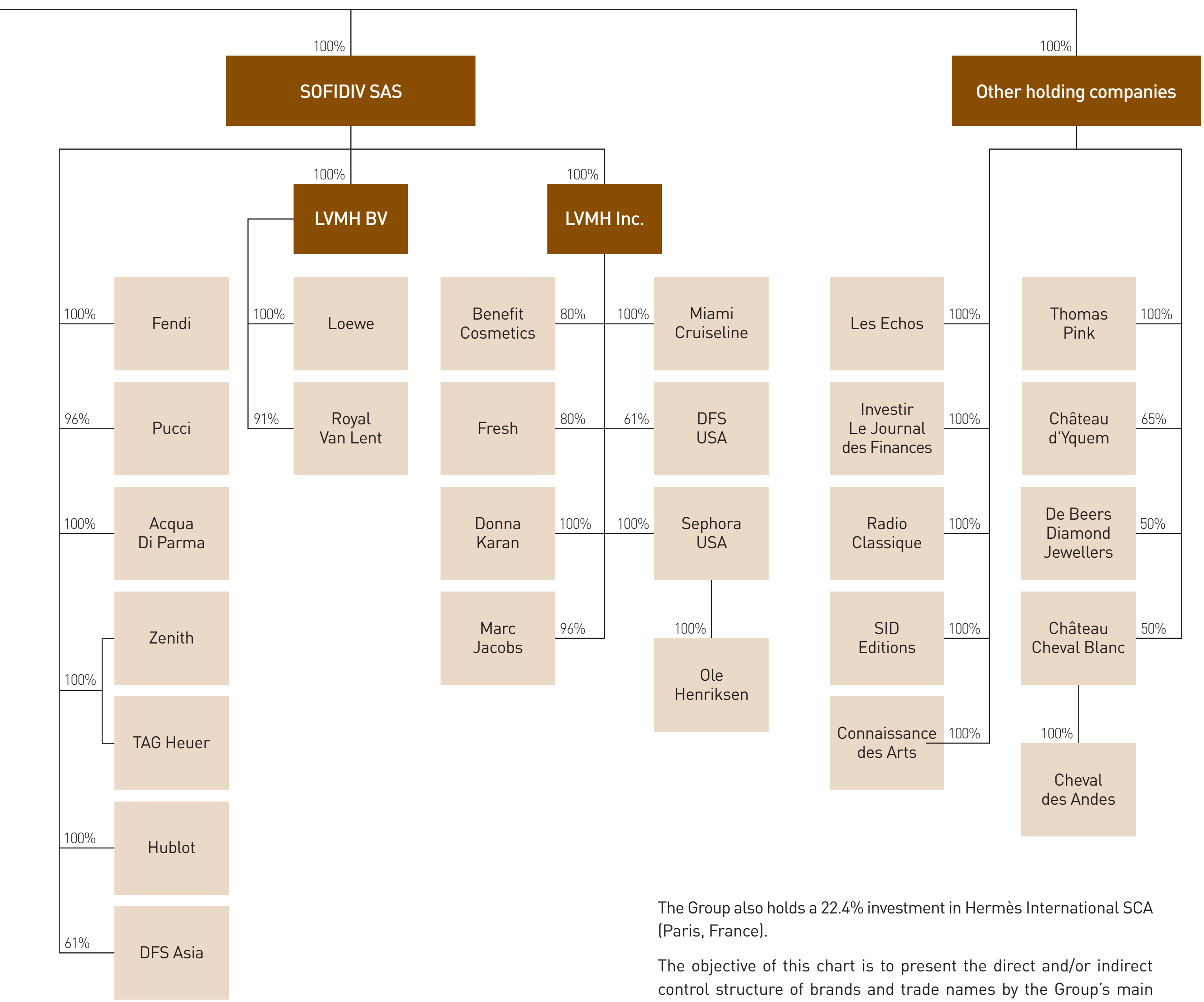
DELOITTE & ASSOCIÉS
represented by Thierry Benoit

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

(a) Independent Director.
(b) Ratification proposed at the Shareholders' Meeting of April 5, 2012.

SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF JANUARY 31, 2012





The Group also holds a 22.4% investment in Hermès International SCA (Paris, France).

The objective of this chart is to present the direct and/or indirect control structure of brands and trade names by the Group's main holding companies. It does not provide a complete presentation of all Group shareholdings.

■ Holding companies ■ Brands and trade names

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1. WINES AND SPIRITS

The activities of LVMH in the Wines and Spirits sector are divided between two branches: the Champagne and Wines branch and the Cognac and Spirits branch. The Group's strategy is focused on the high-end segments of the global wine and spirits market.

In 2011, revenue for the Wines and Spirits business group amounted to 3,524 million euros, or 15% of the LVMH group's total revenue.

1.1. Champagne and Wines

In 2011, revenue for the Champagne and Wines activities was 1,782 million euros (82% of which was attributable to champagne), representing 51% of the total revenue of the Group's Wines and Spirits business group.

1.1.1. The Champagne and Wine brands

LVMH produces and sells a very broad range of high quality champagne wines. In addition to the Champagne region, the Group develops and distributes a range of high-end still and sparkling wines from well-known wine regions: France, Spain, California, Argentina, Brazil, Australia and New Zealand.

LVMH represents the leading portfolio of champagne brands, which hold complementary market positions. **Dom Pérignon** is a prestigious vintage produced by Moët & Chandon since 1936. **Moët & Chandon** (founded in 1743), the leading wine grower and exporter of Champagne, and **Veuve Clicquot Ponsardin** (founded in 1772), which ranks second in the industry, are two quality internationally-known brands. **Mercier** (founded in 1858) is a brand designed for the French market. **Ruinart** (the oldest of the Champagne Houses, founded in 1729) has a development strategy that is carefully targeted on a number of priority markets, which are currently mainly in Europe. **Krug** (founded in 1843 and acquired by LVMH in January 1999) is a world famous brand, specializing exclusively in high-end vintages. The **Montaudon** brand, purchased at the end of 2008, was sold in December 2010.

The **Chandon** brand (created in 1960 in Argentina) includes the Moët Hennessy wines developed in California, Argentina, Brazil and Australia by Chandon Estates.

The Group also owns a number of prestigious wines from the New World: **Cape Mentelle** and **Green Point** in Australia, **Cloudy Bay** in New Zealand, and **Newton** in California.

Château d'Yquem, which joined LVMH in 1999, is the most prestigious of the Sauternes. It owes its excellent international reputation to its 110 hectare vineyard located on a mosaic of exceptional soils and to the extreme care taken in its preparation throughout the year.

In 2008, LVMH acquired the Spanish wine company **Numanthia Termes**, founded in 1998 and located at the heart of the Toro region.

In 2009, LVMH proceeded with the acquisition of a 50% stake in the prestigious winery **Château Cheval Blanc**, *Premier Grand Cru classé "A"* Saint-Emilion. Château Cheval Blanc owns a 37 hectare domain within the Saint-Emilion appellation. The strictest respect for the purest traditions of winemaking characterizing the Bordeaux *grand crus*, a terroir of superior quality, and an atypical blend of grape varietals give its wines their exceptional balance and unique personality. This acquisition was consolidated for the first time on a proportional basis with effect from August 2009.

1.1.2. Competitive position

In 2011, shipments of LVMH champagne brands increased in volume by 6% while shipments from the Champagne region were up 1%. Thus, the market share of the LVMH brands was 18.3% of the total shipments from the region, compared to 17.5% in 2010 (16.7% excluding Montaudon) (source: CIVC).

The breakdown of Champagne shipments by region is as follows:

(in millions of bottles and percentage)	2011			2010			2009		
	Volumes		Market share	Volumes		Market share	Volumes		Market share
	Region	LVMH	*(%)*	Region	LVMH	*(%)*	Region	LVMH	*(%)*
France	181.6	10.6	5.8	185.0	12.6	6.8	180.8	11.1	6.1
Export	141.4	48.4	34.2	134.5	43.2	32.1	112.6	35.4	31.4
Total	**323.0**	**59.0**	**18.3**	**319.5**	**55.8**	**17.5**	**293.3**	**46.5**	**15.8**

(Source: Comité Interprofessionnel des Vins de Champagne – CIVC).

The geographic breakdown of LVMH champagne sales in 2011 is as follows (as a percentage of total sales expressed in number of bottles):

(in percentage)	2011	2010	2009
Germany	5	5	5
United Kingdom	10	10	11
United States	19	18	17
Italy	5	5	6
Switzerland	2	2	2
Japan	6	6	6
Other export	35	32	30
Total export	**82**	**78**	**77**
France	18	22	23
Total	**100**	**100**	**100**

The decline in the contribution of France is principally due to the disposal of Montaudon at the end of 2010. In 2010, sales volumes in France excluding Montaudon accounted for 19% of worldwide volumes for all champagne brands, as against 22% including Montaudon.

1.1.3. The champagne production method

The name Champagne covers a defined area classified A.O.C. (*Appellation d'Origine Contrôlée*), which covers the 34,000 hectares that can be legally used for production. Only three types of grape varietals are authorized for the production of champagne: chardonnay, pinot noir and pinot meunier. The preparation method used for wines produced outside the Champagne region, but using the winemaking techniques used for champagne, is called the "champenoise method."

In addition to its effervescence, the primary characteristic of champagne is that it is the result of blending wines from different years and/or different varieties and land plots. The best brands are distinguished by their masterful blend and constant quality which is achieved thanks to the talent of their wine experts.

Weather conditions significantly influence the grape harvest from one year to the next. The production of champagne also requires aging in cellars for two years or more for the "premium" vintages, which are the vintages sold at more than 110% of the average sale price. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure constant quality over the years, the LVMH Champagne Houses constantly adjust the quantities available for sale and keep reserve wines in stock. Since a lower harvest can impact sales for two or three years, or more, LVMH constantly maintains significant champagne inventories in its cellars. As of December 31, 2011 these inventories represented approximately 266 million bottles, the equivalent of 4.3 years of sales; in addition, there are also 13 million equivalent bottles of quality reserve held from sale.

1.1.4. Grape supply sources and subcontracting

The Group owns 1,697 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, the Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 15% of total supplies for the Group's brands. Until 1996, a theoretical price was published by the industry; to this were added specific premiums negotiated individually between wine growers and merchants. Following the signing of an initial four-year agreement in 1996, another industry agreement had been signed in the spring of 2000 covering the four harvests from 2000 to 2003, which had confirmed the aim of limiting upward or downward fluctuations in grape prices. A new industry agreement was then concluded in the spring of 2004 between the Champagne producers and the region's grape suppliers covering the five harvests from 2004 to 2009. This agreement was renewed in 2009 before its expiry date, setting the framework for negotiations relating to harvests from 2009 to 2013. Each individual agreement must now include an indexation clause for grape prices. The recommended benchmark is the average sales price of a bottle of champagne, which ensures better value distribution for the market participants and more control over grape price speculation.

For about ten years, wine growers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain security for future years with smaller harvests.

For the 2011 harvest, the *Institut National des Appellations d'Origine* (INAO, the French organization responsible for regulating controlled place names) set the maximum yield for the Champagne appellation at 10,500 kg/ha. This maximum yield represents the maximum harvest level that can be made into wine and sold under the Champagne appellation. In 2006, the INAO redefined the legal framework for the abovementioned stockpiled reserves. It is now possible to harvest grapes beyond the marketable yield within the limits of a ceiling called "*plafond limite de classement* (PLC)", the highest permitted yield-per-hectare. This ceiling is determined every year within the limits of the maximum total yield now set at 13,600 kg/ha for the 2011 harvest. Grapes harvested over and above the marketable yield are stockpiled in reserve, kept in vats and used to complement poorer harvests. The maximum level of this stockpiled reserve is set at 10,000 kg/ha.

The price paid for each kilogram of grapes in the 2011 harvest ranged between 5.00 euros and 5.90 euros depending on the vineyard, a 4% increase compared to 2010.

Dry materials (bottles, corks, etc.) and all other elements representing containers or packaging are purchased from non-Group suppliers.

The Champagne Houses used subcontractors primarily for bottle handling and storing operations; these operations represented approximately 16 million euros.

1.2. Cognac and Spirits

In 2011, revenue for the Cognac and Spirits segment totaled 1,742 million euros, or 49% of the total revenue for the Wines and Spirits business group.

1.2.1. Cognac and Spirits brands

LVMH holds the most powerful brand in the cognac sector with **Hennessy**. The company was founded by Richard Hennessy in 1765. Historically, the leading markets for the brand were Ireland and Great Britain, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments as early as 1925. The brand became the world cognac leader in 1890. Hennessy created X.O (Extra Old) in 1870 and, since then, has developed a line of high-end cognac that has made its reputation.

In 2002, LVMH acquired 40% of Millennium, a producer and distributor of high-end vodka under the brand names **Belvedere** and **Chopin**; at year-end 2004, LVMH held 70%, and the remaining 30% of the capital was acquired in 2005. Millennium was founded in 1994 to bring to the American market a luxury vodka for connoisseurs. In 1996, Belvedere and Chopin were introduced in this market. The Polmos Zyrardow distillery in Poland, which develops the luxury vodka Belvedere, was founded in 1910 and purchased by Millennium in 2001, when it was privatized. There is no relationship between the Belvedere brand owned by LVMH and Belvédère, the French spirits group. In 1999, the company decided to develop flavored vodkas. In 2007, as a result of an agreement with Belvedere Winery, Moët Hennessy acquired the brand and Belvedere domain name in the United States, thus becoming the owner of this luxury vodka brand worldwide. The distribution rights for the Chopin brand were sold in 2010.

LVMH acquired Glenmorangie in 2005. The Glenmorangie group holds the single malt whisky brands **Glenmorangie** and **Ardbeg**. The Glen Moray distillery, previously owned by Glenmorangie, was sold in 2008.

In the spring of 2005, LVMH launched a handcrafted luxury rum in the American market, under the **10 Cane** brand, which reflects the expertise of the Group at every stage of production.

In May 2007, the Group acquired 55% of the share capital of Wen Jun Spirits and **Wen Jun Spirits** Sales, which produce and distribute baijiu (white liquor) in China.

1.2.2. Competitive position

In 2011, the volumes shipped from the Cognac region were up 7% from 2010, while the volumes of Hennessy shipped increased by 3%. The market share of Hennessy was 41.1%, compared to 42.5% in 2010 (source: *Bureau National Interprofessionnel du Cognac* – BNIC). The company is the world leader in cognac, with particularly strong positions in the United States and Asia.

The leading geographic markets for cognac, both for the industry and for LVMH, on the basis of shipments in number of bottles, excluding bulk, are as follows:

(in millions of bottles and percentage)	2011			2010 [a]			2009		
	Volume		Market share	Volume		Market share	Volume		Market share
	Region	LVMH	*(%)*	Region	LVMH	*(%)*	Region	LVMH	*(%)*
France	4.0	0.3	6.7	4.2	0.3	6.4	2.9	0.2	7.5
Europe (excluding France)	39.1	8.6	22.1	38.4	9.0	23.4	33.5	7.3	21.8
United States	48.2	27.9	57.9	46.4	27.3	59.0	43.0	27.1	63.0
Japan	1.2	0.7	59.0	1.4	0.7	52.8	1.8	1.2	63.2
Asia (excluding Japan)	57.5	23.1	40.2	50.0	21.8	43.5	37.0	14.6	39.5
Other markets	7.6	4.2	55.7	7.3	3.6	50.8	5.6	2.6	47.3
Total	**157.6**	**64.8**	**41.1**	**147.5**	**62.7**	**42.5**	**123.8**	**53.0**	**42.8**

(a) Figures provided for shipments in 2010 have been corrected to reflect definitive statistics and for this reason may no longer correspond to the volumes indicated in the 2010 reference document.
(Source: *Bureau National Interprofessionnel du Cognac* – BNIC)

The geographic breakdown of LVMH cognac sales, as a percentage of total sales expressed in number of bottles, is as follows:

(in percentage)	2011	2010	2009
United States	43	44	51
Japan	1	1	2
Asia (excluding Japan)	36	35	27
Europe (excluding France)	13	14	14
Other export	7	6	6
Total export	100	100	100
France	-	-	-
Total	100	100	100

1.2.3. The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 75,000 hectares, consists almost exclusively of the white ugni varietal which yields a wine that produces the best *eaux-de-vie*.

This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its *eaux-de-vie* from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages, a first distillation (*première chauffe*) and a second distillation (*seconde chauffe*). The *eaux-de-vie* obtained are aged in oak barrels. An eau-de-vie at full maturity is not necessarily a good cognac. Cognac results from the gradual blending of *eaux-de-vie* selected on the basis of vintage, origin and age.

1.2.4. Supply sources for wines and cognac *eaux-de-vie* and subcontracting

Hennessy owns 177 hectares. The Group's vineyard has remained virtually stable since 2000, after 60 hectares of vines were cleared in 1999 as part of the industry plan implemented in 1998. The objective of the plan was to reduce the production area through premiums offered for clearing and assistance given to wine growers to encourage them to produce wines other than those used in the preparation of cognac.

Most of the wines and *eaux-de-vie* that Hennessy needs for its production are purchased from a network of approximately 2,500 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved. Purchase prices for wine and *eaux-de-vie* are established between the company and each producer based on supply and demand. In 2011, the price of wines from the harvest increased by 5% compared to the 2010 harvest.

With an optimal inventory of *eaux-de-vie*, the Group can manage the impact of price changes by adjusting its purchases from year to year.

Hennessy continued to control its purchase commitments for the year's harvest, and diversify its partnerships to prepare its future growth in various qualities.

Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers.

Hennessy makes only very limited use of subcontractors for its core business.

1.2.5. The vodka production method, supply sources and subcontracting

Vodka can be obtained from the distillation of various grains or potatoes. Belvedere vodka is the result of the quadruple distillation of Polish rye. The distillery that prepares Belvedere, owned by Millennium, performs three of these distillations itself in Zyrardow, Poland. It uses water purified using a special process that yields a vodka with a unique taste.

Belvedere flavored vodkas are obtained by macerating fruits in a pure vodka prepared using the same process as the one used for non-flavored vodka, and distillation takes place in a Charente-type still.

Overall, Millennium's top raw *eaux-de-vie* supplier represents less than 25% of the company's supplies.

1.2.6. The whisky production method

The legal definition of Scotch Whisky states that the spirit must be produced at a distillery in Scotland from water and malted barley to which other cereals may be added, fermented by yeast, distilled and matured in Scotland in oak casks with a volume of less than 700 liters for a minimum of three years. Single Malt Scotch Whisky is the product of one single distillery. Blended Scotch Whisky is made by mixing malt and grain whiskies together.

According to the rules for producing malt whisky, the malt is first ground, which produces a mixture of flour and husks called grist. This product is then mixed with hot water in large wooden tubes called wash tuns in order to extract the sugars from the malted barley. The resulting sugary liquid, known as worsts, is transferred to a fermentation vessel or wash back and yeast is added to allow fermentation to occur and alcohol to be created. This alcoholic liquid, known as wash, then undergoes a double distillation in copper pot stills, known as wash and spirit stills. Every distillery's stills are unique in shape and size and have a huge impact on flavor. Glenmorangie's stills are the highest in Scotland at 5.14 meters and allow only the lightest vapors to ascend and condense. The spirit still at Ardbeg has a unique spirit purifier.

This newly made spirit is filled into oak ex-bourbon barrels and matured in a distillery warehouse for at least three years. Maturation is a very critical part of the production process providing the whiskies' color and additional flavors. Glenmorangie and Ardbeg are normally matured for a minimum of 10 years in very high quality casks.

1.2.7. The 10 Cane rum production method

The rum category is not highly regulated. With the exception of “Agricultural Rums”, there is no *Appellation Contrôlée*. It is, however, possible to distinguish two groups based on the method of processing sugar cane: rums made from molasses, a by-product of the sugar refinement process, and rums prepared from a wine with a very diluted cane juice base as is the case in the French Antilles, for example.

The 10 Cane distillery on the island of Trinidad only uses the juice from the first pressing, and everything else is rejected. After the gradual fermentation of the pure undiluted cane juice, the distillery uses an ancestral and expressive distillation method. Double distillation in Charente stills highlights the qualities of the cane wine and, ultimately, the rum. After distillation, maturation can begin in aged oak barrels from the French Limousin region that are lightly toasted.

For the installation of its production facility, the 10 Cane distillery partnered with Angostura Trinidad Distillers, which has been present on the island for several generations. However, 10 Cane retains control in the most sensitive areas.

1.2.8. Production method for Wen Jun spirits

Wen Jun is one of the oldest and most celebrated luxury spirit producers in China. The spirits produced by Wen Jun are white liquors of the “Nong” (aromatic) style, the most popular in the country. They are produced from spring water and various grains, primarily wheat, rice, sorghum, maize and glutinous rice.

The fermentation process is carried out in a pit dug into the ground, measuring three meters on each side and in depth, whose walls are covered with a special putty mixture containing particular enzymes and bacteria beneficial to flavor development. The grains are sealed into the pit with a fermenting agent for about 70 days prior to distilling. The product obtained at the end of the distillation process is then aged for a year in ceramic jars large enough to hold 1,100 liters of the liquid. At the end of this aging process, the product is finally blended and bottled. The fermentation quality of Chinese white spirits is closely linked to the temperature, moisture and alkalinity conditions of the local environment. Sichuan, where the Wen Jun distillery has been located since the 16th century (Ming dynasty) is considered as an ideal environment for the production of “Nong” white liquors.

1.3. Wines and Spirits distribution

LVMH’s Wines and Spirits are distributed to the world’s major markets primarily through a network of international subsidiaries, some of which are joint ventures with the spirits group Diageo plc. In 2011, 28% of champagne and cognac sales were made through this channel.

Diageo also has a 34% stake in Moët Hennessy which is the holding company of the LVMH group’s Wines and Spirits businesses.

Since 1987, LVMH and Guinness (prior to the creation of Diageo) have signed agreements leading to the creation of joint ventures for the distribution of their top brands, including MHD in France and Schieffelin & Somerset in the United States. This joint network strengthens the positions of the two groups, improves distribution control, enhances customer service, and increases profitability by sharing distribution costs.

At the end of 2004, LVMH and Diageo announced they were separating their distribution business in the United States, run within the joint venture Schieffelin & Somerset; this agreement does not change the distribution of the products of the two groups to joint distributors, implemented on this market since 2002. Following this agreement, LVMH announced early in 2005 the creation of Moët Hennessy USA, which now markets all the LVMH brands of Wines and Spirits in the United States.

In 2010, LVMH and Diageo reorganized their product distribution channels in Japan. Moët Hennessy refocused on the distribution of its own brands of champagnes and spirits together with some of Diageo’s ultra-premium spirits brands, while the distribution of Diageo’s premium brands was transferred to a joint venture between Kirin and Diageo.

Until 2011, a joint venture between LVMH and Whitehall was responsible for the distribution of the Group’s Wines and Spirits brands in Russia. In 2011, LVMH bought out Whitehall’s stake in the joint venture and established a wholly owned subsidiary to take charge of this distribution.

2. FASHION AND LEATHER GOODS

The Fashion and Leather Goods business group includes Louis Vuitton, the world's leading luxury brand, Donna Karan, Fendi, Loewe, Céline, Kenzo, Marc Jacobs, Givenchy, Thomas Pink, Pucci, Berluti and Rossimoda. This exceptional group of brands, born in Europe and the United States, has 1,246 stores around the world. While respecting the identity and creative positioning of each of its brands, LVMH supports their development by providing shared resources.

In 2011, the Fashion and Leather Goods business group posted revenue of 8,712 million euros, representing 37% of the total revenue of LVMH.

2.1. The brands of the Fashion and Leather Goods business group

In the luxury Fashion and Leather Goods sector, LVMH holds a group of brands that are primarily French, but also include Spanish, Italian, British and American companies.

Louis Vuitton Malletier (founded in 1854), the star brand of this business group, first focused its development around the art of traveling, creating trunks, rigid or flexible luggage items, innovative, practical and elegant bags and accessories, before expanding its territory and its expertise in other areas of expression. For over 150 years, its product line has continuously expanded with new travel or city models and with new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and, since 1998, has offered its international customers a full range of products: leather goods, ready-to-wear for men and women, shoes and accessories. Since 2002, the brand has also been present in the watch segment; Louis Vuitton launched its first line of jewelry in 2004 and its first eyewear collection in 2005.

The principal leather goods lines of Louis Vuitton are:

- the *Monogram* line, a historical canvas created in 1896, also available in *Monogram Vernis*, *Idylle*, *Monogram Multicolore* and *Monogram Denim*;
- the *Damier* line in three colors, ebony, blue azur and *Damier Graphite* for men, launched in 2008;
- the *Cuir Epi* line, offered in several colors;
- the *Taiga* line for men in four colors.

Monogram Empreinte, an embossed line in soft and pliable leather, was launched in 2010.

Fendi, founded in Rome in 1925, is one of the flagship brands of Italian fashion. Particularly well-known for its skill and creativity in furs, the brand is also present in leather goods, accessories and ready-to-wear fashion.

Donna Karan was founded in New York in 1984. Its ready-to-wear lines, the luxury *Collection* line, and *DKNY*, a more casual clothing line, meet the needs of a very modern and international lifestyle.

Loewe, the Spanish company created in 1846 and acquired by LVMH in 1996, originally specialized in very high quality leather work. Today it is present in leather goods and ready-to-wear. The Loewe perfumes are included in the Perfumes and Cosmetics business group.

Marc Jacobs, created in New York in 1984, is the brand name of Louis Vuitton's eponymous creative director, and is expanding rapidly in fashion for men and women; LVMH has been in charge of the distribution of its products since 1997.

Céline, founded in 1945 and owned by LVMH since 1996, is developing a ready-to-wear line, leather goods, shoes and accessories.

Kenzo, formed in 1970, joined the LVMH group in 1993. Today, the company operates in the areas of ready-to-wear for men and women, fashion accessories, leather goods and home furnishings. Its perfume business is part of the Perfumes and Cosmetics business group.

Givenchy, founded in 1952 by Hubert de Givenchy, a company rooted in a tradition of excellence in *haute couture*, is also known for its collections of men and women's ready-to-wear and its fashion accessories. The Givenchy perfumes are included in the LVMH Perfumes and Cosmetics business group.

Thomas Pink, a brand formed in 1984, is a recognized specialist in high-end shirts in England. Since joining the LVMH group in 1999, the brand has been accelerating its international growth.

Emilio Pucci, an Italian brand founded in 1947, is a symbol of casual fashion in luxury ready-to-wear, a synonym of escape and refined leisure. Emilio Pucci joined LVMH in February 2000.

Berluti, an artisan bootmaker established in 1895 and held by LVMH since 1993, designs and markets very high quality men's shoes, a line of leather goods, now enriched with a line of ready-to-wear for men.

Rossimoda, an Italian company founded in 1942, which joined the Group in 2003, specializes in the manufacturing and distribution of licensed luxury women's footwear.

2.2. Design

Whether they belong to the world of *haute couture* or luxury fashion, the LVMH brands have founded their success first and foremost on the quality, authenticity and originality of their designs that must be renewed with each season and each collection. Thus, a strategic priority is to strengthen the design teams, ensure the collaboration of the best designers, and adapt their talent to the spirit of each brand.

LVMH believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its companies. Marc Jacobs has designed the Louis Vuitton ready-to-wear collections since 1998, supervises the creation of shoes and is successfully recreating the great classics of the brand in leather goods. Karl Lagerfeld is in charge of the creation of Fendi's ready-to-wear line for women, Silvia Fendi being in charge of accessories and men's ready-to-wear collections. Phoebe Philo was appointed as Céline's new creative director in 2008. The fashion designer Riccardo Tisci, who has been the creative director of Givenchy Femme's *haute couture*, ready-to-wear and accessories lines since 2005, was given responsibility for the brand's ready-to-wear line for men in 2008 as well. Stuart Vevers is Loewe's creative director. In 2011, Humberto Leon and Carol Lim were appointed as creative directors for all of the Kenzo collections. Donna Karan continues to create the lines of the company that bears her name. In 2008, Peter Dundas was named as Emilio Pucci's creative director. Olga Berluti, the heiress of the expertise built up by her predecessors, is perpetuating the unique style and quality of Berluti shoes. In 2011, Alessandro Sartori was appointed as the brand's new creative director to launch its first men's ready-to-wear collection.

2.3. Distribution

Controlling the distribution of its products is a core strategic vector for LVMH, particularly in luxury Fashion and Leather Goods. This control allows the Group to benefit from distribution margins, and guarantees strict control of the brand image, sales reception and environment that the brands require. It also gives the Group closer contacts with its customers so that it can better anticipate their expectations.

In order to meet these objectives, LVMH created the first international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included 1,246 stores as of December 31, 2011.

2.4. Supply sources and subcontracting

In Fashion and Leather Goods, manufacturing capacities and the use of subcontracting vary significantly, depending on the brand.

The seventeen leather goods manufacturing shops of Louis Vuitton Malletier, twelve in France, three in Spain and two in the United States, provide most of the brand's production. All development and production processes for Louis Vuitton's entire footwear line are handled at its site in Fiesso d'Artico, Italy. Louis Vuitton uses third parties only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Fendi and Loewe also have leather workshops in their country of origin and in Italy for Céline, which cover only a portion of their production needs. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the country of origin of the brand: France, Italy and Spain.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 45% of the cost of sales in 2011.

Louis Vuitton Malletier depends on outside suppliers for most of the leather and raw materials used in manufacturing its products. Even though a significant percentage of the raw materials is purchased from a fairly small number of suppliers, Louis Vuitton believes that these supplies could be obtained from other sources, if necessary. In 2004, recourse to a balanced portfolio of suppliers also limited dependence on specific suppliers. After a diversification program launched in 1998 to Norway and Spain, the portfolio of suppliers was expanded to include Italy in 2000. In 2009, as part of a continued effort to bolster this strategic supply source, Louis Vuitton formed a joint venture with Tannerie Masure, which has been providing the company with premium-quality leathers for many years. This partnership resulted in the creation of Tanneries de la Comète, where hides are tanned exclusively for Louis Vuitton using vegetal extracts. The acquisition of Heng Long, a top-tier exotic leather tannery in 2011 also contributes to the securitization of access to strategic supplies. For Louis Vuitton, the leading supplier of hides and leathers represents about 23% of its total supplies of these products.

Fendi is in a similar situation, except for some exotic leathers for which suppliers are rare.

Finally, for the various Houses, the fabric suppliers are often Italian, but on a non-exclusive basis.

The designers and style departments of each House ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

3. PERFUMES AND COSMETICS

LVMH is present in the perfume and cosmetics sector through its major French Houses Christian Dior, Guerlain, Givenchy and Kenzo. In addition to these world-renowned brands, this business group also includes Benefit Cosmetics and Fresh, two young, high-growth American cosmetics companies, the prestigious Italian brand Acqua di Parma, Parfums Loewe, the Spanish brand with strong positions in its domestic market, and Make Up For Ever, a French company initially specializing in professional make-up products. Fendi perfumes, launched recently, are also part of this business group.

The presence of a broad spectrum of brands within the business group generates synergies and represents a market force. The volume effect means that advertising space can be purchased at better prices and better locations can be negotiated in department stores. In research and development, the group brands have pooled their resources since 1997 with a joint center in Saint-Jean de Braye (France), at the industrial site of Parfums Christian Dior. The use of shared services by subsidiaries increases the effectiveness of support functions for worldwide distribution and facilitates the expansion of the newest brands. These economies of scale permit larger investments in design and advertising, two key factors for success in the Perfumes and Cosmetics business sector.

With the exception of the products and services of the La Brosse et Dupont group, which was sold in 2010, the LVMH Perfumes and Cosmetics brands are sold in so-called "selective retailing" circuits (as opposed to general retailing and drugstores).

In 2011, the Perfumes and Cosmetics business group posted revenue of 3,195 million euros, representing 13% of LVMH's total revenue.

3.1. The brands of the Perfumes and Cosmetics business group

Parfums Christian Dior was born in 1947, the same year as the fashion house Christian Dior, with the introduction of the *Miss Dior* perfume. While developing its lines of fragrances for men and women over the years, Parfums Christian Dior expanded its activity to the make-up sector in 1955, and to skincare products in 1973. Today, Parfums Christian Dior allocates 1.7% of its revenue to research and is on the cutting edge in innovation.

The leading perfumes for women are: *J'adore*, *Miss Dior*, *Poison* and *Dior Addict*. In 2008, Parfums Christian Dior inaugurated the *Escales* collection. *Eau Sauvage*, *Fahrenheit*, *Dune pour Homme*, *Dior Homme*, *Dior Homme Sport* and *Fahrenheit Absolute*, created in 2009, are the best known fragrances for men.

Dior's top cosmetics lines are: *Capture*, *Diorsnow*, *Hydralife*, *L'Or de Vie*, and *Prestige*, launched in 2011, for skincare products, and *Dior Addict*, *Diorskin*, *Backstage*, *Rouge Dior* and *Diorshow* for make-up.

Guerlain, founded in 1828 by Pierre François Pascal Guerlain, has created more than 700 perfumes since its inception. The brand has an exceptional image in the perfume universe and many of its creations have enjoyed remarkable longevity. Today it is also known for its make-up and skincare lines.

Jicky, *L'Heure Bleue*, *Mitsouko*, *Shalimar*, *Samsara*, *Aqua Allegoria*, *L'Instant de Guerlain*, *Insolence* and *Idylle*, created in 2009, for women, *Habit Rouge*, *Vetiver*, *L'Instant de Guerlain pour Homme*, and *Guerlain Homme*, for men, are the top brand ambassadors.

Guerlain's leading cosmetics lines are *Success* and *Orchidée Impériale* for skincare products, and *Terracotta*, *Lingerie de peau* and *KissKiss* for make-up. A new skincare line, *Abeille Royale*, was launched in 2010.

Parfums Givenchy, founded in 1957, rounds out its presence in the world of fragrances for men and women with *Amarige*, *Organza*, *Very Irresistible Givenchy*, *Ange ou Demon*, *Play for her*, launched in 2010, and *Dahlia Noir*, launched in 2011, as well as *Givenchy pour Homme*, *Very Irresistible pour Homme*, and *Play* with its activity in cosmetics through the Givenchy skincare products and the make-up line *Givenchy Le Makeup*.

Parfums Kenzo appeared in 1988, and recorded strong growth after the success of *FlowerbyKenzo*, launched in 2000. The brand began to diversify its activities in the "well-being" segment by launching the *KenzoKi* line the following year. The following years marked the launch of the women's perfume *KenzoAmour*, the men's fragrance *KenzoPower*, followed by *KenzoHomme eau de toilette boisée* in 2010 and, in 2011 by *Eau de Parfum Madly Kenzo*.

Benefit Cosmetics (created in 1976 in San Francisco and acquired by LVMH at the end of 1999) owes its rapid success to the high quality of its beauty and make-up products, which convey a true sense of pleasure and are enhanced by the playful aspect of the product names and packaging. Aside from the sales of its 36 exclusive boutiques across the world (California, Chicago, New York, United Kingdom, Hong Kong, China and Sydney), the brand is currently distributed in over 2,000 points of sale in 29 countries across the world.

Fresh (created in 1991 and acquired by LVMH in September 2000) initially built its reputation on creating body care products inspired by ancestral beauty recipes and entirely natural and high quality fragrances, before expanding its concept to make-up and hair care products.

Loewe introduced its first perfume in 1972. A major player in Spain, the brand is also developing its international business, primarily in Russia, the Middle East and Latin America.

Make Up For Ever (created in 1984) joined LVMH in November 1999. The brand specializes in professional make-up and its applications for consumers. Its products are distributed in exclusive boutiques in Paris and New York and in a number of selective retailing circuits, particularly in France, Europe, the United States (markets developed in partnership with Sephora), and also in China, South Korea and the Middle East.

Acqua di Parma, founded in 1916 in Parma, is a luxury perfume brand and a symbol of Italian high fashion. The brand specializes in perfumes and skincare and has diversified its product line to include home scents and linens. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including a brand store in Milan.

The **La Brosse et Dupont** group is the French leader in hygiene and beauty product retailing. It was acquired by LVMH at the end of 1998 and sold in September 2010.

3.2. Research in Perfumes and Cosmetics in 2011

LVMH's strategy for its Perfumes and Cosmetics business group is based on constant innovation. By setting up the GIE ("*Groupement d'Intérêt Économique*") LVMH Recherche, a consortium that functions as the umbrella organization for the research entities working for each of its brands, the Group has been able to leverage key synergies over the last several years in the quest for, and development of, new formulations for cosmetic products and in the monitoring of regulatory changes, in support of marketing efforts by all of these brands around the world. More than 270 scientists, researchers, chemists, biologists, physicians and pharmacists thus work side-by-side at laboratories in France in Saint-Jean de Braye, near Orleans at the heart of the competitiveness cluster known as Cosmetic Valley. In 2011, the research entity for the US cosmetics brand Fresh became the newest member of the LVMH Recherche consortium. Working in close collaboration with the marketing teams of the brands, dedicated product development teams research possible avenues for new or improved skincare, make-up and perfume products to be marketed by Parfums Christian Dior, Guerlain, Parfums Givenchy and Fresh. The laboratories also support product developments for other Group companies, including Benefit, Make Up For Ever, Parfums Kenzo, Acqua di Parma, Nude, Fendi, Pucci and Loewe, and generally provide regulatory coordination for all products of all LVMH brands involved in perfumes or cosmetics.

By centralizing its resources and its increasingly technical and specialized expertise, LVMH Recherche is able to conduct research and development projects benefiting all of the Group's brands, in association with many French and international partners. Furthermore, in a period marked by profound changes in regulatory constraints relating to raw materials and varying registration requirements for products around the world, LVMH Recherche draws on its contacts and its participation in various international regulatory organizations and bodies to bring to bear the full measure of its expertise in areas such as product safety as well as the representation and defense of the Group's strategic interests.

LVMH Recherche is France's second-largest research center in the field of perfumes and cosmetics. In 2011, the center's research and development teams continued their work in key areas of expertise in relation to the Group's products: performance, sensual appeal, pleasure, quality, safety and customer satisfaction. New consumer surveys have served to guide and reinforce the process of innovation so as to develop tomorrow's leading cosmetics products. In order to streamline processes, research platforms have been established to focus on new active ingredients, the modeling of cell and tissue growth, imaging techniques, and techniques aimed at detecting biological activity, thanks to which LVMH Recherche was able to make the best and most effective use of ingredients under development. Among the major advances worth noting are greater diversification in the search for new plant or bee products and the development of new models for the study of their biological activity. Recent projects have involved the fields of tissue repair, anti-wrinkle and firming technologies, anti-aging systems (hormesis, longevity), and innovations relating to galenical preparations, with the development of new, and transforming, textures. Novel approaches to anti-aging defense mechanisms, moisturization, the correction of uneven pigmentation, and light-capturing formulas have been incorporated in launches of moisturizing and whitening products by the Group's different brands. These products, which also improve the radiance and transparency of skin tone, are meeting with great success in Asia, where highly competitive cosmetics markets exhibit an increasing propensity for cutting-edge developments and technology.

Orchidarium, the international platform for orchid research, was the focus of considerable interest and has continued its numerous research efforts for the development of Guerlain's *Orchidée Impériale* line. The "Jardin de Granville" rose, a new variety that has garnered several medals in horticultural competitions, created in collaboration with Roseraie André Eve, has resulted in the development of new active ingredients that are key components in the formulation for Parfums Christian Dior's *Prestige* line. In addition, an in-depth study using Raman spectroscopy has enabled researchers to closely monitor the moisture level of dry skin as well as the constituents of natural moisturizing factors. New methods for analyzing the breakdown and shifting of volumes due to age, stress or fatigue are improving the understanding of these phenomena, resulting in the development of more effective anti-aging products. The establishment of a collaborative photo library is allowing LVMH to consolidate its existing collection of scientific images so that it may be put to good use by the Group's brands. Given the diversity and complexity of research and development efforts, optimal responsiveness and real-time management are essential in order to guarantee end-to-end traceability of ingredients, manufacturing processes and finished products, and to ensure that brands maintain their competitive edge. NiceLab, a collaborative user interface and database, is now in use by formulation teams in France and Japan. Asian Innovation Center, the Group's Japanese research facility based in Tokyo, has forged partnerships for strategic projects that will be decisive for future developments concerning new make-up and skincare formulations. In order to better service Chinese consumers, a similar structure was established this year in Shanghai to forge partnerships and conduct consumer surveys. Innovative research projects have also been pursued with the Cosmetic Valley. In addition, LVMH Recherche has continued to protect its inventions via patents.

The full breadth of research activities conducted by LVMH Recherche has resulted in scientific papers presented at various specialized international scientific conferences. This year in London, LVMH Recherche held its 11th Scientific Symposium International, taking as its theme "Skin Rejuvenation". Also in 2011, LVMH Recherche entered into a framework agreement for a partnership with Orléans University. Furthermore, LVMH Recherche has taken an active part in the establishment of a scientific photography competition in collaboration with *La Recherche*, the leading French scientific journal, thus helping to underscore the important role played by photography in raising the profile of research work.

In the make-up segment, researchers are focusing on the interactions between skin, light and matter, new special effect pigments, intelligent materials, and new formulations with transforming textures that surprisingly reveal the full measure of their colors. In line with the growing interest in make-up products offering skincare benefits, the Group's researchers are focusing efforts on the necessary adaptations to be made to traditional formulations. Make-up has moved confidently into a new era. In nail polish, an unprecedented texture combined with a new type of applicator providing exceptional performance and longevity has generated considerable enthusiasm. In mascara, new approaches have found ways to further enhance eye definition, making lashes more attractive, thicker and longer. Other developments include a new foundation offering a matte finish with an exceptionally comfortable texture and an invisible skin-fusion foundation designed to produce a polished and satiny finish, both of which ensure excellent, sheer, yet natural-looking coverage. For powders, the incorporation of new raw materials combined with the use of innovative processes have resulted in new powdered effects that are both natural and invisible, thus reinforcing the leadership positions of the Group's brands in the area of make-up products offering a flawless "nude" complexion, a concept launched by the Group's cosmetics research teams several years ago and widely copied since.

In January 2011, LVMH Recherche successfully renewed its ISO 9001:2008 certification as well as its certificate of compliance with Good Laboratory Practice (GLP).

The cornerstone for the new Hélios research center in Saint-Jean de Braye, Loiret (France) was laid in October 2011. This new, ultra-modern research center, due to open in 2013, will be HQE (*Haute Qualité Environnementale*) certified; thus meeting the highest environmental quality standards in France.

3.3. Supply sources and subcontracting

The five French production centers of Guerlain, Givenchy and Parfums Christian Dior provide almost all the production for the four major French brands, including Kenzo, both in fragrances, and in make-up and beauty products. Make Up For Ever also has manufacturing capacities in France. The manufacturing of Benefit, Parfums Loewe, Fresh and Parfums Fendi's products is partly provided by the Group's other brands, the remainder being subcontracted externally.

In 2011, manufacturing subcontracting represented overall about 9% of the cost of sales for this activity, plus approximately 8 million euros for logistical subcontracting.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used to elaborate the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

The product formulas are developed primarily in the Saint-Jean de Braye (France) laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

4. WATCHES AND JEWELRY

The most recent LVMH business group holds a portfolio of quality watch and jewelry brands with highly complementary market positions: TAG Heuer, the world's leading maker of luxury sports watches and chronographs; Zenith, an upscale watchmaker famous for its *El Primero* movement; Montres Dior, which offers collections inspired by the designs of the fashion house; Chaumet, the prestigious historic jeweler in the Place Vendôme in Paris; Fred, a designer of contemporary jewelry pieces; De Beers Diamond Jewellers, a joint venture formed in July 2001, which affirms its positioning as a diamond jeweler and Hublot, a young high-end brand. In 2011, Watches and Jewelry successfully integrated the talent, internationally recognized and the diversity of the businesses of the Italian brand Bulgari.

The business group has already deployed internationally, strengthened the coordination and pooling of administrative resources, expanded its sales and marketing teams, and progressively began to establish a network of after-sale multi-brand services worldwide to improve customer satisfaction. LVMH Watches and Jewelry has a territorial organization that covers all European markets, the American continent, northern Asia, Japan, and the Asia-Pacific region.

This business group has implemented industrial coordination through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers.

In 2011, the Watches and Jewelry business group posted revenue of 1,949 million euros, which represented 8% of total LVMH revenue.

4.1. The brands of the Watches and Jewelry business group

TAG Heuer (founded in 1860 in Saint-Imier in the Swiss Jura and acquired by LVMH in November 1999) is the undisputed benchmark and world leader in luxury sport watches and chronographs. Partnered with the competitive sports world and its performance values, the brand is recognized for the quality and precision and the leading-edge aesthetic of its watches. The most coveted models for the "professional sport watch" line are: the *Aquaracer*, *Link* and *Formula 1* series; and for traditional watches and chronographs, they are the *Carrera* and *Monaco* models. In 2002, TAG Heuer licensed and launched its first eyewear line. Following the launch in 2007 of its *Grand Carrera* collection of automatic watches and chronographs, in 2008 the brand launched *Meridiist*, its first line of cellular handsets designed in partnership with ModeLabs.

Hublot, founded in 1980, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural black rubber strap. Relying on a team of top-flight watchmakers, the brand is widely renowned for its original concept combining noble materials with state-of-the-art technology and for its iconic *Big Bang* model launched in 2005. Along with the many versions of this model, Hublot continues to develop its long-established *Classic* line. In 2008, Hublot launched a line of ladies' watches and opened its first boutiques. *King Power*, a new line of timepieces, was launched in 2009.

Zenith (founded in 1865 and established in Le Locle in the Swiss Jura region) joined LVMH in November 1999. Zenith belongs to the very select group of watch movement *manufactures*. In the watchmaking sector, the term *manufacture* designates a company that provides the entire design and manufacturing of mechanical movements. The two master movements of Zenith, the automatic chronograph *El Primero* and the automated extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand.

Bulgari, founded in 1884, stands for creativity and excellence worldwide and is universally recognized as one of the major players in its sector. The long-celebrated Italian brand occupies a strong leadership position in the jewelry and watch segment, while playing an important role in the fragrance and accessories segments as well.

Montres Dior, has been managed since 2008 in the form of a joint venture between the Watches and Jewelry business group and the company Christian Dior Couture. The watches are manufactured in Switzerland by Ateliers Horlogers. The collections of Montres Dior, particularly *Christal*, *Chiffre Rouge*, *D de Dior* and, since 2011, *Dior VIII*, are designed in complete harmony with the creative impetus of the fashion house.

Chaumet, a jeweler established in 1780, has maintained its prestigious expertise for over two centuries, imposing a style that is deliberately modern and is reflected in all its designs, whether high-end jewelry pieces, jewelry or watch collections. The LVMH group acquired Chaumet in November 1999.

Fred (founded in 1936) is present in high-end jewelry, jewelry and watchmaking. In 1995, LVMH acquired a 71% interest in the company, which it increased to 100% in 1996. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold contemporary style of its creations.

De Beers is a high jewelry brand, created in July 2001 and jointly managed by the LVMH and De Beers groups, through De Beers Diamond Jewellers Ltd. The company, headquartered in London, is progressively rolling out a global network of boutiques offering jewelry under the De Beers brand name. It approaches the diamond market from an original angle, both in its creative jewelry design and its concept of points of sale.

4.2. Distribution

The Watches and Jewelry brands' store network added 170 stores in 2011 following the integration of Bulgari, bringing the number of stores of this business group to 327 at the end of 2011. The jewelery brands' products are thus showcased in prestigious positions, located in some of the largest cities in the world. Moreover, TAG Heuer and Hublot are developing their store networks, including those that are directly operated and those operating under franchise, by obtaining strategically located locations which contribute to the visibility of their products.

4.3. Supply sources and subcontracting

With its Swiss workshops and *manufactures*, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Le Sentier and in Nyon, the Group provides almost the entire assembly of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bulgari, Christian Dior, Chaumet and Fred brands, as well as the design and manufacturing of the mechanical movements *El Primero* and *Elite* from Zenith, *le Calibre 1887* from TAG Heuer, *l'UNICO* from Hublot and the Grand Complications from Bulgari. In its watchmaking shop, in 2009, Hublot celebrated the opening of its new site in Nyon while TAG Heuer inaugurated a new workshop for the manufacture of watch movements in La Chaux-de-Fonds. In 2011, TAG Heuer acquired the entire share capital of ArteCad, a leading Swiss manufacturer of watch dials, and Hublot acquired the entire share capital of Profusion, a supplier of carbon fiber parts and components, which complements TAG Heuer and Bulgari's current capacity for critical components such as dials, cases and straps.

In this business, subcontracting represented 10% of the cost of sales in 2011.

Even though the Group can, in certain cases, use third parties to design its models, they are most often designed in its own studios.

5. SELECTIVE RETAILING

The Selective Retailing businesses are organized to promote an environment that is appropriate to the image and status of the luxury brands. These companies are expanding in Europe, North America, Asia and the Middle East, and operate in two segments: travel retail (the sale of luxury products to international travelers), the business of DFS and Miami Cruiseline, and the selective retail concepts represented by Sephora and the Paris department store Le Bon Marché.

In 2011, the Selective Retailing business group posted revenue of 6,436 million euros, or 27% of the total revenue of LVMH.

5.1. Travel retail

DFS

Duty Free Shoppers ("DFS") joined LVMH in 1997.

DFS is the pioneer and the world leader in the sale of luxury products to international travelers. Its activity is closely linked to tourism cycles.

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators, and has significantly expanded its business, particularly in the tourist destinations in the Asia-Pacific region.

The strategy of the DFS group is focused on the development and promotion of its city-center *Galleria* stores, which account for more than half of its revenue today.

With an area of 1,000 to 18,000 square meters, the 13 *Gallerias* are located in the urban centers of major airline destinations in the Asia-Pacific, the United States and Japan. Each space combines in one site, close to the hotels where travelers are lodged, two different, but complementary commercial spaces: a general luxury product offer (including perfumes and cosmetics, fashion and accessories) and a gallery of prestigious boutiques belonging or not to the LVMH group (such as Louis Vuitton, Hermès, Bulgari, Tiffany, Christian Dior, Chanel, Prada, Fendi, Céline…).

While focusing on the development of its *Gallerias* which are its main source of growth, DFS maintains its strategic interest in the airport concessions if those can be obtained or renewed under good financial terms. DFS is currently present in some twenty international airport sites in the Asia-Pacific, the United States and Japan.

Miami Cruiseline

Miami Cruiseline, acquired by LVMH in January 2000, is an American company founded in 1963, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to over 80 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

The acquisition of Miami Cruiseline boosted the travel retail activity's organization of its geographic presence and enhanced the diversity of its customer base, which was previously primarily Asian, and is now supplemented by cruise customers, primarily Americans and Europeans. There are also excellent synergies between the activities of DFS and those of Miami Cruiseline in the areas of management and merchandising.

Miami Cruiseline focused its recent efforts on improving the quality of its product offer and adapting its product line to each cruise to boost the average spending per traveler.

5.2. Selective retail

Sephora

Sephora, founded in 1969, has developed over time a perfume and beauty format that combines direct access and customer assistance. This concept led to a new generation of stores with a sober and luxurious architecture, designed in three spaces dedicated to perfumes, make-up and skincare respectively. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. The brand has also offered products sold under its own brand name since 1995.

Since it was acquired by LVMH in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies that operated perfume retail chains, including Marie-Jeanne Godard and the Italian companies Laguna, Boidi and Carmen. Sephora has 857 stores today in Europe, located in 15 countries. The Sephora concept also crossed the Atlantic in 1998 and the brand now has 268 stores in the United States, plus an internet site sephora.com, and 31 stores in Canada. As of December 31, 2011, Sephora has more than 100 stores in China, a market which it entered in 2005. Having entered the Middle East in 2007, the brand had 20 stores in five countries at the end of 2011. After entering the South American market in 2010 with its acquisition of Sack's, the leading online retailer of selective perfumes and cosmetics in Brazil, Sephora reinforced its presence in Russia in 2011, raising its stake in Ile de Beauté, a perfume and cosmetics retail chain, to 65%. As of December 31, 2011, Ile de Beauté's network comprised 173 stores.

Le Bon Marché

Established in 1852, Le Bon Marché was a pioneer of modern marketing in the 19th century. The sole department store located on the left bank in Paris, it was acquired by LVMH in 1998.

Le Bon Marché has a food store, La Grande Épicerie de Paris. Since 1995, it has also owned Franck et Fils, located on rue de Passy in the sixteenth district of Paris. In recent years, a fundamental overhaul that included the renovation and remodeling of its sales spaces, together with moving to a more upscale product offer, strengthened the identity of Le Bon Marché. Famous for its very demanding inventory and service policy, Le Bon Marché is now the most exclusive and creative department store in Paris.

6. OTHER ACTIVITIES

The Other Activities segment includes the media division managed by the Les Echos group, the Samaritaine and, since the fourth quarter of 2008, the Dutch luxury yacht maker Royal Van Lent.

Les Echos group

LVMH acquired the Les Echos group In December 2007 from London-based Pearson plc. The Les Echos group includes *Les Echos*, France's leading financial newspaper, LesEchos.fr, the top business and financial website in France, the business magazine *Enjeux-Les Echos*, as well as other specialized business services. The Les Echos group also holds several other financial and cultural media titles which were previously owned by LVMH – *Investir*, *Connaissance des Arts*, as well as the literary publisher Arlea and the French radio station Radio Classique. In January 2011, following the acquisition of *Le Journal des Finances* by the media group Les Echos, this publication was merged with *Investir*, another weekly published by Les Echos, to form a new title, *Investir – Le Journal des Finances*.

Samaritaine

The Samaritaine is a real estate complex located in the heart of Paris, aside the Seine river. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. An architectural plan has been drawn up that would transform the building into a hotel, office, shopping mall and social housing complex, subject to administrative authorizations being obtained. In November 2010, LVMH concluded an agreement with Fondation Cognacq-Jay to acquire the 40.1% stake held by the latter in the Samaritaine.

Royal Van Lent

Founded in 1849, Royal Van Lent designs and builds, according to customers' specifications, luxury yachts marketed under the Feadship brand, one of the most prestigious in the world for yachts measuring 50 meters or longer.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

LVMH group

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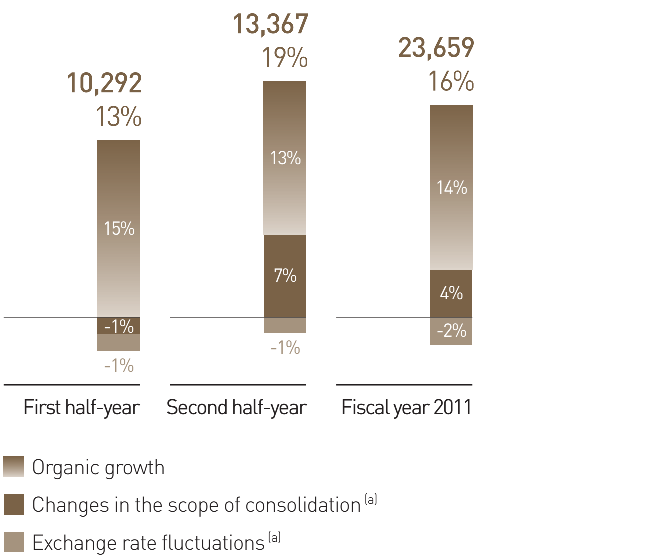
1. BUSINESS AND FINANCIAL REVIEW

1.1. Comments on the consolidated income statement

1.1.1. Analysis of revenue

Change in revenue per half-year period [a]

(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 27.

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

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

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

Revenue by invoicing currency

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

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

Revenue by geographic region of delivery

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

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

Revenue by business group

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

The breakdown of revenue by business group changed appreciably following the consolidation of Bulgari in Watches and Jewelry in the latter part of 2011, with the contribution of Watches and Jewelry to consolidated revenue increasing by 3 points to 8%. The contributions of Wines and Spirits and Perfumes and Cosmetics declined by 1 and 2 points to 15% and 13%, respectively, while those of Fashion and Leather Goods and Selective Retailing remained stable, accounting for 37% and 27% of consolidated revenue, respectively.

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

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

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

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

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

1.1.2. Profit from recurring operations

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

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

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

The geographic breakdown of stores is as follows:

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

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

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

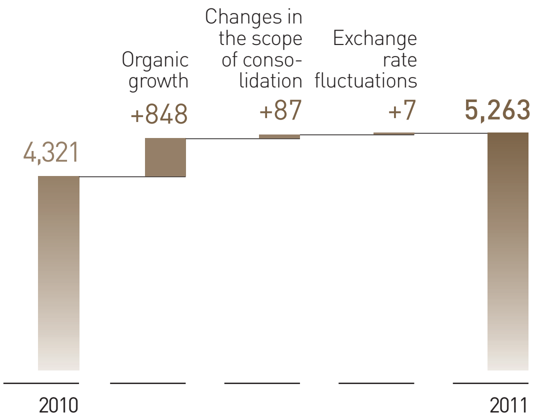
Profit from recurring operations by business group

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

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

Change in profit from recurring operations [(a)]

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on profit from recurring operations of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 27.

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

Wines and Spirits

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

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

Fashion and Leather Goods

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

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

Perfumes and Cosmetics

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

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

Watches and Jewelry

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

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

Selective Retailing

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

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

Other activities

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

1.1.3. Other income statement items

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2. Wines and Spirits

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

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

Champagne and Wines

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

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

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

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

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

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

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

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

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

Cognac and Spirits

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

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

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

Glenmorangie and **Ardbeg** single-malt whiskies are stepping up the pace of their development. Glenmorangie's new "Unnecessarily Well Made" advertising campaign had a big impact. Ardbeg continues to consolidate its position as the absolute benchmark for Islay malt whiskies.

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

Outlook

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

1.3. Fashion and Leather Goods

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

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

Louis Vuitton

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

All product categories are driving Louis Vuitton's exceptional performance. In leather goods, the long-standing *Damier* line is still making strong advances, while the new *Empreinte* collection in soft leather has also met with considerable success. The production capacity has been increased during the year with, in particular, the opening of a new workshop in Marsaz in the Drôme region of France. In Louis Vuitton's retail network, the year's high points were the inauguration of the Maison in Milan on Via Montenapoleone and the unveiling of the "Island Maison" at the Marina Bay in Singapore.

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

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

Fendi

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

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

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

Other brands

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

1.4. Perfumes and Cosmetics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

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

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

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

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

1.5. Watches and Jewelry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

1.6. Selective Retailing

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

1.7. Comments on the consolidated balance sheet

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

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

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

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

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

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

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

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

The ratio of net financial debt to equity rose by 5.1 points to 19.8% as of December 31, 2011. This increase was the result of a 2 billion euro increase in net financial debt and a 5.3 billion euro increase in equity.

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

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

Gross borrowings after derivatives totaled 7.1 billion euros at year-end 2011. Bond issues and new borrowings generated 2.7 billion euros. In particular, LVMH carried out a euro-denominated public bond issue consisting of two tranches maturing in 4 and 7 years, with a par value of 500 million euros each. The Group also issued 0.2 billion euros of debt by way of private placements. The amount of commercial paper outstanding also increased by 1.3 billion euros in 2011. Conversely, borrowings of 1 billion euros were repaid in the year, in particular via the redemption of several bonds for a total of 0.8 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 2.3 billion euros at the close of 2011, virtually stable compared to the position as of December 31, 2010.

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

1.8. Comments on the consolidated cash flow statement

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

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

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

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

Working capital requirements increased by 534 million. The increase in inventories, particularly in Wines and Spirits, Fashion and Leather Goods, and Selective Retailing, generated a cash requirement of 768 million euros, which was partially offset by a 331 million euro increase in accounts payable, principally in Fashion and Leather Goods and Selective Retailing. These effects were the result of business growth, especially during the year-end holiday season.

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

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

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

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

2. BUSINESS RISK FACTORS AND INSURANCE POLICY

2.1. Strategic and operational risks

2.1.1. Group's image and reputation

Around the world, the LVMH group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by brand ambassadors, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands and goodwill recorded in the Group's balance sheet as of December 31, 2011 amounted to 17.9 billion euros.

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

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

2.1.2. Counterfeit and parallel retail networks

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

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

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brand and product names discussed above. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom LVMH also ensures are made aware of the adverse consequences of counterfeiting. The Group also plays a key role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message, all of which are essential in successfully combating the problem. In addition, the Group takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels.

Beyond the borders of the European Union, LVMH is not subject to any legal constraints that might impede the full exercise of its selective retail distribution policy, or limit its ability to bring proceedings against any third parties distributing Group products without proper approval. In the European Union, competition law guarantees strictly equal treatment of all economic operators, particularly in terms of distribution, potentially posing an obstacle to companies refusing to distribute their products outside a network of authorized distributors. However, Commission Regulation (EC) No. 2790/1999 of December 22, 1999 (known as the 1999 Block Exemption Regulation), by authorizing selective retail distribution systems, established an exemption to this fundamental principle, under which LVMH operates, thus providing greater protection for our customers. This exemption was confirmed in April 2010, when the Commission renewed the Block Exemption Regulation, and extended its application to retail sales over the Internet. This legal protection gives the Group more ammunition in the fight against counterfeit goods and the parallel distribution of its products, a battle waged as much in the digital as in the physical world.

In 2011, anti-counterfeiting measures generated internal and external costs, in the amount of approximately 26 million euros.

2.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2011, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 6.3 billion euros. Detailed descriptions of these commitments may be found in Notes 29.1 and 29.2 to the consolidated financial statements. However, no single agreement exists whose termination would be likely to result in significant costs at Group level.

Any potential agreement that would result in a commitment by the Group over a multi-year period is subjected to an approval process at the Group company involved, adjusted depending on the related financial and operational risk factors. Agreements are also reviewed by the Group's in-house legal counsel, together with its insurance brokers.

In addition, the Group has entered into commitments to its partners in some of its business activities to acquire the stakes held by the latter in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2011, this commitment is valued at 4.2 billion euros and is recognized in the Group's balance sheet under Other non-current liabilities (see Note 19 to the consolidated financial statements).

The Group has also made commitments to some of the shareholders of its subsidiaries to distribute a minimum amount of dividends, provided the subsidiaries in question have access to sufficient cash resources. This relates in particular to the businesses of Moët Hennessy and DFS, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit.

2.1.4. International exposure of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include changes in customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region to another, and provisions of corporate or tax law, customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group.

In order to protect itself against the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates.

The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. Furthermore, it is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area.

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

2.1.5. Consumer safety

In France, the European Union and all other countries in which the Group operates, many of its products are subject to specific regulations. Regulations apply to production and manufacturing conditions, as well as to sales, consumer safety, product labeling and composition.

In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability to reinforce the Group's anticipation and responsiveness in the event of a product recall.

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

A legal intelligence team has also been set up in order to better manage the heightened risk of liability litigation, notably that to which the Group's brands are particularly exposed.

2.1.6. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. Historically, a significant proportion of the Group's sales – approximately 30% of the annual total for all businesses, with the exception of Wines and Spirits and Watches and Jewelry, for which the proportion is between 35% and 40% – has been generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may have a significant effect on the Group's business volume and earnings.

2.1.7. Supply sources and strategic competencies

The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards. This mainly involves the supply of grapes and *eaux-de-vie* in connection with the activities of the Wines and Spirits business group, of leathers, canvases and furs in connection with the activities of the Fashion and Leather Goods business group, as well as watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry business group.

In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long term commitments, it is constantly on the lookout for new suppliers also able to meet its requirements. By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products.

In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis.

With respect to supply sources and sub-contracting, please refer in addition to the *Business description* section of the Reference Document.

In addition, LVMH's professions require highly specific skills and expertise, in the areas of leather goods or watchmaking, for example. In order to avoid any dissipation of this know-how, LVMH implements a range of measures to encourage training and to safeguard those professions, which are essential to the quality of its products.

2.1.8. Information systems

The Group is exposed to the risk of information systems failure, as a result of a malfunction or malicious intent. The occurrence of this type of risk event may result in the loss or corruption of sensitive data, including information relating to products, customers or financial data. Such an event may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes concerned. In order to protect against this risk, the Group puts in place a decentralized architecture to avoid any propagation of this risk. Supported by its network of IT security managers, the Group continues to implement a full set of measures to protect its sensitive data as well as business continuity plans at each Group company.

2.1.9. Industrial and environmental risks

In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage, or natural catastrophes.

A detailed presentation of the Group's environmental risk factors and of the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the section entitled "*LVMH and the environment*" of the Management Report of the Board of Directors.

To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from various Group companies, and in particular safety, quality and environmental managers. The definition and implementation of the risk management policy are handled by the Finance Department.

The protection of the Group's assets is part of a policy on industrial risk prevention meeting the highest safety standards (NFPA fire safety standards). Working with its insurers, LVMH has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

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

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

2.2. Insurance policy

LVMH has a dynamic global risk management policy based primarily on the following:

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both persons and industrial assets;
- implementation of international contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- optimization and coordination of global "master" insurance programs.

LVMH's overall approach is primarily based on transferring its risks to the insurance markets under reasonable financial terms, and under conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with LVMH's financial capacity, the Group's level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs paid by Group companies are less than 0.22% of consolidated annual revenue.

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

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

2.2.1. Property and business interruption insurance

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

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The coverage limit of this program is 1.7 billion euros per claim, an amount determined following an updated analysis conducted in 2011 of the Group's maximum possible losses.

Coverage for "natural events" provided under the Group's international property insurance program were raised to 100 million euros per claim and 200 million euros per year. As a result of a Japanese earthquake risk modeling study performed in 2009, specific coverage in the amount of 150 million euros was taken out for this risk. These limits are in line with the Group companies' risk exposures.

2.2.2. Transportation Insurance

All Group operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program (60 million euros) corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

2.2.3. Third-party liability

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

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

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

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance or social security schemes, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states.

2.2.4. Coverage for special risks

Insurance coverage for political risks, directors' and officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism, loss of or corruption of computer data, and environmental risks is obtained through specific worldwide or local policies.

2.3. Financial risks

2.3.1. Credit risks

Because of the nature of its activities, the majority of the Group's sales are not affected by customer credit risk. Sales are made directly to customers through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 63% of total revenue in 2011.

Furthermore, for the remaining 37% of revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings. The extent of insurance against customer credit risk is very satisfactory, with a cover ratio of around 94% as of December 31, 2011.

2.3.2. Counterparty risk

The financial crisis over the last few years has had a considerable impact on the banking sector worldwide, necessitating heightened controls and a more dynamic approach to the management of counterparty risk to which the Group is exposed. Risk diversification is a key objective. Special attention is given to the exposure of bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top-level categories.

Banking counterparty risk is monitored on a regular and comprehensive basis, a task facilitated by the centralization of risk management.

2.3.3. Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar (or currencies tied to the US dollar such as the Hong Kong dollar or the Chinese yuan, among others) and the Japanese yen, while most of its manufacturing expenses are euro-denominated.

Exchange rate fluctuations between the euro and the main currencies in which the Group's sales are denominated can therefore significantly impact its revenue and earnings reported in euros, and complicate comparisons of its year-on-year performance.

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of cash flow hedging for 2012 relating to the main invoicing currencies are provided in Note 21.5 to the consolidated financial statements.

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

2.3.4. Interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled 4.7 billion euros as of December 31, 2011. After hedging, 42% of gross debt was subject to a fixed rate of interest and 58% was subject to a floating interest rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 17.4 and 17.6 to the consolidated financial statements.

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

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

2.3.5. Equity market risk

The Group's exposure to equity market risk relates on the one hand to its treasury shares which are held primarily in coverage of stock option plans and bonus share plans. The Group also holds LVMH share-settled calls to cover these commitments. LVMH treasury shares, as well as call options on LVMH shares, are considered as equity instruments under IFRS, and as such have no impact on the consolidated income statement.

The Group holds a 22.4% stake in Hermès International SCA. Other quoted securities may be held by some of the funds in which the Group has invested, or even directly within non-current or current available for sale financial assets.

The Group may use derivatives in order to reduce its exposure to risk. Derivatives may serve as a hedge against fluctuations in share prices. For instance, equity swaps in LVMH shares allow cash-settled compensation plans index-linked to the change in the LVMH share-price to be covered. Derivatives may also be used to synthetically build a buyer position.

2.3.6. Commodity market risk

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case gold is purchased from banks, or future and/or options contracts are taken out with a physical delivery of the gold.

2.3.7. Liquidity risk

The Group's local liquidity risks are generally not significant. Its overall exposure to liquidity risk can be assessed with regard to the amount of the short term portion of its net financial debt before hedging, net of cash and cash equivalents, 0.8 billion euros as of December 31, 2011 or with regard to outstanding amounts in respect of its commercial paper program (1.6 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.4 billion euros.

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

In addition, as is customary, the applicable margin on drawdowns of certain long term credit lines depends on the Group's rating by Standard & Poor's. As of December 31, 2011, no drawdown had been performed under these schemes. Furthermore, should these clauses be triggered, this would not have a significant impact on the Group's cash flow.

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

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

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

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

This management is primarily centralized at the level of the parent company and by Group Cash Pooling.

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

These activities are organized based on a segregation of duties between risk measurement, hedging (treasury and 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 in real time.

The Group's hedging strategy is presented to the Performance Audit Committee.

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

3. FINANCIAL POLICY

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

• Improving the Group's financial structure and its flexibility, as evidenced by the key indicators listed below:

- substantial growth in equity:
  Equity before appropriation of profit surged 29% to 23.5 billion euros as of December 31, 2011, compared to 18.2 billion euros a year earlier. This improvement is attributable to the capital increase as consideration for the contribution of Bulgari shares by the company's family shareholders as well as the level of the Group's net profit in 2011 and the positive impact of gains arising on revaluation and currency translation adjustments, despite a considerable increase in dividend payments.
- reasonable growth in net debt:
  The rise in net financial debt, from 2.7 billion euros as of December 31, 2010 to 4.7 billion euros as of December 31, 2011, in the context of the Bulgari acquisition and higher operating investments, was kept under control thanks to cash flows generated by operations during the year.
- access of the Group to liquidity, in particular through its French commercial paper program finding favor with a number of investors and offering attractive rates.
- maintaining a substantial level of cash and cash equivalents with a diversified range of top-tier banking partners:
  The Group's cash equivalents benefited from attractive yields offered by top-quality issuers, with a permanent focus on ensuring a proactive and dynamic approach to counterparty risk management.
- the Group's financial flexibility, facilitated in particular by the renewal of a five-year syndicated loan, providing for the option to extend this maturity by a further two years, in the amount of 2 billion euros, and on a broader basis by a significant reserve of undrawn confirmed credit lines totaling 3.4 billion euros.

• Maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's operations and investments.

The Group has maintained a position ensuring that it will continue to benefit from the significant decline in interest rates. With regard to foreign exchange risks, in 2011 the Group continued to hedge the risks of exporting companies using call options or collars to limit the negative impact of currency depreciation while retaining most of the gains in the event of currency appreciation. This strategy enabled the Group to obtain a rate after hedging for the US dollar significantly better than the average exchange rate for the year and a rate after hedging for the Japanese yen significantly better than that obtained in 2010, which was very close to the average exchange rate for the year.

• Greater concentration of Group liquidity owing to the ongoing worldwide dissemination of best practices for cash management, ensuring the fluidity of cash flows across the Group and better centralized liquidity management. As a rule, the Group applies a diversified short term and long term investment policy.

• The stability of the cost of net financial debt, which amounted to 150 million euros as of December 31, 2011, as against 151 million euros a year earlier.

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

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

- an interim dividend for 2011 of 0.80 euros was paid in December 2011;
- proposal of a dividend payment of 2.60 euros per share for the period (final dividend of 1.80 euros available for distribution in 2012). As a result, total dividend payments to shareholders by LVMH in respect of 2011 would amount to 1,069 million euros, before the impact of treasury shares.

4. OPERATING INVESTMENTS

4.1. Communication and promotion expenses

Over the last three fiscal years the Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

Communication and promotion expenses:	2011	2010	2009
- millions of euros	2,711	2,267	1,809
- as % of revenue	11.5	11.2	10.6

These expenses mainly correspond to advertising campaign costs, especially for the launch of new products, public relations and promotional events, and expenses incurred by marketing teams responsible for all of these activities.

4.2. Research and development costs

The Group's research and development investments in the last three fiscal years were as follows:

(EUR millions)	2011	2010	2009
Research and development costs	63	46	45

Most of these amounts cover scientific research and development costs for skincare and make-up products of the Perfumes and Cosmetics business group.

4.3. Investments in production facilities and retail networks

Apart from investments in communication, promotion and research and development, operating investments are geared towards improving and developing retail networks as well as guaranteeing adequate production capabilities.

Purchases of property, plant and equipment and intangible assets for the last three fiscal years were as follows, in absolute values and as a percentage of cash from operations before changes in working capital:

Purchase of tangible and intangible fixed assets:	2011	2010	2009
- in millions euros	1,749	1,002	748
- as % of cash from operations before changes in working capital	28.5	20.7	19.0

Following the model of the Group's Selective Retailing companies which directly operate their own stores, Louis Vuitton distributes its products exclusively through its own stores. The products of the Group's other brands are marketed by agents, wholesalers, or distributors in the case of wholesale business, and by a network of directly owned stores or franchises for retail sales.

In 2011, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total retail network increasing from 2,545 to 3,040 stores, of which 295 additional stores as a result of the integration of the Bulgari and Ile de Beauté networks, and 200 resulting from the development of other brands' distribution networks. In particular, Sephora continued to expand its worldwide retail network, which reached 1,300 stores as of December 31, 2011, compared to 1,070 the previous year. DFS plans to open its third *Galleria* in Hong Kong in 2012.

In Wines and Spirits, in addition to necessary replacements of barrels and industrial equipment, investments in 2011 related to the acquisition of vineyards and a site in the Champagne region where facilities will be installed in connection with the first phase of a project to expand the business group's industrial capacity.

5. MAIN LOCATIONS AND PROPERTIES

5.1. Production

Wines and Spirits

The surface areas of vineyards in France and abroad that are owned by the Group are as follows:

(in hectares)	2011		2010	
	TOTAL	of which under production	TOTAL	of which under production
France				
Champagne appellation	1,833	1,697	1,816	1,679
Cognac appellation	245	177	245	180
Vineyards in Bordeaux	253	159	252	159
International				
California (United States)	475	345	470	341
Argentina	1,397	878	1,388	879
Australia, New Zealand	525	481	569	530
Brazil	232	75	232	67
Spain	55	49	55	50

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not useable for viticulture. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted, but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each of its main Champagne brands or production operations in France, California, Argentina, Australia, Spain, Brazil and New Zealand, as well as distilleries and warehouses in Cognac, the United Kingdom and Poland. The total surface area is approximately 1,050,000 square meters in France and 280,000 square meters abroad.

Fashion and Leather Goods

Louis Vuitton owns seventeen leather goods and shoe production facilities located primarily in France, although some significant workshops are also located near Barcelona in Spain, and in San Dimas, California. The company owns its warehouses in France; those located outside France are leased. Overall, production facilities and warehouses owned by the Group represent approximately 185,000 square meters.

Fendi owns its own manufacturing facility near Florence, Italy, as well as its company headquarters, the Fendi Palazzo, in Rome, Italy.

Céline also owns manufacturing and logistics facilities near Florence in Italy.

Berluti's shoe production factory in Ferrara (Italy) is owned by the Group.

Rossimoda owns its office premises and its production facility in Strà and Vigonza in Italy.

The other facilities utilized by this business group are leased.

Perfumes and Cosmetics

Buildings located near Orleans in France housing the Group's Research and Development operations of Perfumes and Cosmetics as well as the manufacturing and distribution of Parfums Christian Dior are owned by Parfums Christian Dior and occupy a surface area of 122,000 square meters.

Guerlain owns its two manufacturing centers in Chartres and Orphin (France), for a total surface area of approximately 27,000 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of both Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, United Kingdom.

Watches and Jewelry

TAG Heuer leases all of its manufacturing facilities in La Chaux-de-Fonds and the Jura region of Switzerland.

Zenith owns the Manufacture, which houses its movement and watch manufacturing facilities in Le Locle, Switzerland. All of its European warehouses are leased.

Hublot owns its production facilities and its office premises.

Bulgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's remaining brands, Chaumet, Fred, De Beers and Montres Dior, are leased.

5.2. Distribution

Retail distribution of the Group's products is most often carried out through exclusive stores. Most of the stores in the Group's retail network are leased and only in exceptional cases does LVMH own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Guam, Hawaii, Seoul, Sydney, Genoa, Cannes, Saint-Tropez, for a total surface area of approximately 10,000 square meters.

Céline and Loewe also own the buildings housing some of their stores in Paris and Spain.

In the Selective Retailing business group:
- Le Bon Marché and Franck et Fils own the buildings in Paris that house their department stores, corresponding to a total sales area of about 70,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of December 31, 2011, the Group's store network breaks down as follows:

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

(in number of stores)	2011	2010	2009
Fashion and Leather Goods	1,246	1,188	1,164
Perfumes and Cosmetics	85	75	65
Watches and Jewelry	327	122	114
Selective Retailing: Sephora	1,300	1,070	986
Other, including DFS	68	76	89
	1,368	1,146	1,075
Other	14	14	5
Total	**3,040**	**2,545**	**2,423**

In 2011, 170 Bulgari stores, in Watches and Jewelry, and 125 Ile de Beauté stores, in Selective Retailing, joined the LVMH group's retail network.

5.3. Administrative sites and investment property

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the company owning the building housing its headquarters on Avenue Montaigne in Paris. The Group also owns three buildings in New York (total surface area of about 26,000 square meters) and a building in Osaka (about 5,000 square meters) that house the offices of subsidiaries.

Lastly, the Group owns investment property, in central Paris and in London, corresponding to a total surface area of 50,000 square meters and 10,000 square meters, respectively.

The group of properties previously used for the business operations of the Samaritaine department store are the focus of a redevelopment project, which will transform it into a complex comprising offices, shops and a luxury hotel.

6. STOCK OPTION PLANS IN FORCE AT SUBSIDIARIES

None.

7. LITIGATION AND EXCEPTIONAL EVENTS

As part of its day-to-day management, the Group is party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of Selective Retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

Following the decision delivered in March 2006 by the *Conseil de la Concurrence* (the French antitrust authority) regarding the luxury perfume sector in France, and the judgment rendered on June 26, 2007 by the Paris Court of Appeal, the Group companies concerned took their case to the *Cour de cassation*, the highest court in France. In July 2008, the *Cour de cassation* overturned the decision of the Paris Court of Appeal and referred the case to the same jurisdiction, formed differently. In November 2009, the Court of Appeal set aside the judgment of the *Conseil de la Concurrence* due to the excessive length of the proceedings. In November 2010, the *Cour de cassation* overturned the decision of the Court of Appeal and referred the matter back to the same jurisdiction, formed differently. On January 26, 2012, the Paris Court of Appeal, while reaffirming the decision handed down in 2006 by the *Conseil de la Concurrence* against France's leading manufacturers and distributors of luxury perfumes and cosmetics relating to events dating back to the period 1997–2000, reduced the total amount of fines imposed on the Group's companies active in this sector to 13 million euros. It is conceivable that a new appeal could be brought before the *Cour de cassation*.

In 2006, Louis Vuitton Malletier and the French companies of the Perfumes and Cosmetics business group filed lawsuits against eBay in the Paris Commercial Court. Louis Vuitton Malletier demanded compensation for losses caused by eBay's participation in the commercialization of counterfeit products and its refusal to implement appropriate procedures to prevent the sale of such goods on its site. The Perfumes and Cosmetics brands sued eBay for undermining their selective retailing networks. In a decision delivered on June 30, 2008, the Paris Commercial Court ruled in favor of LVMH, ordering eBay to pay 19.3 million euros to Louis Vuitton Malletier and 3.2 million euros to the Group's Perfumes and Cosmetics brands. The court also barred eBay from running listings for perfumes and cosmetics under the Dior, Guerlain, Givenchy and Kenzo brands. eBay filed a petition with the Paris Court of Appeal. On July 11, 2008, the President of the Paris Court of Appeal denied eBay's petition to stay the provisional execution order delivered by the Paris Commercial Court. In September 2010, the Paris Court of Appeal confirmed the ruling against eBay handed down in 2008, classifying this company's business as that of a broker and not merely an Internet host. Asserting that it did not have jurisdiction to evaluate the extent of losses caused by some of eBay's sites outside France, the Court reduced the amount of punitive damages to 2.2 million euros for Louis Vuitton Malletier and 0.7 million euros for the Group's Perfumes and Cosmetics brands, as the initial amount had been determined on the basis of eBay's worldwide operations. In response, eBay has filed an appeal on points of law with the *Cour de cassation*. The *Cour de cassation* is expected to hand down its ruling by the end of 2012.

Following the announcement by LVMH in October 2010 of its acquisition of a stake in the share capital of Hermès International, the *Autorité des Marchés Financiers* (the French financial markets regulation authority) decided to launch an investigation into the market and financial disclosures relating to Hermès and LVMH shares. This investigation is currently under way.

In January 2011, the Paris Administrative Court canceled the order issued in 2007 that had granted Fondation Louis Vuitton a building permit for the construction of a modern and contemporary art museum in the Bois de Boulogne. The Fondation is financed by Group contributions as part of the Group's cultural sponsorship activities. The Fondation and the City of Paris have appealed the ruling of the Paris Administrative Court. In view of the nature of this project as beneficial to society and in keeping with the public interest, the French parliament passed a resolution validating the canceled building permits on the grounds advanced by the Administrative Court. This decision is currently under review by the Constitutional Council.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the twelve-month period under review, any significant impact on the financial position or profitability of the Company and/or the Group.

8. SUBSEQUENT EVENTS

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

9. RECENT DEVELOPMENTS AND PROSPECTS

After an exceptional 2011, and despite an uncertain economic environment in Europe, LVMH is well-equipped to continue its growth momentum across all business groups in 2012. Its strategy will remain focused on developing brands through strong innovation, quality and expansion in high potential markets.

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

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Parent company: LVMH Moët Hennessy - Louis Vuitton

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1. COMMENTS ON THE FINANCIAL STATEMENTS

The balance sheet, income statement and notes to the financial statements of LVMH Moët Hennessy - Louis Vuitton SA (hereafter, "LVMH" or "the Company") for the year ended December 31, 2011 have been prepared in accordance with French legal requirements and the same accounting policies and methods as those used in the previous year, subject to the new presentation format of the income statement (see Note 1.2).

1.1. Comments on the balance sheet

1.1.1. Change in the equity investment portfolio

The gross value of the equity investment portfolio was 18.5 billion euros, an increase of 4.3 billion euros compared to year-end 2010. This change is exclusively attributable to the acquisition during the year of the entire share capital of Bulgari, as described below.

On March 5, 2011, LVMH entered into a memorandum of understanding with the Bulgari family, under which the latter agreed to the in-kind contribution of its majority stake in the share capital of Bulgari SpA to LVMH, on the basis of a value for the Bulgari share set at 12.25 euros and an exchange ratio of 0.108 of an LVMH share for each Bulgari share, implicitly setting the value for the LVMH share at 113 euros.

On June 30, 2011, in application of the memorandum of understanding, the Board of Directors of LVMH Moët Hennessy - Louis Vuitton SA approved the contribution of 55% of Bulgari's share capital (48% after dilution) and issued 18 million new LVMH shares in consideration for this contribution, representing a 3.5% stake in the share capital of LVMH following this increase.

As of June 30, 2011, the date when control was obtained, LVMH held 69.6% of Bulgari's share capital (60.4% after dilution), corresponding to 210.6 million shares, resulting in part from the abovementioned transactions, and in part from previous acquisitions of Bulgari shares in the market (44.2 million shares were thus acquired in the first quarter of 2011).

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

In application of the memorandum of understanding, shares acquired in connection with the public tender offer include 36.8 million shares resulting from the conversion prior to maturity of a convertible bond issued in 2009 by Bulgari and 9.5 million shares issued as a result of the early exercise of share subscription options granted to senior executives and employees of Bulgari prior to the acquisition by LVMH of a controlling interest in the company.

1.1.2. Financial structure

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

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

LVMH redeemed the following bond issues during the fiscal year: in June 2011, bonds in the total amount of 5 billion Japanese yen issued in 2008; in July 2011, bonds in the total amount of 600 million euros issued in 2004; and in December 2011, bonds in the total amount of 200 million Swiss francs issued in 2008.

1.1.3. Hedging transactions

LVMH regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the financial balances or hedged transactions.

Given the role of LVMH within the Group, financial instruments designed to hedge net assets denominated in foreign currency may be used in the consolidated financial statements but not matched in the parent company financial statements, or allocated to underlying amounts maintained at historical exchange rates, such as equity investments.

Counterparties for hedging contracts are selected on the basis of their credit rating as well as for reasons of diversification.

1.1.4. Share capital

As of December 31, 2011, the share capital comprised 507,815,624 fully paid-up shares and amounted to 152.3 million euros.

During the fiscal year, 19,432,846 shares were issued, including 18,037,011 shares under a reserved capital increase of June 30, 2011 for the purpose of remunerating the Bulgari shares contributed by family shareholders and 1,395,835 shares in connection with the exercise of share subscription options; moreover 2,259,454 shares were retired.

1.1.5. Information on payment terms

As of December 31, 2011, trade accounts payable amounted to 94 million euros (109 million euros in 2010), the major portion of which were not yet due. The average payment terms is 45 days, unchanged from 2010.

1.2. Change in the presentation of the income statement

The purpose of the change in the presentation of the income statement is to facilitate a better understanding of the components of profit or loss, in particular by more clearly distinguishing the Group's two categories of activities: its activities in asset management, related to its equity investments, and its activities in the management and coordination of the operational activities of all the entities within the LVMH group.

The income statement includes three main components of profit or loss: net financial income (expense), net operating profit (loss) and net exceptional income (expense). The total of net financial income (expense) and net operating profit (loss) corresponds to profit from recurring operations before tax.

Net financial income (expense) includes net income from the management of subsidiaries and other investments, the cost of net financial debt relating, in essence, to the holding of these investments, as well as other items resulting from the management of subsidiaries or of financial debt, particularly gains or losses on foreign exchange or hedging instruments.

Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of investments.

Operating profit (loss) includes costs related to the management of the Company and to the Group's operational management and coordination, personnel costs or other administrative costs, less the amount recharged to the subsidiaries, either via the invoicing of management support services or via the recharging of expenses paid by the Group on behalf of these entities.

Net financial income (expense) and net operating profit (loss) include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. Net exceptional income (expense) thus comprises only those transactions that, due to their nature, may not be included in net financial income (expense) or net operating profit (loss).

1.3. Parent company results and outlook for the future

For 2011, the Group reported net financial income of 2,420.6 million euros, compared with net financial income of 2,297.1 million euros for the previous year.

Net income from the management of subsidiaries and other investments amounted to 2,655.2 million euros in 2011, as against 2,696.2 million euros the previous year. This change is due both to an increase in financial income from subsidiaries and other investments (2,603.1 million euros in 2011, up from 1,983.4 million euros in 2010) and the combined effect of more limited reversals of impairment losses and lower provisions recognized with respect to subsidiaries and other investments (52.1 million euros in 2011, compared with 712.8 million euros in 2010).

Financial income from subsidiaries and other investments essentially consisted of dividends received. The change in this item during the year was due in particular to the increase in the amount of dividends paid by LVMH Fashion Group SA and the lack of dividends paid of Sofidiv SAS.

The net financial income also includes the cost of net financial debt and related interest rate derivatives in the amount of 158.9 million euros and losses on foreign exchange transactions and derivatives in the amount of 87.7 million euros.

Net operating loss reflects operating expenses not recharged to subsidiaries and other investments, which amounted to a net expense of 160 million euros in 2011, up from 84 million euros in 2010. This change is due to non-recurring items.

Taking into account the positive impact of corporate income tax in the amount of 65 million euros, including the effect of tax consolidation, net profit came to 2,325.5 million euros, thus remaining stable compared to 2010, when net profit was 2,317.9 million euros.

Given the results achieved in 2011 by subsidiaries and other investments held by LVMH, the Group anticipates a satisfactory level of dividend distribution in 2012.

Finally, with regard to the preparation of the Company's income tax return, no expenses were considered as having to be re-integrated into taxable profit or non-deductible within the meaning of Articles 39-4, 39-5, 54 quater and 223 quinquies of the French General Tax Code.

2. APPROPRIATION OF NET PROFIT FOR THE YEAR

The proposed appropriation of the amount available for distribution for the fiscal year is as follows:

(EUR)	
Net profit for the year ended December 31, 2011	2,325,509,520.49
Allocation to the legal reserve	(4,372.77)
Retained earnings	3,907,924,154.54
Total amount available for distribution	**6,233,429,302.26**
Proposed appropriation:	
Statutory dividend of 5% or EUR 0.015 per share	7,617,234.36
Additional dividend of EUR 2.585 per share	1,312,703,388.04
Retained earnings	4,913,108,679.86
	6,233,429,302.26

For information, as of December 31, 2011, the Company held 9,536,678 of its own shares, corresponding to an amount not available for distribution of 481.5 million euros, equivalent to the acquisition cost of the shares.

Should this appropriation be approved, the total dividend would be 2.60 euros per share. As an interim dividend of 0.80 euros per share was paid on December 2, 2011, the final dividend per share is 1.80 euros; this will be paid as of April 25, 2012.

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

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, the Board of Directors observes that the dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year *(EUR)*	Nature	Payment date	Gross dividend	Tax deduction [a]
2010	Interim	December 2, 2010	0.70	0.28
	Final	May 25, 2011	1.40	0.56
	Total		**2.10**	**0.84**
2009	Interim	December 2, 2009	0.35	0.14
	Final	May 25, 2010	1.30	0.52
	Total		**1.65**	**0.66**
2008	Interim	December 2, 2008	0.35	0.14
	Final	May 25, 2009	1.25	0.50
	Total		**1.60**	**0.64**

(a) For individuals with tax residence in France.

3. SHAREHOLDERS - SHARE CAPITAL - STOCK OPTION PLANS - ALLOCATION OF BONUS SHARES

3.1. Main shareholders

As of December 31, 2011, the Arnault family group controlled 46.48% of the Company's capital, compared with 48.07% as of December 31, 2010 and held 62.38% of the voting rights, compared with 63.95% as of December 31, 2010.

3.2. Shares held by members of the management and supervisory bodies

As of December 31, 2011, the members of the Board of Directors and Executive Committee held directly, personally and in the form of registered shares, less than 2% of the share capital.

3.3. Employee share ownership

As of December 31, 2011, the employees of the Company and its affiliates, within the meaning of Article L. 225-180 of the French Commercial Code, held less than 0.5% of the share capital in connection with corporate savings plans.

3.4. Share purchase option plans and share subscription option plans

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

Two share purchase option plans and seven share subscription option plans set up by LVMH between 2001 and 2009 were in force as of December 31, 2011. The exercise price of options is equal to the reference price calculated in accordance with applicable laws for the plans launched since 2007, and to 95% of this same reference price for all earlier plans. Each plan has a term of ten years. Options granted before 2004 may be exercised after the end of a period of three years from the plan's commencement date, while options granted in 2004 and later years may be exercised after the end of a period of four years.

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

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

Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, any of those three indicators shows a positive change compared to 2008. The performance condition was met with respect to the 2009, 2010 and 2011 fiscal years.

Options granted to other beneficiaries may only be exercised if, for fiscal years 2009 and 2010, any of these indicators shows a positive change compared to 2008. The performance condition was met with respect to the 2009 and 2010 fiscal years.

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

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

3.4.1. Share purchase option plans

Date of Shareholders' Meeting	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	05/17/2000	
Date of Board of Directors' meeting	**01/23/2001**	**03/06/2001**	**05/14/2001**	**09/12/2001**	**01/22/2002**	**05/15/2002**	**01/22/2003**	**Total**
Total number of options granted	**2,649,075**	**40,000**	**552,500**	**50,000**	**3,284,100**	**8,560**	**3,213,725**	**9,797,960**
o/w Company officers[a]	*987,500*	-	*450,000*	-	*1,215,000*	-	*1,220,000*	***3,872,500***
Bernard Arnault[b]	*600,000*	-	-	-	*600,000*	-	*600,000*	***1,800,000***
Nicolas Bazire[b]	*115,000*	-	-	-	*200,000*	-	*200,000*	***515,000***
Antonio Belloni[b]	-	-	*300,000*	-	*200,000*	-	*200,000*	***700,000***
Pierre Godé[b]	*150,000*	-	-	-	*200,000*	-	*200,000*	***550,000***
Gilles Hennessy[b]	*7,500*	-	-	-	*15,000*	-	*20,000*	***42,500***
o/w Top ten employees[a]	*445,000*	*40,000*	*102,500*	*50,000*	*505,000*	*8,560*	*495,000*	***1,646,060***
Number of beneficiaries	786	1	4	1	993	2	979	
Earliest option exercise date	01/23/2004	03/06/2004	05/14/2004	09/12/2004	01/22/2005	05/15/2005	01/22/2006	
Expiry date	01/22/2011	03/05/2011	05/13/2011	09/11/2011	01/21/2012	05/14/2012	01/21/2013	
Purchase price *(EUR)*	65.12	63.53	61.77	52.48	43.30[c]	54.83	37.00[c]	
Number of options exercised in 2011	46,870	-	14,122	-	77,175	5,560	75,135	**218,862**
Number of options expired in 2011	171,675	-	-	50,000	51,000	-	38,875	**311,550**
Total number of options exercised as of 12/31/2011	2,169,750	40,000	552,500	-	2,842,170	8,560	2,831,482	**8,444,462**
Total number of options expired as of 12/31/2011	479,325	-	-	50,000	272,678	-	166,425	**968,428**
Options outstanding as of December 31	**-**	**-**	**-**	**-**	**169,252**	**-**	**215,818**	**385,070**

(a) Number of options allocated to active company officers/employees as of the plan's commencement date.
(b) Company officers active as of December 31, 2011.
(c) Exercise price in euros for Italian and American residents:

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

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

3.4.2. Share subscription option plans

Date of Shareholders' Meeting	05/15/2003	05/15/2003	05/11/2006	05/11/2006	05/11/2006	05/11/2006	05/14/2009	
Date of Board of Directors' meeting	**01/21/2004**	**05/12/2005**	**05/11/2006**	**05/10/2007**	**05/15/2008**	**05/14/2009**	**07/29/2009**	**Total**
Total number of options granted	**2,747,475**	**1,924,400**	**1,789,359**	**1,679,988**	**1,698,320**	**1,301,770**	**2,500**	**11,143,812**
o/w Company officers[a]	*972,500*	*862,500*	*852,500*	*805,875*	*766,000*	*541,000*	-	*4,800,375*
Bernard Arnault[b]	*450,000*	*450,000*	*450,000*	*427,500*	*400,000*	*200,000*	-	*2,377,500*
Antoine Arnault[b]	-	-	-	*9,500*	*9,500*	*9,500*	-	*28,500*
Delphine Arnault[b]	*10,000*	*10,000*	*10,000*	*9,500*	*9,500*	*9,500*	-	*58,500*
Nicolas Bazire[b]	*150,000*	*150,000*	*150,000*	*142,500*	*142,500*	*100,000*	-	*835,000*
Antonio Belloni[b]	*150,000*	*150,000*	*150,000*	*142,500*	*142,500*	*100,000*	-	*835,000*
Pierre Godé[b]	*150,000*	*40,000*	*30,000*	*15,000*	*40,000*	*100,000*	-	*375,000*
Gilles Hennessy[b]	*20,000*	*20,000*	*20,000*	*19,000*	*22,000*	*22,000*	-	*123,000*
o/w Top ten employees[a]	*457,500*	*342,375*	*339,875*	*311,544*	*346,138*	*327,013*	*2,500*	*2,126,945*
Number of beneficiaries	906	495	520	524	545	653	1	
Earliest option exercise date	01/21/2008	05/12/2009	05/11/2010	05/10/2011	05/15/2012	05/14/2013	07/29/2013	
Expiry date	01/20/2014	05/11/2015	05/10/2016	05/09/2017	05/14/2018	05/13/2019	07/28/2019	
Subscription price *(EUR)*	55.70[c]	52.82[c]	78.84[c]	86.12	72.50[c]	56.50[c]	57.10	
Number of options exercised in 2011	400,045	386,975	171,093	437,722	-	-	-	1,395,835
Number of options expired in 2011	8,100	3,000	9,538	21,312	25,750	16,763	-	84,463
Total number of options exercised as of 12/31/2011	1,677,290	1,355,622	579,483	437,722	-	8,000	-	4,058,117
Total number of options expired as of 12/31/2011	109,750	89,225	93,098	84,072	75,669	29,964	-	481,778
Options outstanding as of December 31	**960,435**	**479,553**	**1,116,778**	**1,158,194**	**1,622,651**	**1,263,806**	**2,500**	**6,603,917**

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

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

The potential dilutive effect resulting from the allocation of these options represents 1.3% of share capital. However, since LVMH retires a number of shares equivalent to the number of shares issued in connection with the exercise of options, there is no dilutive effect for shareholders when the subscription options are exercised.

3.4.3. Options granted to and exercised by company officers and by the Group's top ten employees during the fiscal year

Options granted

No option plans were created in 2011.

Options exercised by senior executive officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Bernard Arnault	LVMH	05/12/2005	204,000	52.82
Antonio Belloni	LVMH	01/21/2004	150,000	55.70

Options exercised by other company officers of the Company

Beneficiaries	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Delphine Arnault	Christian Dior	02/15/2006	25,000	72.85
	LVMH	01/21/2004	10,000	55.70
	"	05/12/2005	10,000	52.82
Nicolas Bazire	LVMH	05/10/2007	142,500	86.12
Pierre Godé	LVMH	05/12/2005	40,000	52.82
	Christian Dior	02/18/2002	2	33.53
	"	02/18/2003	2	29.04
	"	05/12/2005	20,000	52.21
Gilles Hennessy	LVMH	01/22/2003	20,000	37.00
	"	01/21/2004	20,000	55.70
	"	05/12/2005	20,000	52.82
	"	05/11/2006	20,000	78.84
	"	05/10/2007	19,000	86.12

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

Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
LVMH Moët Hennessy - Louis Vuitton	01/23/2001	2,000	65.12
	01/22/2002	10,000	43.30
	01/22/2003	2,700	37.00
	01/21/2004	57,500	55.70
	05/12/2005	26,250	52.82
	05/11/2006	57,500	78.84
	05/10/2007	140,298	86.12

3.5. Allocation of bonus shares and performance bonus shares

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

The allocation of bonus shares to their beneficiaries is definitive after a two or three-year vesting period, depending on the plans, which is followed by a two-year holding period, after which beneficiaries are free to sell them. Since 2009, bonus shares allocated to beneficiaries who are not French residents for tax purposes have been definitive after a vesting period of four years and are freely transferable at that time.

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

Bonus shares subject to performance conditions are definitively allocated only if LVMH's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin. With respect to the plan set up on April 15, 2010, the performance condition was satisfied in 2010 and 2011. With respect to the plan set up on March 31, 2011, this condition was satisfied in 2011.

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

In addition, two specific bonus share allocation plans were set up on October 20, 2011 in favor of Group's senior executives.

Date of Shareholders' Meeting	05/15/2008	05/15/2008	05/15/2008	05/15/2008	05/15/2008	05/15/2008	03/31/2011	03/31/2011	
Date of Board of Directors' meeting	**05/14/2009**	**07/29/2009**	**04/15/2010**	**04/15/2010**	**03/31/2011**	**03/31/2011**	**10/20/2011**	**10/20/2011**	
	Bonus shares	**Bonus shares**	**Bonus shares**	**Performance bonus shares**	**Bonus shares**	**Performance bonus shares**	**Bonus shares**	**Bonus shares**	**Total**
Number of shares provisionally allocated	**311,209**	**833**	**195,069**	**274,367**	**184,328**	**257,724**	**95,000**	**20,000**	**1,338,530**
o/w Company officers [a]	-	-	-	*108,837*	-	*100,071*	-	-	208,908
Bernard Arnault [b]	-	-	-	*40,235*	-	*36,994*	-	-	*77,229*
Antoine Arnault [b]	-	-	-	*1,911*	-	*1,757*	-	-	*3,668*
Delphine Arnault [b]	-	-	-	*1,911*	-	*1,757*	-	-	*3,668*
Nicolas Bazire [b]	-	-	-	*20,118*	-	*18,498*	-	-	*38,616*
Antonio Belloni [b]	-	-	-	*20,118*	-	*18,498*	-	-	*38,616*
Pierre Godé [b]	-	-	-	*20,118*	-	*18,498*	-	-	*38,616*
Gilles Hennessy [b]	-	-	-	4,426	-	4,069	-	-	8,495
o/w First ten employees [a]	*48,165*	*833*	*27,372*	*67,350*	*23,387*	*64,611*	*95,000*	*20,000*	*346,718*
Number of beneficiaries	642	1	627	639	698	712	1	1	
Vesting date	05/14/2011 [c]	07/29/2013	04/15/2012 [c]	04/15/2012 [c]	03/31/2014 [d]	03/31/2014 [d]	10/20/2013 [e]	10/20/2013	
Date as of which the shares may be sold	05/14/2013	07/29/2013	04/15/2014	04/15/2014	03/31/2016 [d]	03/31/2016 [d]	10/20/2015 [f]	10/20/2015	
Number of share allocations vested in 2011	143,979	-	-	-	-	-	-	-	143,979
Number of share allocations expired in 2011	14,405	-	5,152	2,268	1,063	355	-	-	23,243
Total number of share allocations vested as of 12/31/2011	146,312	-	-	-	-	-	-	-	146,312
Total number of share allocations expired as of 12/31/2011	22,939	-	5,152	2,268	1,063	355	-	-	31,777
Remaining bonus share allocations as of December 31	**141,958**	**833**	**189,917**	**272,099**	**183,265**	**257,369**	**95,000**	**20,000**	**1,160,441**

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Company officers active as of December 31, 2011.
(c) Definitive allocation on May 14, 2013 and April 15, 2014 for beneficiaries who are not French residents for tax purposes.
(d) Definitive allocation of shares on March 31, 2015, which then become transferable for beneficiaries who are not French residents for tax purposes.
(e) Definitive allocation in two tranches of 47,500 shares, with the second tranche of shares to be definitively allocated on October 20, 2014.
(f) Shares in the first tranche will become transferable on October 20, 2015 and those in the second tranche will become transferable on October 20, 2016.

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

Provisional allocations of performance bonus shares during the fiscal year to senior executive officers

Beneficiaries (EUR)	Company granting the shares	Date of the plan	Number of bonus shares	Value of shares
Bernard Arnault	LVMH	03/31/2011	36,994	3,884,370
"	Christian Dior	03/31/2011	25,450	2,383,901
Antonio Belloni	LVMH	03/31/2011	18,498	1,942,290

See also the table shown on page 57 for the other terms and conditions of allocation.

Bonus shares and performance bonus shares allocated on a provisional basis during the fiscal year to other company officers

This information is provided in the table shown on page 57. Mrs. Delphine Arnault also received an allocation of 2,362 bonus shares and 4,388 performance bonus shares from Christian Dior under the plan dated March 31, 2011.

Bonus shares vested during the fiscal year to senior executive officers and other company officers

No bonus shares were allocated definitively in 2011.

Bonus shares vested during the year to the Group's ten employees[a], other than company officers, having received the largest number of shares

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

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

4. FINANCIAL AUTHORIZATIONS

4.1. Status of current delegations and authorizations

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

Type	Authorization date	Expiry/ Duration	Amount authorized	Use as of December 31, 2011
Share repurchase program Maximum purchase price: 200 euros	March 31, 2011 (14th resol.)	September 30, 2012 (18 months)[a]	10% of share capital 50,766,986 shares[c]	Movements during the fiscal year[b] Purchases: 2,235,093 Disposals: 2,096,093
Reduction of capital through the retirement of shares purchased under the repurchase program	March 31, 2011 (16th resol.)	September 30, 2012 (18 months)[a]	10% of share capital per 24-month period 50,766,986 shares[c]	Shares retired during the fiscal year 2,259,454

(a) A resolution renewing this authorization will be presented to the Shareholders' Meeting of April 5, 2012. See §4.2 below.
(b) Movements between March 31 and December 31, 2011. For purchases, including calls exercised. See also §5.1 below.
(c) On the basis of the share capital mentioned in the Bylaws.

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

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2011
Through incorporation of reserves (L. 225-130)	March 31, 2011 (15th resol.)	May 30, 2013 (26 months)	50 million euros 166,666,666 shares [a]	Not applicable	None
With preferential subscription rights: ordinary shares and investment securities giving access to the share capital	March 31, 2011 (17th resol.)	May 30, 2013 (26 months)	50 million euros 166,666,666 shares [a] [b]	Free	None
Without preferential subscription rights: ordinary shares and investment securities giving access to the share capital					
- by means of public offer (L. 225-135 and seq.)	March 31, 2011 (18th resol.)	May 30, 2013 (26 months)	50 million euros 166,666,666 shares [a] [b]	At least equal to the minimum price required by regulations [c]	None
- by means of private placement (L. 225-135 and seq.)	March 31, 2011 (19th resol.)	May 30, 2013 (26 months)	50 million euros 166,666,666 shares [a] [b]	At least equal to the minimum price required by regulations [c]	None
In connection with a public exchange offer (L. 225-148)	March 31, 2011 (22nd resol.)	May 30, 2013 (26 months)	50 million euros 166,666,666 shares [a]	Free	None
In connection with in-kind contributions (L. 225-147)	March 31, 2011 (23rd resol.)	May 30, 2013 (26 months)	10% of share capital 50,766,986 shares [a] [d]	Free	Number of shares issued: 18,037,011 [e]

(a) Maximum nominal amount. The nominal amount of any capital increase decided in application of other delegations of authority would be offset against this amount.
(b) Provided the overall maximum ceiling of 50 million euros referred to in (a) is not exceeded, this amount may be increased subject to the limit of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of March 31, 2011, 21st resolution) (L. 225-135-1).
(c) Up to 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is at least equal to 90% of the weighted average of the share price over the three days preceding its determination (Shareholders' Meeting of March 31, 2011 19th resolution).
(d) On the basis of the share capital mentioned in the Bylaws..
(e) Capital increase in connection with the in-kind contribution of Bulgari shares.

Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2011
Share subscription or purchase options (L. 225-177 and seq.)	May 14, 2009 (18th resol.)	July 13, 2012 (38 months) [a]	3% of share capital 14,698,122 shares	Average share price over the 20 trading days preceding the grant date	• granted: 2,500 options • available to be granted: 14,695,622 options
Bonus shares allocation (L. 225-197-1 and seq.)	March 31, 2011 (26th resol.)	May 30, 2014 (38 months)	1% of share capital 4,896,328 shares	Not applicable	• granted: 115,000 shares • available to be granted: 4,781,328 shares
Capital increase reserved for employees who are members of a corporate savings plan (L. 225-129-6)	March 31, 2011 (24th resol.)	May 30, 2013 (26 months)	1% of share capital 4,896,328 shares [b]	Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 20%	None

(a) A resolution renewing this authorization will be presented to the Shareholders' Meeting of April 5, 2012. See §4.2 below.
(b) Subject to not exceeding a total ceiling of 50 million euros (see above), against which this amount would be offset.

4.2. Authorizations proposed to the Shareholders' Meeting

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

Type	Resolution	Duration	Amount authorized
Share repurchase program Maximum purchase price: 200 euros	13th	18 months	10% of share capital 50,766,986 shares
Reduction of capital through the retirement of shares purchased under the repurchase program	14th	18 months	10% of share capital per 24-month period 50,766,986 shares

Employee share ownership

Type	Resolution	Duration	Amount authorized	Issue price determination method
Share subscription or purchase options (L. 225-177 and seq.)	15th	38 months	1% of share capital 5,076,698 shares [a] [b]	Average share price over the 20 trading days preceding the grant date [c] - no discount
Capital increase reserved for employees who are members of a corporate savings plan (L. 225-129-6)	16th	26 months	1% of share capital 5,076,698 shares [a] [b]	Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 20%

(a) Subject to not exceeding a total ceiling of 50 million euros defined by the 25th resolution approved by the Shareholders' Meeting of March 31, 2011, against which this amount would be offset.
(b) On the basis of the share capital mentioned in the Bylaws.
(c) Since these relate to purchase options, the price may not be lower than the average purchase price of the shares.

5. SHARE REPURCHASE PROGRAMS

5.1. Information on share repurchase programs

The purpose of this section is to inform the Shareholders' Meeting of the purchase transactions in treasury shares that were carried out, between January 1, 2011 and December 31, 2011, by the Company as part of the share repurchase programs authorized by the Combined Shareholders' Meetings held on April 15, 2010 and March 31, 2011, respectively.

Under the liquidity contract concluded by the Company with Oddo & Cie Entreprise d'Investissement and Oddo Corporate Finance on September 23, 2005, the Company acquired 2,697,370 LVMH shares at the average price per share of 114.42 euros and sold 2,678,370 LVMH shares at the average price per share of 115.14 euros.

These transactions generated expenses of 0.3 million euros.

The table below groups by purpose the transactions carried out at value date during the period January 1, 2011 to December 31, 2011:

(number of shares unless otherwise stated)	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Share retirements	Total
Balance as of December 31, 2010	**100,000**	**11,839,973**	**-**	**-**	**-**	**11,939,973**
Purchases	662,277	-	-	-	-	662,777
Average price *(EUR)*	114.34	-	-	-	-	114.34
Sales	(582,277)	-	-	-	-	(582,277)
Average price *(EUR)*	114.95	-	-	-	-	114.95
Share purchase options exercised	-	(99,525)	-	-	-	(99,525)
Average price *(EUR)*	-	52.85	-	-	-	52.85
Call options exercised	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Allocations of bonus shares	-	-	-	-	-	-
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(1,009,378)	-	-	-	(1,009,378)
Balance as of March 31, 2011	**180,000**	**10,731,070**	**-**	**-**	**-**	**10,911,070**
Purchases	2,035,093	-	-	-	-	2,035,093
Average price *(EUR)*	114.45	-	-	-	-	114.45
Sales	(2,096,093)	-	-	-	-	(2,096,093)
Average price *(EUR)*	115.19	-	-	-	-	115.19
Share purchase options exercised	-	(119,337)	-	-	-	(119,337)
Average price *(EUR)*	-	42.68	-	-	-	42.68
Call options exercised	-	200,000	-	-	-	200,000
Average price *(EUR)*	-	40.15	-	-	-	40.15
Allocations of bonus shares	-	(143,979)	-	-	-	(143,979)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(1,250,076)	-	-	-	(1,250,076)
Balance as of December 31, 2011	**119,000**	**9,417,678**	**-**	**-**	**-**	**9,536,678**

- During this period, the Company exercised call options on 200,000 shares. As of December 31, 2011, given the fact that no call options were acquired during the year, the Company held call options on 100,000 shares, in order to cover commitments to share purchase option plans.
- Between January 1 and December 31, 2011, the Company retired 2,259,454 shares which had been purchased for cancellation or to cover share subscription option plans.

5.2. Description of the main characteristics of the share repurchase program presented to the Combined Shareholders' Meeting of April 5, 2012

- Securities concerned: shares issued by LVMH Moët Hennessy - Louis Vuitton SA.
- Maximum portion of the capital that may be purchased by the Company: 10%.
- Maximum number of its own shares that may be acquired by the Company, based on the number of shares making up share capital as of December 31, 2011: 50,766,986, but taking into account the 9,536,678 shares held as treasury shares and the 100,000 call options held as of December 31, 2011, only 41,130,308 treasury shares are available to be acquired.
- Maximum price per share: 200 euros.
- Objectives:
  - buy and sell securities under the liquidity contract implemented by the Company;
  - buy shares to cover stock option plans, the granting of bonus shares or any other allocation of shares or share-based payment schemes, benefiting employees or company officers of LVMH or a related company as defined under Article L. 225-180 of the French Commercial Code;
  - retire the shares acquired;
  - buy shares to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;
  - buy shares to be held and later presented for consideration as an exchange or payment in connection with external growth operations.
- Term of the program: 18 months as from the Ordinary Shareholders' Meeting of April 5, 2012.

5.3. Summary table disclosing the transactions performed by the issuer involving its own shares from January 1 to December, 2011

The table below, prepared in accordance with the provisions of AMF Instruction No. 2005-06 of February 22, 2005 in application of Article 241-2 of the AMF's General Regulations, provides a summary overview of the transactions performed by the Company involving its own shares from January 1, 2011 to December 31, 2011.

As of December 31, 2011	
Percentage of own share capital held directly or indirectly	1.88%
Number of shares retired in the last 24 months	4,035,354
Number of shares held in the portfolio	9,536,678
Book value of the portfolio	481,491,706 euros
Market value of the portfolio	1,043,312,573 euros

	Cumulative gross transactions		Open positions as of December 31, 2011			
	Purchases	Sales/Transfers	Open buy positions		Open sell positions	
			Purchased call options	Forward purchases	Sold call options	Forward sales
Number of shares	2,897,370	5,300,665	100,000	-	-	-
of which:						
- *liquidity contract*	*2,697,370*	*2,678,370*	-	-	-	-
- *purchases to cover plans*	-	-	-	-	-	-
- *exercise of purchase options*	-	*218,862*	-	-	-	-
- *exercise of call options*	*200,000*	-	-	-	-	-
- *bonus share awards*	-	*143,979*	-	-	-	-
- *purchases of shares to be retired*	-	-	-	-	-	-
- *share retirements*	-	*2,259,454*	-	-	-	-
Average maximum maturity	-	-	13 months	-	-	-
Average trading price [a] *(EUR)*	114.42	115.14	-	-	-	-
Average exercise price *(EUR)*	40.15	47.31	37.00	-	-	-
Amounts *(EUR)*	316,663,075	318,741,883	-	-	-	-

(a) Excluding bonus share awards and share retirements.

6. REMUNERATION OF COMPANY OFFICERS

6.1. Summary of the remuneration, options and performance bonus shares granted to senior executive officers [a]

(EUR) Senior executive officers	Remuneration due in respect of the fiscal year		Valuation of options granted during the fiscal year		Valuation of bonus shares granted during the fiscal year [b]	
	2011	2010	2011	2010	2011	2010
Bernard Arnault	4,428,399	3,904,672	-	-	6,268,271	5,665,459
Antonio Belloni	5,489,552	5,485,493	-	-	1,942,290	1,748,858

(a) Gross remuneration and benefits in kind paid or borne by the Company and companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code. Excludes directors' fees.

(b) The breakdown of equity securities or securities conferring entitlement to capital allocated to members of the Board of Directors during the fiscal year as well as the performance conditions to be met for the definitive allocation of shares are presented in §3.5.

6.2. Summary of the remuneration of each senior executive officer[a]

Bernard Arnault

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

Antonio Belloni

Compensation *(EUR)*	Amounts due for the fiscal year		Amounts paid in the fiscal year	
	2011	2010	2011	2010
Fixed compensation	3,174,302	3,170,243	3,185,192 [f]	3,174,302 [f]
Variable compensation [e]	2,315,250	2,315,250	2,315,250 [d]	2,170,550 [d]
Exceptional compensation	-	-	-	-
Directors' fees	87,245	87,245	87,245	87,245
Benefits in kind	Company car	Company car	Company car	Company car
Total	**5,576,797**	**5,572,738**	**5,587,687**	**5,432,097**

(a) Gross remuneration and benefits in kind paid or borne by the Company and companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.

(b) The differences between the amounts due and the amounts paid are attributable to changes in foreign exchange rates.

(c) 50% based on the achievement of qualitative objectives and 50% based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight.

(d) Amounts paid in respect of the prior fiscal year.

(e) One-third based on the achievement of qualitative objectives and two-thirds based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight.

(f) Including the change in housing allowance.

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

Senior executive officers	Work contract		Supplementary pension[a]		Indemnities or benefits due or likely to become due on the cessation or change of functions		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Bernard Arnault Chairman and Chief Executive Officer		X	X			X		X
Antonio Belloni Group Managing Director	X		X			X	X[b]	

(a) This supplementary pension is only acquired if the potential beneficiary has been present for at least six years on the Group's Executive Committee and simultaneously asserts his rights to his standard legal pension entitlement. This is not required however if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated. It is determined on the basis of a reference remuneration that is equal to the annual remuneration received over the last three calendar years preceding the retirement year, subject to a maximum of thirty-five times the annual social security ceiling. The annual supplementary pension is equal to the difference between 60% of the reference remuneration (i.e. 763,812 euros as of January 1, 2012) and all pension amounts paid by the general social security regime and the additional ARRCO and AGIRC regimes.
Amount of the commitment as of December 31, 2011, determined in accordance with the principles defined by IAS 19 Employee benefits:
– Bernard Arnault: 17,057,816 euros;
– Antonio Belloni: 9,457,115 euros.

(b) Covenant not to compete for a twelve-month period included in the employment contract – suspended during the term of the mandate of Group Managing Director – providing for the monthly payment during its application of a compensation equal to the monthly remuneration on the termination date of his functions, supplemented by one twelfth of the last bonus received.

6.4. Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers[a]

Members of the Board of Directors *(EUR unless otherwise stated)*	Directors' fees paid in		Fixed remuneration paid during the fiscal year		Variable remuneration paid during the fiscal year	
	2011	2010	2011	2010	2011	2010
Antoine Arnault[b]	45,000	45,000	300,000	195,000	135,000	65,000
Delphine Arnault[b]	58,158	58,158	90,000	90,000	30,000	30,000
Nicolas Bazire[b][c][e]	55,000	55,000	1,235,000	1,235,000	2,700,000	2,450,000
Antoine Bernheim	268,111	610,195	-	-	-	-
Bernadette Chirac	35,000	33,750	-	-	-	-
Nicholas Clive Worms	51,875	54,375	-	-	-	-
Charles de Croisset	62,500	60,000	-	-	-	-
Diego Della Valle	35,000	30,000	-	-	-	-
Albert Frère	25,000	67,500	-	-	-	-
Pierre Godé[b]	154,686	176,375	1,500,000	1,500,000	4,000,000	2,000,000
Gilles Hennessy[b][c][e][h]	62,500	67,500	540,000	525,000	364,920	303,533
Patrick Houël	20,561	74,745	150,000[d][i]	200,000[d]	-	-
Marie-Josée Kravis	22,500	-	-	-	-	-
Lord Powell of Bayswater	40,000	37,500	205,000[f]	205,000[f]	-	-
Yves-Thibault de Silguy	45,000	45,000	-	-	-	-
Felix G. Rohatyn	10,000	22,500	-	25,000[g]	-	-
Francesco Trapani[h]	33,750	-	1,000,000	-	-	-
Hubert Védrine	35,000	37,500	-	-	-	-

(a) Directors' fees, gross remuneration and/or fees and benefits in kind paid or borne by the Company and the companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.
(b) The breakdown of equity securities or securities conferring entitlement to capital granted to members of the Board of Directors during the financial year is presented in §3.5.
(c) Benefits in kind: company car.
(d) Contract as a consultant.
(e) Other benefit: supplementary pension.
(f) In pounds sterling.
(g) In US dollars.
(h) Medium term profit sharing scheme.
(i) Annual basis.

Moreover, the attendance fees paid by the Company to the Advisory Board members in 2011 amounted to:

(EUR)	
Paolo Bulgari	22,500
Patrick Houël	33,750
Felix G. Rohatyn	10,000

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

This breakdown appears in §3.5 above.

7. SUMMARY OF TRANSACTIONS INVOLVING LVMH SHARES DURING THE FISCAL YEAR BY DIRECTORS AND RELATED PERSONS [a]

Directors concerned	Type of transaction	Number of shares/ other securities	Average price *(EUR)*
Antoine Arnault	Sale of shares	15,000	104.76
Bernard Arnault	Purchase of shares [b]	204,000	52.82
Delphine Arnault	Purchase of shares [b]	20,000	54.26
	Sale of shares	30,500	121.26
Company(ies) related to Bernard Arnault, Antoine Arnault and Delphine Arnault	Sale of share purchase options	6,300,000	-
	Purchase of share purchase options	6,300,000	-
	Monetization of LVMH shares	1,200,000	125.00
	Monetization of LVMH shares (reduction)	3,259,098	92.05
	Monetization of LVMH shares (future increase)	2,447,980	122.55
Nicolas Bazire	Purchase of shares [b]	142,500	86.12
Person(s) related to Nicolas Bazire	Sale of shares	40,240	127.21
Antonio Belloni	Purchase of shares [b]	150,000	55.70
Person(s) related to Antonio Belloni	Sale of shares	155,000	122.47
	Purchase of shares	5,000	98.73
Company(ies) related to Albert Frère	Sale of shares	33,000	102.05
Pierre Godé	Purchase of shares [b]	40,000	52.82
Gilles Hennessy	Purchase of shares [b]	99,000	61.85
	Sale of shares	62,000	113.39

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

8. ADMINISTRATIVE MATTERS

8.1. List of positions and offices held by the members of the Board of Directors

The list of all offices and positions held by each member of the Board of Directors, currently and during the last five years, is provided in the Other information section, in the paragraph "Governance" of the Reference Document.

8.2. Membership of the Board of Directors

It is proposed that you:

- ratify the appointment by co-optation of Messrs. Francesco Trapani and Felix G. Rohatyn to serve as Director and Advisory Board member, respectively;
- appoint Messrs. Antoine Arnault, Albert Frère, Gilles Hennessy and Yves-Thibault de Silguy, as well as Lord Powell of Bayswater, to serve as Directors.

8.3. Determination of the amount of directors' fees

It is proposed that the total amount of directors' fees to be paid to the members of the Board of Directors be set at 1,260,000 euros.

8.4. Amendment of the Bylaws

We propose that the Company's Bylaws be amended to ensure compliance with the requirements enacted by Decree No. 2010-684 dated June 23, 2010 and Ministerial Order No. 2010-1512 dated December 9, 2010 relating to the change in the time period for sending the notice of a reconvened Shareholders' Meeting and in the conditions for the right to proxy representation at Shareholders' Meetings.

9. INFORMATION THAT COULD HAVE A BEARING ON A TAKEOVER BID OR EXCHANGE OFFER

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

• capital structure of the Company: the Company is controlled by the Arnault family group, which controlled 46.48% of the capital and 62.38% of the voting rights as of December 31, 2011;

• share issuance and buybacks: under various resolutions, the Shareholders' Meeting has delegated to the Board of Directors full powers to:

- increase the share capital, with or without shareholders' preferential rights and via public offer or private placement, in a total nominal amount not to exceed 50 million euros, or 33% of the Company's current share capital,
- grant share subscription options, within the limit of 3% of the share capital, and
- allocate bonus shares, to be issued, within the limit of 1% of the share capital,
- acquire Company shares up to 10% of the share capital.

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

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Human resources

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1. GROUP REPORTING ON EMPLOYEE-RELATED ISSUES

Since 2010, all staff members involved in social reporting have had access to an e-learning module. The purpose of this online training tool is to familiarize users with the objectives of social reporting, deepening understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced at each organizational entity through the implementation of an electronic signature system on the final validation of social reporting documents and the signing of a representation letter by the Director of Human Resources of each House.

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

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

Workforce information provided below relates to all consolidated companies on December 31, including LVMH's share in joint ventures.

Other social indicators were calculated for a scope of 513 organizational entities covering more than 92% of the worldwide workforce and encompass all staff employed during the year, including those employed by joint ventures. Neither Bulgari and its subsidiaries nor Sephora's Russian subsidiary Ile de Beauté, both initially consolidated in the second half of 2011, are covered by these indicators.

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

1.1. Analysis and development of the workforce

1.1.1. Breakdown of the workforce

The total workforce as of December 31, 2011 amounted to 97,559 employees, an increase of 17% compared to 2010. Of this total, 87,544 employees worked under permanent contracts and 10,015 worked under fixed-term contracts. Part-time employees represented some 19% of the total workforce, or 18,421 individuals. The portion of staff outside France increased by 3 points on the previous year to 79% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce in 2011 comprised 81,199 employees, a rise of 11% on 2010. The main internal changes are due to the opening of new stores, mainly in the United States, Europe and China. The Fashion and Leather Goods and Selective Retailing business groups thus saw average workforce increases of 8% and 15% respectively. Among the most important changes in the scope of consolidation, we should note the consolidation of Ile de Beauté, the Russian subsidiary of Sephora, and the acquisition of Bulgari on June 30, 2011.

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

Breakdown by business group

Total headcount as of December 31 [a]	2011	%	2010	%	2009	%
Wines and Spirits	6,372	7	6,063	7	6,032	8
Fashion and Leather Goods	27,137	28	25,013	30	23,012	30
Perfumes and Cosmetics	18,423	19	17,715	21	17,374	22
Watches and Jewelry	7,249	7	2,332	3	2,091	3
Selective Retailing	36,905	38	30,998	37	27,389	35
Other	1,473	1	1,421	2	1,404	2
Total	**97,559**	**100**	**83,542**	**100**	**77,302**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total headcount as of December 31 [a]	2011	%	2010	%	2009	%
France	20,456	21	19,495	23	19,310	25
Europe (excluding France)	23,859	24	17,428	21	16,793	22
United States	22,986	24	19,650	23	16,567	21
Japan	5,192	5	4,658	6	4,798	6
Asia (excluding Japan)	20,258	21	18,168	22	15,996	21
Other	4,808	5	4,143	5	3,838	5
Total	**97,559**	**100**	**83,542**	**100**	**77,302**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

Total headcount at December 31 [a]	2011	%	2010	%	2009	%
Managers	16,009	16	13,915	16	13,022	17
Technicians and team leaders	9,078	9	8,141	10	8,075	10
Office and sales personnel	60,070	62	50,055	60	45,075	58
Labor and production workers	12,402	13	11,431	14	11,130	15
Total	**97,559**	**100**	**83,542**	**100**	**77,302**	**100**

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

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

(%)	Global workforce	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets
Age: less than 25 years	13.4	7.0	9.5	20.4	3.4	18.3	16.6
25-29 years	21.1	14.8	18.3	21.1	19.7	30.4	21.6
30-34 years	18.8	16.1	20.6	15.9	27.6	20.1	21.5
35-39 years	14.3	15.2	17.7	10.6	23.5	11.6	15.3
40-44 years	11.1	13.9	13.4	9.2	12.9	7.7	10.8
45-49 years	8.8	13.1	9.1	7.8	7.0	5.9	6.4
50-54 years	6.3	10.5	6.2	6.2	3.8	3.3	3.9
55-59 years	4.3	7.7	3.8	4.5	1.9	1.9	2.7
60 years and over	1.9	1.7	1.4	4.3	0.2	0.8	1.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average age	**36**	**39**	**37**	**36**	**36**	**33**	**34**

Average length of service and breakdown by length of service

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

(%)		Workforce Global	France	Europe (excluding France)	USA	Japan	Asia (excluding Japan)	Other markets
Length of service:	less than 5 years	59.8	39.3	56.5	72.0	42.5	73.7	69.8
	5-9 years	18.4	18.4	22.7	16.6	33.6	13.5	15.9
	10-14 years	10.3	16.2	11.5	6.8	15.2	6.0	8.1
	15-19 years	4.2	7.2	4.1	2.2	4.3	3.5	2.5
	20-24 years	3.6	8.4	2.8	1.4	3.2	2.1	1.6
	25-29 years	1.7	4.7	1.0	0.6	0.8	0.6	1.2
	30 years and over	2.0	5.8	1.4	0.4	0.4	0.6	0.9
		100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service		**7**	**10**	**6**	**5**	**7**	**5**	**5**

1.1.2. Recruitment policy

LVMH sees the recruitment of talent as a key management task and a determining element for the success of each of its entities in the short, medium and long term. For businesses where creativity and know-how are of utmost importance, it is clearly essential to be able to enlist the highest-performing, most appropriate and promising talent. In this highly competitive business environment, it is the quality of teams and of each of their members that makes the difference.

Since 2009, LVMH has decided to make the career opportunities within what the Group calls its "ecosystem" better known. This has a unique appeal in the luxury world, and motivates the best applicants to join one of the Group companies. This determination to give the Group the means to continually reinforce its image as an employer of choice is already very widely recognized in France. Again in 2011, LVMH was named as the leading ideal employer in two separate French surveys: upcoming gradates of top French business schools polled by Universum ranked LVMH first among preferred employers for the sixth consecutive year, while future managers surveyed by Trendence named the Group as the most attractive employer for the third year running. In March 2011, as further confirmation of these strong results, LVMH was awarded the top prize for employer attractiveness in the "Consumer Goods" category by Randstad's human resources consulting division. These distinctions honor the efforts made by all Group companies to reinforce their attractiveness among young graduates, thus raising their potential to attract diverse, top-tier talent.

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

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

The Group is also developing custom-tailored programs around the world in conjunction with specific universities and business schools in order to meet the increasingly exacting demands of their students. For example, LVMH is a member of CEMS, a global alliance of leading business schools and multinational companies. In addition, the Group's "*LVMH Rendez-Vous*" events provide the opportunity for students selected as participants to attend a presentation of the Group and its businesses, followed by an introduction to the world of luxury brand marketing. In 2011, *LVMH Rendez-Vous* events were held at London Business School, INSEAD, HEC, Melbourne Business School, and Wharton. Also during the year, the first "LVMH MBA Alumni Networking" event, organized in Shanghai by the Group's Asia-Pacific human resources teams, provided an opportunity for 180 alumni of prestigious MBA programs to meet each other for an evening of networking. Lastly, "LVMH One-to-One" events allow students having passed through a preliminary selection process to meet human resources managers from Group companies at their universities or business schools for interviews and to share in a unique creative experience.

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

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

Since 2009, the LVMH Code of Conduct for Recruitment has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at LVMH and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity. Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program "Recruitment without Discrimination". This training initiative, introduced in 2011 for human resources managers at various Group companies, invites participants to dissect the recruitment process and assess the impact of stereotypes and prejudices with the goal of reducing the risk of discrimination at each stage in the process. To date, more than a hundred human resources managers have completed this training. Lastly, LVMH also has discrimination tests performed, by an independent and highly regarded firm, on job offers published on its Web site. By means of this scrupulous self-assessment procedure using the services of an independent, external provider on an ongoing basis, the Group guarantees the excellence of its recruitment practices.

1.1.3. Movements during the year: joiners, leavers and internal mobility

In 2011, 22,735 individuals were hired under permanent contracts, including 2,869 in France. Over 5,200 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end of year holiday season and the harvest season, are two main reasons for using fixed-term contracts.

Departures from Group companies in 2011 (all causes combined) affected a total of 15,481 employees working under permanent contracts, of which more than 46% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignations (75%) and individual dismissals (14%). The exceptional sweep of the worldwide economic crisis had significantly reduced movements of personnel in 2009. The sharp upturn in the luxury goods sector since 2010 led to a substantial increase in joiners and leavers, which rose by 20% and 9% compared to the prior year, respectively.

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

Turnover by geographic region

(%)	2011	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets	2010	2009
Total turnover [a]	19.1	9.8	15.8	27.6	9.3	25.6	19.7	19.3	18.2
o/w: voluntary turnover [b]	14.3	4.6	11.0	22.6	8.5	20.3	15.2	13.5	11.4
involuntary turnover [c]	4.4	4.3	4.3	4.5	0.7	5.2	4.4	5.1	6.3

(a) All reasons.
(b) Resignations.
(c) Dismissals/end of trial period.

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

(number)	Joiners			Leavers		
	2011	2010	2009	2011	2010	2009
Wines and Spirits	902	526	242	543	637	623
Fashion and Leather Goods	5,870	4,964	3,267	3,761	3,461	3,221
Perfumes and Cosmetics	4,559	4,213	2,709	3,504	3,185	2,665
Watches and Jewelry	758	472	294	382	355	482
Selective Retailing	10,467	8,648	5,509	7,158	6,470	5,557
Other	179	139	110	133	142	123
Total	**22,735**	**18,962**	**12,131**	**15,481**	**14,250**	**12,671**
France	2,869	2,268	1,416	1,879	1,838	1,679
Europe (excluding France)	3,911	3,240	2,086	2,681	2,607	2,616
United States	7,070	5,804	3,198	4,757	4,197	3,869
Japan	406	405	370	391	365	510
Asia (excluding Japan)	7,124	6,266	4,271	4,915	4,431	3,327
Other	1,355	979	790	858	812	670
Total	**22,735**	**18,962**	**12,131**	**15,481**	**14,250**	**12,671**

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

The Group has made internal mobility, whether geographic or functional, one of the pillars of its human resources policy. The diversity of its brands, their strong identities as well as their expertise in their respective fields, each with its own very specific characteristics, foster these two types of mobility and offer many paths to professional fulfillment suited to the aspirations and capabilities of each employee. In order to facilitate mobility within the Group, monthly reviews are organized in order to align opportunities for new positions with individuals interested in developing their careers. Significant results have thus been obtained over the last several years: more than 1,700 career moves through internal mobility were accomplished in 2011, which means that half of all manager positions were filled internally. Among key points worth noting, two-thirds of key positions are currently occupied by internally recruited talent and about 20% of career moves in 2011 were to another Group company.

LVMH also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially by pursuing qualifying training or degree programs. More than 4,300 staff members were promoted in 2011, representing 5.3% of the workforce employed under permanent contract.

1.2. Work time

1.2.1. Work time organization

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

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

Employees affected [a] *(%)*	Global workforce	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets
Variable/adjusted schedules	15	35	19	8	12	2	-
Part-time	20	11	20	42	1	6	17
Teamwork or alternating hours	38	10	10	68	87	55	42

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

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

Employees affected [a] *(%)*	Workforce France	Managers	Technicians and team leaders	Office and sales personnel	Labor and production workers
Variable/adjusted schedules	35	38	49	51	1
Part-time	11	3	6	24	7
Teamwork or alternating hours	10	-	7	2	35
Employees benefiting from time off in lieu	10	-	14	17	11

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

1.2.2. Overtime

The cost of the volume of overtime is 42.5 million euros, or an average of 1.5% of the worldwide payroll.

Percentage of overtime by region

(% of payroll)	Global workforce	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets
Overtime	1.5	1.3	1.9	1.3	2.0	1.5	1.1

1.2.3. Absenteeism

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

Absentee rate [a] by region and by reason

(%)	Global workforce	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets
Illness	2.1	3.6	3.2	0.9	0.4	1.4	1.1
Work/work-travel accidents	0.2	0.5	0.1	0.1	-	0.1	0.2
Maternity	1.4	1.4	2.7	0.5	3.1	1.0	0.9
Paid absences (family events)	0.7	0.3	0.5	0.2	0.5	1.4	1.3
Unpaid absences	0.4	0.5	0.3	0.2	0.1	0.5	0.3
Overall absentee rate	4.8	6.3	6.8	1.9	4.1	4.4	3.8

(a) Number of days absent divided by the theoretical number of days worked.

1.3. Compensation

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

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

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

In 2011, most of the Group's French companies paid all of their employees very substantial amounts in profit sharing and/or incentives which increased by 40% compared to the previous years. Finally, LVMH maintained its program for granting bonus shares, to encourage the loyalty of staff members making the greatest contribution to its performance.

1.3.1. Average salary

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

Employees concerned *(%)*	2011	2010	2009
Less than 1,500 euros	1.3	4.0	7.8
1,501 to 2,250 euros	32.6	34.3	33.3
2,251 to 3,000 euros	22.3	21.9	21.6
Over 3,000 euros	43.8	39.8	37.3
Total	**100.0**	**100.0**	**100.0**

1.3.2. Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	2011	2010	2009
Gross payroll - Fixed term or permanent contracts	2,807.6	2,528.8	2,295.8
Employers' social security contributions	720.4	653.5	592.9
Temporary staffing costs	140.0	113.4	85.5
Total personnel costs	**3,668.0**	**3,295.8**	**2,974.2**

Outsourcing and temporary staffing costs increased appreciably compared to the previous year, accounting for 6.7% of the total payroll worldwide, including employer's social security contributions.

1.3.3. Incentive schemes, profit sharing and company savings plans

All companies in France with at least 50 employees have an incentive scheme, profit sharing or company savings plan. These plans accounted for a total expense of 138.1 million euros in 2011, paid in respect of 2010, a strong increase compared to previous years.

(EUR millions)	2011	2010	2009
Profit sharing	71.6	53.2	67.7
Incentive	57.4	32.6	31.5
Employer's contribution to company savings plans	9.1	6.3	5.5
Total	**138.1**	**92.1**	**104.7**

1.4. Social responsibility

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

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

LVMH is a signatory of the United Nations Global Compact and, in France, of the Diversity Charter and the Enterprise Charter for Equal Opportunity in Education. These commitments are demonstrated by all Group companies through the various actions described below.

1.4.1. Equality of opportunity for men and women

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

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

Proportion of female employees in new joiners [a] and in the Group's active workforce

(% of women)	Joiners			Group employees		
	2011	2010	2009	2011	2010	2009
Breakdown by business group						
Wines and Spirits	47	46	40	36	35	35
Fashion and Leather Goods	68	70	67	72	73	73
Perfumes and Cosmetics	85	86	87	84	84	82
Watches and Jewelry	57	56	64	56	57	57
Selective Retailing	82	81	82	81	81	80
Other	57	50	45	46	44	47
Breakdown of personnel by professional category						
Managers	64	61	58	62	61	60
Technicians and team leaders	73	70	71	68	67	69
Office and sales personnel	81	81	82	81	81	81
Labor and production workers	55	66	54	63	64	63
Breakdown by geographic region						
France	74	72	71	69	68	67
Europe (excluding France)	76	79	76	75	76	75
United States	80	79	80	77	76	76
Japan	79	81	79	78	78	77
Asia (excluding Japan)	75	77	78	75	76	75
Other	74	75	77	66	65	63
LVMH group	**77%**	**77%**	**77%**	**74%**	**74%**	**73%**

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

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

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

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

1.4.2. Actions in favor of older employees

Access to employment by older staff and their retention are areas of constant concern for the Group. Workgroups formed at the instigation of the Group's Human Resources Department have sought to implement a global approach to the management and professional development of older staff, and Group companies have been able to adapt this policy to their specific characteristics. In this connection, among the priorities identified, 80% of the Group's Houses took on quantified commitments to end-of-career planning, while 70% vowed to improve workplace conditions.

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

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

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

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

Worldwide, 12.5% of the LVMH group's active workforce are over the age of 50. In France, this population accounts for 20% of employees.

1.4.3. Employment of disabled persons

In January 2011, the Group signed its second partnership agreement with AGEFIPH, a key French stakeholder in the employment of disabled persons. With this new agreement, LVMH reinforces its commitments relating to the recruitment and accommodation of employees affected by disabilities. In these efforts, LVMH is supported by a network of more than 30 disability correspondents in Group companies through its Mission Handicap initiative. Awareness sessions are organized on a regular basis for these correspondents, addressing the various issues raised by disabilities. In 2011, mental disabilities were a focus of special interest. In France, between 2007 and 2010, the employment rate for disabled persons increased from 1.6% to 3.7% based on official standards for the definition of disabilities.

The Group is particularly attentive to the need to ensure that employees who become disabled are able to continue working, as illustrated already by the specially designed facilities at Moët & Chandon, Parfums Christian Dior and Guerlain, which allow staff members with medical limitations to continue to work in their jobs under appropriate conditions. A forerunner in this area, Moët & Chandon founded MHEA in March 2011, a company offering facilities adapted for disabled employees. A fully autonomous entity, MHEA maintains a disabled employment rate of at least 80% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation.

In the area of recruitment, LVMH has developed a methodology ("Handi-Talents") based on professional-life scenarios for disabled applicants. These innovative recruitment sessions pay no heed to the applicants' résumés but instead seek to objectify the recruitment process and identify skills and competencies which are transferable into the professional sphere.

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

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

1.5. Professional development of employees

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

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

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

New online training projects have extended the reach of this investment and are contributing to the development of regional management training programs. Among these initiatives, 2011 saw the introduction of a new training module entitled

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

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

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

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

Global workforce	2011	2010	2009
Training investment *(EUR millions)*	69.8	61.7	53.7
Portion of total payroll *(%)*	2.5	2.4	2.3
Number of days training per employee	2.5	2.5	2.4
Average cost of training per employee *(EUR)*	761	728	689
Employees trained during the year *(%)*	65.0	65.0	59.1

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

In 2011, training expenses incurred by the Group's companies throughout the world represented a total of 69.8 million euros, or 2.5% of total payroll. Following a decline seen in 2009 due to the difficult economic environment, indicators relating to the Group's overall training effort have returned to levels comparable to those recorded in previous years.

The average training investment per full-time equivalent person amounts to approximately 760 euros. In 2011, the total number of training days amounted to nearly 227,500 days, representing an equivalent of around 990 people receiving full-time training for the entire year.

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

Breakdown of training investment by geographic region and professional category

	France	Europe *(excluding France)*	USA	Japan	Asia *(excluding Japan)*	Other markets
Training investment *(EUR millions)*	26.3	12.1	11.3	5.8	12.2	2.1
Portion of total payroll *(%)*	3.2	2.0	1.8	2.6	2.7	2.1
Employees trained during the year *(%)*	59.8	62.5	60.6	80.9	70.9	73.5
o/w: Executives and managers	69	68	59	83	74	60
Technicians and team leaders	69	69	38	81	78	62
Office and sales personnel	48	62	62	80	70	77
Labor and production workers	55	57	60	92	62	82

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

Moreover, LVMH organizes integration and awareness seminars for new hires focusing on the culture of the Group, its values, its key management principles and knowledge of its brands. More than 23,100 employees attended seminars of this type in 2011.

1.6. Health and safety

In 2011, there were a total of 885 work accidents resulting in leave of absence which resulted in 18,545 lost working days. Frequency rates have been improving steadily for several years and severity rates are stable. 275 commuting accidents were also recorded, resulting in 6,332 lost working days.

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

		Number of accidents	Frequency rate [a]	Severity rate [b]
Breakdown by business group				
Wines and Spirits		173	12.61	0.29
Fashion and Leather Goods		170	3.30	0.06
Perfumes and Cosmetics		97	2.73	0.06
Watches and Jewelry		19	3.45	0.09
Selective Retailing		408	7.10	0.16
Other		18	5.74	0.03
Breakdown by geographic region				
France		421	13.61	0.33
Europe (excluding France)		146	4.05	0.06
United States		100	2.93	0.07
Japan		2	0.21	0.01
Asia (excluding Japan)		164	4.22	0.06
Other		52	5.77	0.15
LVMH group	**2011**	**885**	**5.59**	**0.12**
	2010	863	5.87	0.11
	2009	811	5.98	0.13

(a) The Frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked [c].
(b) The Severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked [c].
(c) For companies located outside France, the total number of hours worked per employee is estimated at 2,000 on a full-time equivalent basis. In some countries, the actual number of hours worked may slightly differ from this estimate.

LVMH invested over 14.3 million euros in Health and Safety in 2011. This includes expenses for occupational medical services, protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training, noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 57.4 million euros, representing 2.1% of the Group's gross payroll worldwide.

More than 17,900 Group company employees received safety training worldwide.

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

Moët & Chandon, Le Bon Marché and Sephora have signed agreements to prevent psychosocial risks which provide for some of them the creation of a dedicated Observatory, in which the Occupational Medicine unit and the Committee on Health, Safety and Working Conditions are both involved. Parfums Christian Dior has committed to a process to improve the quality of life in the workplace and prevent psychosocial risks, involving in particular the creation of a manager-level position responsible for risk prevention and occupational health. Louis Vuitton has also developed a prevention program encompassing all of its entities. Other innovative initiatives have been taken, in collaboration with occupational health services staff: for example, holistic massages for production staff at Guerlain's sites and in Céline's workshops during the stressful periods when runway shows are being prepared.

1.7. Employee relations

1.7.1. Status of collective agreements

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

In 2011, employee representatives attended 1,521 meetings:

Nature of the meetings	Number
Works council	513
Employee representatives	482
Health and Safety Committee	209
Other	317
Total	**1,521**

As a result of these meetings, 127 company-wide agreements were signed (such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans, agreements on the payment of the profit sharing employee bonus). Specific agreements and amendments related to the employment of disabled persons, professional equality between women and men, anticipatory management of jobs and skills, labor-management dialogue, and the prevention of psychosocial risks have been signed at Group companies.

1.7.2. Social and cultural activities

In 2011, in France, the Group allocated a budget of over 14.6 million euros, or 1.8% of total payroll expenses, to social and cultural activities in France via contributions to works councils.

Total catering costs for all Group employees represent a budget of 14.5 million euros.

1.8. Relations with third parties

1.8.1. Relations with suppliers

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

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

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

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

In 2011, 453 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria. More than one-third of these audits showed results in line with our standards and 38% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.

Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.

In the interest of continued improvement in this area, the Group's Houses will continue their supplier audit programs in 2012, together with follow-ups on action plans.

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

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

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

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

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

1.8.3. Promotion of education and relations with educational institutions and apprenticeship associations

Around the world, Group companies are involved in efforts to facilitate access to education for young people in disadvantaged regions and in those having experienced traumatic events. In China, Moët Hennessy Diageo has mentored a group of middle school students from Sichuan province since the earthquake in 2009, with remedial assistance provided by its employees and the funding of educational materials. Similarly, through the operation "Hand in Hand for Haiti" launched in the aftermath of the earthquake in January 2010, DFS contributed to the rebuilding of a school complex for the most disadvantaged children in the town of Saint-Marc. In South America, Moët Hennessy participates in Brazil in initiatives promoting the occupational integration of struggling youths or those from underprivileged backgrounds and it offers in Argentina parental training programs for the families of its employees in partnership with training organizations. In India, Moët Hennessy supports the work of Aseema, a non-governmental organization working to promote access to education for underprivileged children in Mumbai, by sponsoring a class of 27 pupils. Also in India, Moët Hennessy has organized a fund-raising campaign to improve living conditions for inhabitants of disadvantaged neighborhoods. In 2010, Louis Vuitton and SOS Children's Villages entered into a five-year worldwide alliance with the aim of developing a program entitled "Partnership for Children's Futures". This project seeks to improve future prospects for underprivileged children around the world, building a future based on safety, education and apprenticeship training. This partnership is in keeping with the values espoused by Louis Vuitton. Through this initiative, the brand supports the development of scholastic programs for children in China, the Philippines, Vietnam, the Dominican Republic, and also in Europe. In the aftermath of the devastating earthquake that hit Japan, in March 2011, a number of Group companies, including DFS, LVMH Fragrance Brands, Loewe and Fendi, focused efforts on collecting donations.

In all countries, LVMH continues to nurture many partnerships and develop its multiple ties with educational institutions to raise the profile of the Group's professions. These partnerships often result in scholarships and funding for schools training young people in the fashion and leather goods professions. Over the years, LVMH has forged strong ties with the *Institut Français de la Mode*, in relation to the training of its employees and the recruitment of the institute's graduates, whose dual specialization is appreciated. LVMH is also a privileged partner of CEMS, a strategic global alliance of leading business schools and multinational companies, and takes part in many actions in favor of graduates of top universities in more than twenty countries. Key Group companies give presentations on the campuses of these universities several times a year.

The Group is continually developing resources and partnerships to promote access to employment for disadvantaged populations. In France, many initiatives to promote occupational integration are undertaken to allow all employees to participate actively in the Group's commitment to society. For example, in partnership with "*Nos Quartiers ont des Talents*", about a hundred senior-level staff members have mentored more than 150 young graduates from underprivileged neighborhoods. Under partnerships with municipal authorities, presentations on the Group's professions are given to middle school students in these localities, thus contributing to youth guidance efforts, a condition for successful occupational integration.

Since 2010, LVMH has been involved in a partnership with Montfermeil, a diversely populated suburb of Paris benefiting from a strong commitment by its political leadership in favor of the more vulnerable members of its community. Driven by a shared commitment to excellence, this partnership is helping to facilitate social advancement for disadvantaged populations, by arranging internships for young people and hiring older members of the community. In this context, Montfermeil also receives support from the Group to raise awareness of its rich cultural makeup and the talents of its inhabitants, expressed through the annual "*Cultures et création*" runway event. Thanks to the support of LVMH, the collection by the designer awarded the grand prize at this event was exhibited at the 2011 edition of the Ethical Fashion Show, held at the *Carrousel du Louvre* in Paris. In the same spirit, for the second consecutive year, Parfums Christian Dior helped recipients of basic social security benefits return to work. This program, carried out in partnership with the association *Programme d'Accompagnement de Retour vers l'Emploi* (PARE), gives people outside the labor market the opportunity to work under a work/training alternation contract at the company's production site in Saint-Jean de Braye, culminating in official qualification by way of a professional diploma. In January 2011, six such diplomas were awarded and five individuals were hired. In November, eight individuals from a second group of graduates received diplomas and six were hired.

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

In order to promote the integration of young people through education regardless of their background or origin, LVMH funds ten scholarships offered by the association "*Promotion des Talents*" and, in the framework of a partnership with the *Institut d'Études Politiques de Paris (Sciences Po)*, LVMH also offers grants to students from disadvantaged backgrounds and gives young *Sciences Po* graduates the chance of being mentored by managers. Moreover, Hennessy funds scholarships for African-American students in the United States.

Lastly, as a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications. In 2011, more than 590 employees were able to take advantage of work-study arrangements in France. Eighty percent of those offered a professionalization contract have found stable employment afterwards. As of December 31, 2011, there were 610 young people working under apprenticeship or professionalization contracts in all of the Group's French companies.

1.9. Compliance with international conventions

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

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

2. REPORT OF ONE OF THE STATUTORY AUDITORS ON THE REVIEW OF CERTAIN SOCIAL INDICATORS

Pursuant to your request and in our capacity as one of the Statutory Auditors of the LVMH group, we have performed a review with the aim of providing moderate assurance on certain social indicators [a] for fiscal year 2011 (the "Data") selected by the Group in the 2011 Reference Document (Human Resources section of the Board of Directors' management report). The conclusions expressed below relate solely to this Data and not to all social indicators published in the 2011 Reference Document.

This Data has been prepared under the responsibility of the Human Resources Department, in accordance with the internal measurement and reporting criteria for social data that is available for consultation at the Human Resources Department (the "Reporting Criteria"). It is our responsibility, based on the procedures performed, to express a conclusion on the selected Data.

Nature and scope of our procedures

We have conducted our procedures in accordance with the applicable professional guidelines.

We conducted the following procedures in order to provide moderate assurance that the selected Data does not contain any material misstatements. A higher level of assurance would have required more extensive work.

For the selected Data, we have:

- assessed the Reporting Criteria with respect to its relevance, reliability, objectivity, clarity and completeness;
- conducted interviews with individuals responsible for the application of the Reporting Criteria in the Human Resources Department and at selected subsidiaries [b];
- examined, on a sampling basis, the application of the Reporting Criteria in the selected subsidiaries and conducted consistency tests with respect to their consolidation. This selection of subsidiaries represented on average 26.5% of total Group employees.

To assist us in conducting our work, we referred to the sustainable development experts of our firm under the responsibility of Mr. Eric Dugelay.

Comments on the procedures

The collection of certain data relating to training (number of individuals trained and number of training hours) and health & safety (number of work-related accidents with sick leave, number of days of sick leave) needs to be improved in certain subsidiaries.

Conclusion

Based on our work, we did not identify any misstatement likely to call into question the fact that the selected Data has been prepared, in all material respects, in accordance with the above-mentioned Reporting Criteria.

Neuilly-sur-Seine, February 16, 2012,

One of the Statutory Auditors

DELOITTE & ASSOCIÉS

Thierry Benoit

(a) The verification covered the "total Group" value of the following social indicators for 2011: total employees, number of executives, voluntary employee turnover, involuntary employee turnover, new hirings, percentage of women executives, employees trained during the year, average number of days of training per employee, number of deadly accidents, work-related accidents with sick leave, frequency and severity rates.
(b) Subsidiaries: Sephora NA (USA), Sephora SA (France), Louis Vuitton Malletier France (Société Louis Vuitton Services, Société Louis Vuitton Magasins, Société des Ateliers Louis Vuitton), MHCS (France), Parfums Christian Dior (France), Guerlain UK, Benefit Cosmetics UK.

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

LVMH and the environment

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1. EFFECTS OF OPERATIONS ON THE ENVIRONMENT

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

- Production facilities, warehouses and administrative sites: 181 of the 208 sites owned and/or operated by companies controlled by the Group are covered. The 29 sites that are not covered include primarily the production facilities of Wen Jun Distillery and four Louis Vuitton workshops that have been opened recently, in addition to the administrative sites of Benefit, Berluti, Donna Karan, Pucci, Fresh, Marc Jacobs, and Thomas Pink. Changes in the reporting scope compared to 2010 relate to the integration of Hublot. For Rossimoda, Chandon do Brasil and several holding company sites, 2010 data were applied again in 2011. The Bulgari production sites and the Heng Long tannery acquired in 2011 were not included in the reporting scope for environmental indicators in 2011 and will be included for the first time in 2012.
- Stores: the French stores of Céline and Guerlain, the French stores and certain international stores of Louis Vuitton (28% of Louis Vuitton's total sales area, up from 14% in 2010), Le Bon Marché in Paris, DFS stores worldwide, three Italian stores of Fendi, the Spanish stores of Loewe, the French stores and certain US and Canadian stores of Sephora are covered. The reporting scope does not cover the stores operated under franchise by the Group's Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry companies. Lastly, depending upon the environmental indicators examined, the reporting scope can vary significantly:
  - energy consumption and greenhouse gas emissions: the reporting scope covers 63% of the total sales area of Sephora's US and Canadian stores,
  - water consumption: the reporting scope covers 27% of the total sales area of Sephora's stores in France and 59% of the total sales area of the US and Canadian stores of Sephora,
  - waste production: the stores of Céline and Fendi, the Spanish stores of Loewe, the French stores of Sephora and the stores of Louis Vuitton (with the exception of certain Japanese stores) are not covered;

For stores, no other environmental indicator is concerned.

In 2011 the reporting scope for stores covers 40% of the sales area for energy consumption and 26% for water consumption. The environmental indicators of the stores that are not covered are deduced by extrapolation, based on the average of the actual ratios per unit of sales area. The integration of the Bulgari stores and of the stores of Ile de Beauté in Russia are the main changes in reporting scope involved in this extrapolation.

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

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

1.1. Water, raw material and energy consumption requirements

1.1.1. Water consumption

Water consumption is analyzed based on the following:

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

(in m^3)	2011	2010	Change *(%)*
Process requirements	1,816,716	1,734,339	5
Agricultural requirements (vine irrigation)	6,618,614	6,521,146	1

Water consumption used for the process requirements of the Group's companies increased 5% in absolute terms between 2010 and 2011 and amounted to approximately 1.82 million cubic meters. This consumption covers 26% of the sales areas. Water consumption by retail sales areas excluded from the reporting scope (74% of total retail space) is estimated at 932,298 cubic meters.

Water consumption by business group

(Process requirements in m³)	2011	2010	Change *(%)*
Wines and Spirits	993,306	928,934	7
Fashion and Leather Goods	249,271	261,641	(5)
Perfumes and Cosmetics	202,274	213,450	(5)
Watches and Jewelry	12,573	9,120	38 [a]
Selective Retailing	332,014	295,230	12 [b]
Other activities	27,278	25,964	5
Total	**1,816,716**	**1,734,339**	**5**

(a) Change due to the integration of Hublot and the increase in Watches and Jewelry business volumes.
(b) Change due to the integration of new Sephora stores in America and Canada.

Vineyard irrigation is an authorized and supervised practice in California, Argentina, Australia and New Zealand due to the climate. It is essential for the preservation of vines. The Group has also taken measures to limit water consumption (recovery of rain water, drafting of agreements on measures and specifications with respect to water requirements, standardized drip method of irrigation, weather forecasts for optimized irrigation or adoption of the "reduced loss irrigation" technique, which reduces water consumption and actually improves the quality of the grapes, the size of the vine, yielding an enhanced concentration of aroma and color).

1.1.2. Energy consumption

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

In 2011, the subsidiaries included in the reporting scope consumed 554,354 MWh provided by the following sources: 67% electricity, 19% natural gas, 6% heavy fuel oil, 5% fuel oil, 1% butane propane, 1% steam, and less than 1% renewable energies. Consumption is stable compared to 2010.

This consumption corresponds, in decreasing order of use to Selective Retailing (36%), Wines and Spirits (30%), Fashion and Leather Goods (19%), and Perfumes and Cosmetics (11%). The remaining 4% is generated by Watches and Jewelry and the other activities of the Group.

Energy consumption by retail sales areas excluded from the reporting scope (60% of total retail space) is estimated at 315,972 MWh.

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

Energy consumption by business group

(in MWh)	2011	2010	Change *(%)*
Wines and Spirits	167,737	155,882	8
Fashion and Leather Goods	104,904	104,439	-
Perfumes and Cosmetics	60,939	70,816	(14) [a]
Watches and Jewelry	10,083	7,217	40 [b]
Selective Retailing	196,623	196,266	-
Other activities	14,068	19,805	(30) [c]
Total	**554,354**	**554,425**	**-**

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

Consumption by energy source in 2011

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Renewable energies
Wines and Spirits	61,907	47,005	28,203	22,770	6,518	-	1,334
Fashion and Leather Goods	84,471	17,256	-	672	1,150	782	573
Perfumes and Cosmetics	37,380	22,549	-	61	-	779	170
Watches and Jewelry	6,280	3,685	-	118	-	-	-
Selective Retailing	172,761	9,247	-	12,247	-	2,368	-
Other activities	9,574	4,087	-	87	40	280	-
Total	**372,373**	**103,829**	**28,203**	**35,955**	**7,708**	**4,209**	**2,077**

1.1.3. Raw material consumption

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

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

The packaging used for transport is excluded from this analysis.

Packaging placed on the market

(in metric tons)	2011	2010	Change *(%)*
Wines and Spirits	163,186	148,145	10 [a]
Fashion and Leather Goods	6,100	5,711	7
Perfumes and Cosmetics	23,798	21,974	8
Watches and Jewelry	527	440	20 [a]
Selective Retailing	1,563	1,327	18 [a]
Total	**195,174**	**177,597**	**10**

(a) Changes due to increase in business volumes.

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

(in metric tons)	Glass	Paper-cardboard	Plastic	Metal	Fabric	Other packaging material
Wines and Spirits	138,675	19,965	1,757	1,298	55	1,436
Fashion and Leather Goods	-	4,984	17	-	100	999
Perfumes and Cosmetics	12,693	4,254	5,144	813	101	793
Watches and Jewelry	-	208	-	-	-	319
Selective Retailing	253	215	1,004	53	38	-
Total	**151,621**	**29,626**	**7,922**	**2,164**	**294**	**3,547**

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

1.2. Soil use conditions, emissions into the air, water and soil

1.2.1. Soil use

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

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

1.2.2. Greenhouse gas emissions

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

Estimated greenhouse gas emissions in tons of CO_2 (carbon dioxide) equivalent correspond to the site energy consumption emissions, as defined in section 1.1.2. Energy consumption. These include direct emissions (on-site combustion) and indirect emissions (from the generation of electricity and vapor used by the sites). CO_2 emission factors are updated every year for each energy source, notably for electricity. This update may lead to significant changes.

Breakdown of emissions by business group in 2011

(in metric tons of CO_2 equivalent)	CO_2 emissions in 2011	*Of which: direct CO_2 emissions*	*Indirect CO_2 emissions*	CO_2 emissions in 2010	Change *(%)*
Wines and Spirits	39,416	*25,327*	*14,089*	37,380	5 [a]
Fashion and Leather Goods	32,714	*4,011*	*28,703*	25,199	30 [b]
Perfumes and Cosmetics	10,036	*4,662*	*5,374*	11,635	(14)
Watches and Jewelry	1,001	*791*	*210*	742	35 [c]
Selective Retailing	69,593	*5,224*	*64,369*	72,281	(4)
Other activities	2,602	*875*	*1,727*	3,021	(14)
Total	**155,362**	***40,890***	***114,472***	**150,258**	**3**

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

Greenhouse gas emissions generated by retail space excluded from the reporting scope (60% of total retail space) are estimated at 158,074 metric tons of CO_2 equivalent. LVMH has long stressed the importance of addressing climate change in its business activities, having carried out its first Bilan Carbone® assessments at the following Group companies in 2002: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora and Le Bon Marché. Greenhouse gas emissions are retested using this assessment protocol every three years.

1.2.3. Discharges to water

The most significant and relevant emissions of note are the discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations. The Group's other business groups have a very limited impact on water quality. Eutrophization is the excessive build-up of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has partnership agreements. The following operations are considered as treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application. In 2011, COD discharges increased by 5%. As a particularly precious resource for the Group's businesses, and especially for the activities of its Wines and Spirits and Perfumes and Cosmetics business groups, water is the focus of considerable attention: each year, ambitious goals are set to limit consumption and renewed efforts are made to curtail discharges into water.

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

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

1.2.4. Waste

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

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

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

Waste produced

(in metric tons)	**Waste produced in 2011**	***Of which: hazardous waste produced in 2011*** [a]	**Waste produced in 2010**	**Change in waste produced** *(%)*
Wines and Spirits	43,447	*178*	37,795	15
Fashion and Leather Goods	7,509	*121*	7,504	-
Perfumes and Cosmetics	7,379	*896* [b]	6,819	8
Watches and Jewelry	283	*29*	215	32 [c]
Selective Retailing	4,738	*64*	3,607	31 [d]
Other activities	1,212	*79*	1,323	(8)
Total	**64,568**	***1,367***	**57,263**	**13**

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

Waste recovery in 2011

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

1.3. Limitation of damage to ecosystem balance, natural habitats, animal and plant species

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

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

1.4. Environmental protection methods within the Group

1.4.1. Organization

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

The Group undertakes to adopt the following environmental measures:

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

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

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

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

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

1.4.2. Evaluation and certification programs

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

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

LVMH's Watches and Jewelry business group is a member of the "Responsible Jewellery Council" (RJC), an organization bringing together more than 260 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system, which applies to all members involved in the diamond and gold jewelry supply chain and requires that compliance with the system be verified by accredited, independent Auditors. Bulgari, TAG Heuer, Chaumet and Fred have been certified this year. Zenith obtained certification in January 2012, whereas Hublot and Louis Vuitton's jewelry business intend to obtain certification by the end of the first half of 2012.

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

1.4.3. Measures to ensure compliance with applicable laws and regulations

Group companies are audited on a regular basis, either by third parties, insurers or internal Auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2011, 27% of the 208 manufacturing, logistics and administrative sites were audited, for a total of 49 external audits and 95 internal audits, with some sites being audited several times during the year. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues - waste, water, energy, and environmental management - and are documented in a written report including recommendations. This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, e.g. a waste sorting inspection, performed periodically by the Group companies on their sites. Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 sites were evaluated in 2011.

1.4.4. Expenses incurred to anticipate the effects of operations on the environment

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

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

Environmental protection expenses in 2011 break down as follows:

- operating expenses: 7.7 million euros;
- capital expenditure: 7.9 million euros.

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

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

1.4.6. Objectives assigned by the Group to its subsidiaries abroad

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

1.4.7. Consumer safety

LVMH's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products is clearly defined: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. It is for this reason that, since 1989, none of the Perfumes and Cosmetics companies have conducted tests on animals for the products they put on the market, thus well in advance of the official ban on animal testing imposed by European Union legislation in 2004. The development of alternatives to animal testing represents a genuine scientific challenge and LVMH will continue to be very active in its efforts to rise to this challenge.

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

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

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

Other European regulations have entered into application, some of which relatively recently, and have been integrated into LVMH's processes:

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

The Group remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of scientific committees, and the recommendations of industry associations. Moreover, LVMH products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. LVMH also requires that its suppliers adhere to these same guidelines.

Honoring its commitments in this area for the last several years, the LVMH group has accompanied this policy with an approach that aims to anticipate developments in international regulations. This anticipatory perspective is made possible thanks to the efforts of our experts, who regularly take part in the workgroups of national and European authorities and are very active in professional organizations. Ongoing monitoring of changes in regulatory frameworks and the development of scientific knowledge by the Group's experts has led LVMH to prohibit the use of some substances and make efforts to reformulate some of its products.

These extremely high standards allow us to guarantee the safety of our cosmetic products, not only when the products are released into the market, but also throughout their whole commercialization period. A client relation network set up by the Group handles the analysis of all claims received from consumers and ensures the cosmetovigilance of our products. Any claim, whether relating to a simple intolerance or a severe allergic reaction, is given due consideration by a specialized team and evaluated by a professional. Visits to a dermatologist may be offered to consumers. Furthermore, the analysis of these claims and the review of cosmetovigilance cases prompts us to explore new areas of research and improve the quality of our products.

2. REPORT ISSUED BY ONE OF THE STATUTORY AUDITORS ON SELECTED ENVIRONMENTAL INDICATORS

To the Shareholders,

Following your request and in our capacity as one of the Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton, we have performed procedures to obtain reasonable assurance that some selected environmental indicators [a] for fiscal year 2011 (hereafter the "Indicators") have been prepared, in all material respects, in accordance with the LVMH Environmental Reporting Protocol, Version 8, dated October 4, 2011 (hereafter the "Criteria").

These Indicators are presented in the Reference Document, in the "LVMH and the environment" section of the Management Report of the Board of Directors.

The LVMH Environment Department is responsible for preparing the Indicators and the Criteria, and for ensuring that they are made available.

Our role is to express an opinion on the Indicators based on our procedures. We conducted our procedures pursuant to ISAE 3000 (International Standard on Assurance Engagements) issued by the IFAC (International Federation of Accountants) in December 2003, with respect to independence rules defined by applicable laws and regulations, and the code of ethics governing our profession.

The opinion presented below applies only to these Indicators and does not apply to the entire set of environmental indicators included in the Reference Document, in the "LVMH and the environment" section of the Management Report of the Board of Directors. This opinion does not apply to retail activities that are not directly integrated in the environmental indicators reporting scope and for which data is estimated by extrapolation.

2.1. Nature and scope of our procedures

In order to formulate our opinion, we performed the following procedures:

- We assessed the Criteria for their accuracy, clarity, objectivity, completeness and relevance regarding both Group's activities and reporting practices of the sector.
- At Group level:
  - we conducted interviews with managers responsible for reporting the Indicators,
  - we analyzed the risk of misstatements and their significance,
  - we assessed the application of the Criteria, implemented analytical procedures and consistency checks, and verified, by selective procedures on a test basis, the consolidation process of the Indicators.
- We selected a sample of Houses representative of the Group's activities and geographical locations, based on their contribution to the Indicators and previously identified risks of misstatement:
  - the selected entities represent an average of 65% of the total value of the Indicators [b] published by LVMH,
  - at this level, we have verified the understanding and implementation of the Criteria, and conducted selective procedures on a test basis which consisted in checking the formulas' calculation and reconciling the data with the supporting documentation.
- We reviewed the presentation of the Indicators listed in the Reference Document in the "LVMH and the environment" section of the Management Report of the Board of Directors.

To assist us in conducting our work, we referred to the sustainable development experts of our firm under the responsibility of Mr. Eric Duvaud.

Considering the implementation of controls at the Group's significant entities over the last nine fiscal years and the measures conducted by LVMH to improve the understanding and implementation of the Criteria by the different entities, we consider that our procedures provide a reasonable basis for the opinion expressed below.

2.2. Information about the Criteria

We have the following comments concerning the Criteria:

- Regarding retail sales activities, LVMH distinguishes data obtained from the Indicators collection process and data estimated by extrapolation. The proportion of estimated data has decreased this year but still represents a significant proportion for some Indicators.
- The implementation of internal control procedures on the Indicators' collection process made over the last fiscal years is globally efficient, but remains heterogeneous within the different Houses. Internal control procedures on the collection process should be systematically implemented and reinforced for Houses where discrepancies were identified and whose contribution to environmental indicators at Group level is significant.
- Regarding the indicator "Percentage waste recovery", LVMH made significant improvements in justifying the waste management channel used. Efforts engaged should be followed and further reinforced, in particular in Houses which do not systematically justify the waste management channel used.

2.3. Opinion

In our opinion, the Indicators have been established, in all material respects, in compliance with the Criteria.

Paris-La Défense, February 16, 2012

One of the Statutory Auditors

ERNST & YOUNG et Autres

Olivier Breillot Gilles Cohen

(a) Percentage of sites audited for environmental purposes (%); total water consumption for process needs (m^3); total COD after treatment (metric tons/year); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage waste recovery (%); total energy consumption (MWh); total CO_2 emissions (metric tons of CO_2 equivalent); total packaging used for consumer goods placed on the market (metric tons).

(b) The contributions per indicator are as follows: percentage of sites audited for environmental purposes: 49%; total water consumption for process needs (m^3): 62%; total COD after treatment: 96%; total waste produced: 69%; total hazardous waste produced: 59%; percentage waste recovery: 71%; total energy consumption: 53%; total CO_2 emissions: 46%; total packaging used for consumer goods placed on the market: 80%.

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

1. CORPORATE GOVERNANCE

1.1. Board of Directors

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

The Board of Directors of LVMH Moët Hennessy - Louis Vuitton acts as guarantor of the rights of each of the shareholders and ensures that shareholders fulfill all their duties.

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

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

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

The Charter of the Board of Directors and the internal rules governing the two committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in the "*Other Information – *Corporate Governance" section of the Reference Document.

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

The Company's bylaws require each Director to hold, directly and personally, at least 500 of its shares.

1.2. Membership and missions

• During its meeting of February 2, 2012, the Board of Directors proposed to submit to the Shareholders' Meeting of April 5, 2012 the appointments of Messrs. Antoine Arnault, Albert Frère, Gilles Hennessy, Yves-Thibault de Silguy, and Lord Powell of Bayswater as Directors.

• The Board of Directors, subject to the decisions of the Shareholders' Meeting of April 5, 2012, will thus consist of seventeen members: Mrs. Delphine Arnault, Mrs. Bernadette Chirac and Mrs. Marie-Josée Kravis, and Messrs. Bernard Arnault, Antoine Arnault, Nicolas Bazire, Antonio Belloni, Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Albert Frère, Pierre Godé, Gilles Hennessy, Yves-Thibault de Silguy, Francesco Trapani and Hubert Védrine, and Lord Powell of Bayswater. Eight of whom: Mrs. Bernadette Chirac and Mrs. Marie-Josée Kravis, as well as Messrs. Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Albert Frère, Yves-Thibault de Silguy and Hubert Védrine are considered as independent and hold no interests in the Company. Personal information relating to the Directors is included in the section "*Other information* – Governance" of the Reference Document.

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

(i) Mrs. Bernadette Chirac and Mrs. Marie-Josée Kravis, and Messrs. Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy and Hubert Védrine satisfy all criteria;

(ii) Mr. Nicholas Clive Worms is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years;

(iii) Mr. Albert Frère is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years and as a member of the executive management of Groupe Arnault SAS;

• Over the course of the 2011 fiscal year, the Board of Directors met six times as convened by its Chairman. The average attendance rate of Directors at these meetings was 81%.

The Board approved the annual and half-yearly consolidated and parent company financial statements and issued its opinion notably on the contribution of Bulgari shares held by the Bulgari family and the launch of a public tender offer relating to shares held by minority interests in Bulgari; it reviewed the Group's major strategic guidelines and decisions, its budget, the compensation of company officers, the establishment of bonus share plans, changes in the membership of the Board of Directors, the authorization for guarantees given to third parties and various agreements between related companies, and the renewal of the authorization to issue bonds. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, organization, and procedures, making the necessary changes to its Charter and the Internal Regulations of the Performance Audit Committee and the Nominations and Compensation Committee, in particular with regard to respecifying the responsibilities of the Board of Directors and the Performance Audit Committee and the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted. Lastly, the Board was informed of the measures the Company has adopted as regards equal professional opportunity and pay.

• During its meeting of February 2, 2012, the Board of Directors carried out a formal analysis of its capacity to meet shareholders' expectations. It reviewed its composition, organization and *modus operandi*, using as a basis a questionnaire addressed to each Director prior to the meeting. The Board came to the conclusion that its composition is balanced with regard to its percentage of external Directors, considering the breakdown of share capital, and the diversity and complementarity of the skills and experience of its members.

The Directors believe that:

- the Board's composition is satisfactory in terms of diversity and the complementarity of competencies and experience, while recommending however that women be better represented;
- the Directors are also satisfied with the frequency of Board meetings and the quality of the information provided on such topics as strategic guidelines, current business activity, financial statements, budget and the three-year plan;
- the Directors consider that the Board is fulfilling its role with respect to its objectives of increasing the Company's value and protecting its interests;
- the Directors have no observations on the Board's Charter, the rules for allocating Directors' fees or the minimum number of shares that each Director must hold;
- this is also the case regarding the composition of the two Committees and the quality of their work.

Finally, the way in which the Group intends to take into consideration ongoing changes in the economic and financial environment gave rise to discussions between the Directors and the senior executives.

The Board has also set up a method for randomly and evenly staggering Directors' terms of office.

Finally, the Board has modified the internal regulation of the Nominations and Compensation Committee, in particular with a view to specifying its role with regard to the remuneration of the Group's senior executives and to the rules governing supplementary pensions schemes of the members of the Executive Committee.

1.3. Executive Management

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

In response to the proposal of the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director, Mr. Antonio Belloni, who was granted the same powers as the Chief Executive Officer.

1.4. Performance Audit Committee

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

The Committee currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Performance Audit Committee are Messrs. Antoine Bernheim (Chairman), Nicholas Clive Worms and Gilles Hennessy.

The Performance Audit Committee met four times in 2011. All of these meetings were attended by all of the members of the Committee, with the exception of two meetings where one of the members of the Committee was unable to attend.

Attendees at these meetings also included the External Auditors, the Chief Financial Officer, the Director of Management Control, the Director of Internal Audit, the Director of Accounting, the Director of Tax, the Director of Legal Affairs, and depending on the issues discussed, the Financing and Treasury Director, the Director of Risk and Insurance Management and the Director of Information Systems.

In addition to reviewing the annual and half-yearly parent company and consolidated financial statements, and in liaison with the detailed analysis of changes in the Group's business volumes and scope of consolidation, the Committee's work mainly addressed the following issues: the terms and arrangements of acquisition and integration of Bulgari in the Group's accounts and of other acquisitions made during the year such as the takeover of Ile de Beauté, the monitoring of the stake in Hermès, the valuation of brands and goodwill, changes in accounting standards that could affect LVMH, internal control and risk management procedures, structures, internal audit work and significant findings, foreign exchange hedging and the Group's tax position.

1.5. Nominations and Compensation Committee

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

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

It currently consists of three members, all independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Antoine Bernheim (Chairman), Charles de Croisset and Albert Frère.

The Committee met three times during the 2011 fiscal year, in the presence of the majority of its members. It (i) issued proposals on the fixed and variable remuneration of the Chairman and Chief Executive Officer and the Group Managing Director, as well as on the allocation of performance bonus shares to the latter and (ii) gave its opinion on compensation, performance bonus shares and benefits in kind granted by the Company and its subsidiaries to certain Directors. It also gave its opinion on discretionary medium-term profit sharing schemes for Messrs. Gilles Hennessy and Francesco Trapani. The committee also issued an opinion on the nominations to be put to a vote at the Shareholders' Meeting.

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

Prior to the Board of Directors' meeting of February 2, 2012, the Committee issued recommendations, most notably on (i) the variable portion of compensation to be received for 2011 by the Chairman and Chief Executive Officer, the Group Managing Director, and other Directors receiving compensation from the Company or any of its subsidiaries, as well as on (ii) the fixed compensation to be received by these same individuals for 2012. The committee issued an opinion on the nominations to be put to a vote at the Shareholders' Meeting and made recommendations on the representation of women on the Board of Directors and on achieving a more balanced distribution of Directors' terms of office.

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

1.6. Advisory Board

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

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from among the shareholders on the basis of their competences.

The Advisory Board currently has three members: Messrs. Paolo Bulgari, Patrick Houël and Felix G. Rohatyn.

1.7. Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of dual voting rights to registered shares, are defined in Article 23 of the Bylaws (see the "*Other information* - Governance" section of the Reference Document).

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

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the "*Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the Reference Document.

1.9. Compensation policy for company officers

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

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

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

(i) two units for each Director or member of the Advisory Board;

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

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

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

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

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

In respect of the 2011 fiscal year, LVMH paid a total gross amount of 1,036,875 euros in Directors' fees to the members of its Board of Directors.

It is proposed to the Shareholders' Meeting that the overall total amount be modified to 1,260,000 euros.

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

Other compensation

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

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

A portion of the compensation paid to senior executive officers of the Company is based on the attainment of both financial and qualitative targets. Quantitative and qualitative objectives carry an equal weighting for the purpose of determining the bonus of the Chairman and Chief Executive Officer; for the Group Managing Director, they carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow, with each of these items representing one-third of the total determination. The variable portion is capped at 180% of the fixed portion for the Chairman and Chief Executive Officer and at 120% of the fixed portion for the Group Managing Director.

The breakdown of compensation and benefits awarded to the Chairman and Chief Executive Officer, and the Managing Director, is presented in the section entitled "*Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy Louis Vuitton" of the Reference Document.

Pursuant to the provisions of Article L. 225-42-1 of the French Commercial Code, at its meeting of February 4, 2010, the Board of Directors approved the non-compete clause included in Mr. Antonio Belloni's employment contract - suspended during the term of his mandate as Group Managing Director; this covenant not to compete for a twelve-month period provides for the payment of a monthly compensation equal to the monthly remuneration on the termination date of his functions, which would be supplemented by one twelfth of the last bonus received.

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

Company officers are eligible for stock option or performance bonus share plans instituted by the Company. The information relating to the allocation terms and conditions of these plans is presented in the section entitled "*Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy Louis Vuitton" of the Reference Document.

The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated. This supplementary retirement benefit is determined based on a reference remuneration amount equal to the average of the three highest amounts of annual remuneration received during the course of their career with the Group, capped at 35 times the annual social security ceiling. The annual supplemental retirement benefit is equal to the difference between 60% of the reference remuneration amount (i.e. 763,812 euros as of January 1, 2012) and all pension payments made by the general social security regime and the additional ARRCO and AGIRC regimes. Increase in provisions in 2011 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30 of the consolidated financial statements.

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

2. IMPLEMENTATION OF RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

This section of the report draws upon the Reference Framework issued by the AMF on July 22, 2010 relating to processes for monitoring the effectiveness of risk management and internal control systems and takes into account changes in laws and regulations introduced since 2007, in particular the Law of July 3, 2008 and the Order of December 8, 2008. In line with the measures implemented since 2008 following the publication of the first internal control reference guide, the Group has reviewed in 2010 the extent to which its monitoring processes are consistent with this new framework and has decided to make use of the new suggested structure, for the drafting of this portion of the Chairman's report.

2.1. Scope, organizational and formalization principles

LVMH is comprised of five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Other activities comprise the media division managed by Les Echos group, the yacht builder Royal Van Lent, real estate activities and holding companies. The business groups are composed of companies of varying sizes owning prestigious brands, which are the parent companies of subsidiaries operating worldwide.

This organizational structure ensures that the different brands of the Group maintain their independence, while facilitating cohesion between the companies with similar businesses.

The risk management and internal control policy applied across the Group is based on the following organizational principles:

- the parent company, LVMH SA, is responsible for its own risk management and internal control systems, and acts as leader and coordinator for all Group companies;
- the President of a brand is responsible for the risk management and internal control of all the subsidiaries that contribute to developing the brand worldwide;
- each subsidiary's President is similarly responsible for their own operations.

The internal control and risk management mechanism, which has been formally in place since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure; it is both:

- decentralized at business group and brand level: the guidance and management of the mechanism is the responsibility of the Executive Management of the operational and legal entities;
- unified around a shared methodology and a single reference guide, both of which are coordinated centrally by the LVMH SA holding company and rolled out to all Group companies.

The main brands and the business groups acknowledge their responsibility in relation to these systems each year by signing letters of representation covering risk management and internal control procedures. These letters signed by the Chairman and by the Chief Financial Officer of each subsidiary and parent company are analyzed, followed up upon, and consolidated at each superior level of the Group's organizational structure (Region, House, Business group) and then forwarded to the Finance Department and to the Audit and Internal Control Department. They are also made available to the Statutory Auditors.

These letters of representation attesting to the implementation of risk management and internal control procedures are supplemented by the signing of annual letters of representation certifying the entity's financial reporting, including a paragraph devoted to internal control. The representation concerning internal control and the assessment of financial risks is thus extended to all of the transactions comprised within LVMH group's financial consolidation.

This year, a new yearly cycle starting July 1 and ending on June 30 the following year was adopted for the internal control and risk management process, so that it would be aligned more effectively with the budgeting and strategic planning cycle. The representation letters on financial reporting of December 31 are maintained at that date and constitute a major step in the process as outlined above.

This change in the timing of the internal control and risk management cycle has been approved by our Statutory Auditors.

The internal control and risk management mechanism covers a total of 123 entities, guaranteeing a coverage of almost 80% of Group revenue. This total included both production and services companies, the regional holding companies as well as eight central financial functions:

Finance and Treasury, Tax, Consolidation, Financial Statements Closing, Interest and Exchange Rate Monitoring, Information Systems, Financial Communication, and Insurance. Lastly, in line with European directives and the Order of December 2008, after an initial pilot process in 2009, in 2010 the Group initiated a process of improving and integrating risk management and internal control systems, an approach known by the acronym ERICA, "Enterprise Risk and Internal Control Assessment", which involves:

- a letter of representation that since 2010, explicitly covers all strategic, operational and regulatory risks (see above);
- an approach to the formalization of procedures for the management of major risks, introduced in 2010 and widely applied in 2011 (see §2.2.3 below);
- the availability since April 2010 of an application that centralizes all risk and internal control data and provides a framework for a structured articulation of these two fields (see §2.2.4 below).

2.2. Main risk management principles

2.2.1. Definition and objectives

According to the definition provided by the AMF's Reference Framework, risk represents the possibility of an event occurring that could affect the Company's personnel, assets, environment, objectives or reputation.

Risk management is understood to apply in this very broad sense, not solely to the financial realm, but also to the support of the longevity and excellence of our brands. It is a powerful management tool requiring the involvement of all Group senior executives, in accordance with the principle of delegation and organization presented above. The objectives of risk management are to:

- protect the value, assets and reputation of the Group and its brands;
- enhance the security of decision-making and operational processes by way of a comprehensive perspective on the Group's potential threats and opportunities;
- promote consistency between the actions and the values of the brands;
- ensure that all employees embrace a shared vision of the main risks and challenges faced by our business activities.

2.2.2. Organization and components of the risk management system

Risks relating to our brands and business activities are managed at the level of each of our business groups and Houses. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are systematically identified and evaluated, and a formal account of the conclusions reached, included in the corresponding sections of the reports issued.

Risk mitigation (in frequency and severity) is achieved through preventive actions (industrial risks), internal control (risks associated with processes), or through the implementation of business continuity plans or operational action plans. Depending on the types of risk to which a particular brand or entity is exposed, the latter may decide, in collaboration with the Group, to transfer residual risk to the insurance market or instead to assume this risk.

Finally, as a complement to these processes, and in order to institute a single approach for all brands, the Group has pursued a project launched in 2010 that seeks to create a formal framework for risk management and internal control called ERICA, which is discussed in §2.2.3 below.

Specific monitoring procedures apply to some of the risks associated with the Group's businesses (damage to image or reputation, counterfeit goods and parallel markets, industrial and environmental risks, foreign currency and interest rate risk, etc.). These risks are discussed in §2 "Operational risk factors and insurance policy" of the "*Management Report of the Board of Directors* - LVMH group" included in the Reference Document.

2.2.3. Establishment of formal procedures for the ERICA system

After a first pilot study carried out in 2009, an approach to the formalization of procedures for the management of major risks was introduced in 2010 for the Wines and Spirits business group and at Parfums Christian Dior.

This project, named ERICA, provides a structure and formal guidelines for risk management within the Group by offering:

- a framework: each business group or major business unit included in the project determines its own roles and responsibilities with regard to a defined process and approach, as well as the eventual criticality;
- a process for the identification, analysis and handling of risks backed by a single Group-wide reference guide and methodology;
- a follow-up on action plans and the effectiveness of existing control systems with a regular review of the level of exposure to the identified risks.

This project was deployed at all of the LVMH group's significant activities in 2011 using an intentionally pragmatic approach, whereby each business group and our regional holding companies in the USA and Japan selected four major risks among the 42 that LVMH has identified, with the objective of deploying action plans by June 30, 2012. The chairmen and chief financial officers of each business unit sent a letter to the LVMH group's Chief Financial Officer to formally present their commitment to reducing these four risks and their roadmap for addressing them by June 30, 2012.

By synthesizing these letters we have been able to focus our efforts more effectively and accelerate the exchange of best practices for the most frequently cited risks. This approach will also be applied to two additional risks as of July 2012.

2.2.4. Coordination of risk management with internal control

Risk management and internal control systems complement each other in exerting the necessary oversight over the Group's businesses.

The risk management system aims to identify and analyze the principal risks that could affect the Group. Risks that exceed the acceptable levels set are evaluated and, if deemed necessary, are addressed through specific action plans. These plans may call for the implementation of controls, a transfer of the financial consequences (through insurance or an equivalent mechanism) or an adaptation of the entity's organization. The controls to be implemented are part of the internal control system, which also serves to guarantee their effectiveness.

For its part, the internal control system relies on the risk management system to identify the main risks and principles that need to be controlled.

This coordination between these two systems has been reflected in both:

- the new application features added to the ERICA evaluation platform;
- and the reference guide of major risks, with a presentation for each major risk of the coverage measures in the internal control reference guide.

This coordination is also reflected in the "Risk factors" chapter of the "*Management report of the Board of Directors* - the LVMH group": for each type of risk discussed, this report presents the evaluation approach and the control systems implemented and monitored by the Group or the brands involved.

2.3. General internal control principles

2.3.1. Definition and objectives

The Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) together with the new Reference Framework of the AMF.

Therefore, at the behest of the Board of Directors, the Performance Audit Committee, Executive Management and other senior managers of the parent companies and their subsidiaries and as specified in this reference guide, internal control implies a set of resources, behaviors, procedures and actions adapted to the individual characteristics of each Group entity that:

- contributes to control over its activities, the efficiency of its operations and the efficient use of its resources;
- must enable the entity to appropriately assess significant operational, financial and compliance risks.

More specifically, this system aims to provide reasonable assurance with respect to the achievement of the following objectives:

- compliance with applicable laws and regulations;
- the implementation of instructions and directions given by the Executive Management of the Group and the Management of operational units (the Houses or brands and their subsidiaries);
- the proper functioning of entity's internal processes, especially those relating to the protection of its assets and the value of its capital;
- the reliability of financial and accounting information.

The internal control system thus comprises a range of control procedures and activities over and above those directly connected to the financial and accounting system; as it aims to ensure the control and continuity of all existing and new activities, the system must enable the management of the Houses and subsidiaries to focus fully on the strategy, development and growth of the Group.

Limits of internal control

No matter how well designed and applied, the internal control system cannot provide an absolute guarantee that the Group's objectives will be achieved. All internal control systems have their limits, most notably because of the uncertainty of the outside world, individual judgment or malfunctions as a result of human or other errors.

2.3.2. Internal control components

The Group's internal control system includes five closely interrelated components:

- a general control environment, based on clearly defined and appropriate roles and responsibilities;
- a risk management system;
- appropriate control activities, procedures and documentation;
- an information and communication system that enables responsibilities to be exercised efficiently and effectively;
- a continual monitoring of the system.

All of these elements are centrally managed and coordinated, but they are also reviewed each year by the larger entities within the Group, through the established self-assessment procedure in place.

2.3.3. The general control environment

The internal control mechanism, which applies to all of LVMH's operations, aims primarily to create appropriate conditions for a general internal control environment tailored to the Group's specificities. It also aims to anticipate and control the risk of errors and fraud, without however guaranteeing their complete elimination.

The Group has always expressed its determination with regard to these fundamentals, which are the management's commitment to integrity and ethical behavior, the principle of honesty in relations with customers, suppliers, employees and other business partners, clear organizational structures, responsibilities and authorities defined and formalized according to the principle of the segregation of duties, regular monitoring of staff performance, and a commitment to skills management and the professional development of Group employees.

These ethical and good governance principles are included in the LVMH Code of Conduct, which has been distributed since May 2009 to all Group employees. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. In particular, in the Houses, the Group recommends and oversees the implementation of codes of conduct, supplier charters, formalized procedures for declaring and monitoring conflicts of interest, and the implementation of delegation matrices that outline the responsibilities and powers of each employee.

In 2009, an Intranet website ("LVMH Mind") was launched to better communicate internally the Group's commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find the LVMH Code of Conduct, but also the Environmental Charter first adopted in 2001 and the Supplier Charter introduced in 2008, which ensure compliance across the entire supply chain with strict guidelines.

Skills management is a significant aspect of internal control. LVMH pays special attention to matching employees' profiles with corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, ensuring the development of skills through training programs custom-designed for each level of seniority and encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. A dedicated Intranet site, "LVMH Talents", which is for the use of Group Human Resources.

Special attention was paid in 2011 to strengthening our business continuity plans (BCP). Round table meetings were held to (i) present what was learned from the Japanese Crisis of March 2011, (ii) explain and promote the use of LVMH's BCP Tool kit made generally available in 2008, and (iii) exchange best practices.

2.3.4. Risk management

The risk management system is described in §2.2 Main risk management principles.

2.3.5. Control activities, procedures and documentation

Internal control practices and procedures are implemented by the companies' internal control managers under the responsibility of their Management Committees.

Through its Finance Intranet, the Group disseminates all of the regularly updated procedures contributing to accounting and financial information applicable to all the consolidated companies, covering: accounting and financial procedures and principally the accounting policies and standards, consolidation, taxation, investments, financial reporting (including budgetary procedures and strategic plans), cash flow and financing (including cash pooling, foreign exchange and interest rate hedging). The procedures available on the Finance Intranet also detail the format, content and frequency of financial reports.

The Finance Intranet is also used for the dissemination of Internal Control principles and best practices:

- a top-level guide, "The Essentials of Internal Control", describes the bases of the general environment and the salient features of the main processes: Sales, Retail Sales, Purchases, Inventory, Financial Statements Closing and Information Systems (general IT controls);
- in addition to this manual, the LVMH internal control reference guide covering a wide range of business processes has also been made available. This reference guide details, for each risk arising from a given process, the key control activities expected. This reference guide is regularly updated to take into account developments in information systems and procedures. Originally established in accordance with COSO principles, the reference guide covers most of the measures relating to the preparation of accounting and financial information that are also included in the Reference Framework of the AMF;
- best practices and implementation tools are available online via this Intranet site, covering the issues emphasized by the Group: conflicts of interest, delegations of authority, business continuity plans, IT disaster recovery plans, policies and guidelines for information system security, exception reports, the segregation of duties and resulting conflicts relating to sensitive transactions, and the control of media expenses.

The Group and its internal control managers in the Houses ensure the implementation of controls that are essential to achieving the key process internal control objectives, where necessary. The managers are asked to make a special effort in relation to the documentation of key activities in the form of a procedure, so as to ensure consistent quality over time, regardless of the person implementing them.

The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked as part of the management process that guides all of the Group's core entities (cf. § 2.3.7).

The Group's Risk Management Guidelines may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures.

2.3.6. Information and communication systems

The strategic plans in terms of information and communication systems are coordinated by the Information Systems Department, which ensures the standardization of the ERP (SAP) in operation as well as business continuity. Aspects of internal control (segregation of duties and access rights) are integrated when employing new information systems and these are regularly reviewed.

The information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are also subject to special procedures: a Business Continuity Plan methodology tool kit has been distributed within the Group in order to define, for each significant entity, the broad outline of such a plan as well as those of an IT Disaster Recovery Plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed at the level of the parent company LVMH SA and both plans are tested on an annual basis.

All significant entities have appointed a head of IT Security (RSI), who reports directly to the Director of Information Systems. The activities of the RSIs are coordinated by the Group RSI. Together they constitute a vigilance network to monitor the development of risks affecting information systems and implement adequate defenses depending on the likelihood of a given type of risk and its potential impact. A structured approach to identifying and monitoring IT security risks has been determined and an initial pilot test to deploy this process within a significant Retail entity is scheduled for the first quarter of 2012.

2.3.7. Continuous monitoring of the internal control systems

There are several levels of monitoring, the main ones being:

Ongoing monitoring of the processes

Monitoring is organized by the operational departments in order to anticipate or detect incidents as soon as possible. Exception reports are used to determine whether corrective actions are required based on a departure from normal operating conditions, as a complement to preventive measures, such as the segregation of duties.

Periodic monitoring of the mechanism

Periodic monitoring is performed by management and by the internal and external Auditors:

- by management or operational staff under the responsibility of the internal control managers. The final deliverable of this supervision is the letter of representation on risk management and internal control, signed by the Chairman and CFO or by each member of the Management Committee of each significant entity, confirming their acceptance of responsibility for internal control in connection with the relaying of information on areas of weakness and the remedies pursued (see §2.1);
- by LVMH Internal Audit and by external Auditors, who provide management of the entities and the Executive Management of the Group with the results of their review work and their recommendations.

The Management of each significant entity carries out an annual self-assessment process.

Self-assessment is based on the LVMH internal control reference guide. This reference guide covers 12 key processes: Sales, Retail Sales, Purchases, Licenses, Travel and Movements, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing. Specific processes have been developed and evaluated to reflect the particular needs of certain activities (*eaux-de-vie* and Vineyard Land for Wines and Spirits, End-of-Season Operations for Fashion and Leather Goods, Concessions for Duty-Free businesses).

In addition, at the level of the parent company LVMH SA and the Group, the eight key processes listed in §2.1 are analyzed to determine the related risks, action plans are subsequently defined and followed-up, so as to remediate any weaknesses.

The self-assessment approach applied at each of the 131 significant entities identified in 2011 was simplified this year. Until 2010 the scope of self-assessment was determined by each brand and included the following:

- a review of the general control environment at the entity;
- a detailed review of key control systems selected by each brand from the reference guide to business processes depending on the materiality of these processes and the anticipated level of risk coverage.

With the implementation of the ERICA project, in 2011 the scope of self-assessment was harmonized for all entities and now consists of a single list of the 83 key controls that Group Internal Control has identified.

Changes only affected the scope. The methodology is the same:

- a review of shortcomings and a follow-up by the entity's senior managers of the measures implemented to remediate these weaknesses;
- the formal documentation of this review and assessment process as well as the resulting action plans in the internal control data modeling and guidance tool, which has also been adopted by other CAC 40 companies;
- the signing of the letter of representation by the Management of each entity.

The letters of representation are consolidated and "cascaded", from the subsidiaries to the parent companies, and from the parent companies to the Group.

Work and assessments performed by senior executives

These internal control formalization procedures are carried out on an internal basis. This approach maximizes the involvement of operational managers, capitalizing on their knowledge and facilitating the process of continuous improvement of internal control over time within the Group. The Group's external Auditors are kept informed on the progress of this approach, as is the Performance Audit Committee, by means of regular reports.

2.4. Risk management and internal control stakeholders

In addition to the contribution of all Group employees to the success of these systems, the following participants fulfill specific roles with respect to internal control:

At Group level

The Board of Directors

As part of the responsibilities described above, the Board of Directors contributes to the general control environment through its underlying professional principles: the savoir-faire and responsibility of its members, the clarity and transparency of its decisions, and the efficiency and effectiveness of its controls. The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies, for guidance.

The Board of Directors is kept informed on a regular basis of the specific nature of risk management and internal control systems and procedures, and ensures that major risks, which are disclosed in the "Risk factors" section of its management report, are properly taken into account.

Also at regular intervals, the Board and its Performance Audit Committee receive information on the results of the operation of these systems, any weaknesses noted and the action plans decided with a view to their resolution.

The Executive Committee

The Executive Committee, comprised of executive, operational and functional directors, defines strategic objectives on the basis of the orientations decided by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, and oversees both the definition and the accomplishment of the responsibilities and delegations of authority of executive management.

The Performance Audit Committee

As part of its responsibilities described above, the Performance Audit Committee controls the existence and application of internal control procedures. It also examines the results of the work of Internal Audit and approves annual and midterm internal auditing orientation in terms of resources and geographic, business and risk coverage. The Committee also receives information on the management of major risks.

The Legal Department

The Group's Legal Department is responsible for monitoring the proper application of laws and regulations in force in each of the countries where LVMH group has operations. It also fulfils a central legal review function and provides advice on legal matters as required by each of LVMH group's business groups.

The Risk Management and Insurance Department

Apart from the operational managers, who are responsible for the risks inherent to their businesses, the Risk Management and Insurance Department ensures that Group companies have access to tools and methodologies for the identification and evaluation of risks, promotes effective loss prevention practices, and advises on risk coverage and financing strategies.

The Risk Management and Insurance Department collaborates with the Internal Audit team on the definition and implementation of evaluation methods and processes for handling certain major or large-scale risks.

The Audit and Internal Control Department

As of December 31, 2011, the Audit and Internal Control Department had a staff of some fifteen professionals, including two individuals specifically responsible for the coordination of internal control. Although this team's supervision is centralized, its members operate out of two offices in Paris and Hong Kong and are active throughout the Group.

Between thirty and forty audit assignments are carried out each year. As planned, in 2011 there was a particular focus on China, Latin America (Brazil and Mexico), and on employee remuneration systems.

Follow-ups on recommendations made in the context of past assignments are reinforced through systematic on-site visits to companies with the most significant issues.

The Internal Audit team applies a multi-year audit plan, which is revised each year. The multi-year audit plan allows the degree to which the internal control system has been understood and assimilated to be monitored and reinforced where necessary, and ensures the appropriate application of the procedures that are in place. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical location, quality of local management, etc.) and on the basis of meetings held with the operational managers concerned. Internal Audit intervenes in all Group companies, both in operational and financial matters. A review of the self-assessment process and its results is performed systematically for the significant entities involved.

The plan can be modified in response to changes in the political and economic environment or internal strategy.

Internal Audit reports on its work to management of the entity concerned and to Executive Management of the Group by way of an Executive Summary and a detailed report explaining its recommendations and setting out Management's commitment to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the external Auditors and meets with them periodically to discuss current internal control issues.

The main features of the annual and multi-year audit plan, together with the main conclusions of the year under review and the follow-up to the main recommendations of previous assignments, are presented to the Performance Audit Committee and to the business groups concerned.

Moreover, since 2003, Internal Audit has coordinated the Group's compliance with LSF (French Financial Security Act) internal control measures, and has devoted a specific team to internal controls. This team monitors and anticipates regulatory changes so that the measures can be adapted.

Group Internal Control coordinates a network of internal controllers responsible for ensuring compliance with the Group's internal control procedures and for preparing internal controls, tailored to their businesses. These internal control managers are responsible for the various projects related to the internal control and risk management system and promote the dissemination and application of guidelines.

At subsidiary level

Management Committees

The Management Committee within each subsidiary is responsible for implementing the procedures necessary to ensure an effective internal control mechanism for its scope of operations. The fact that operational managers are personally accountable for internal controls, in each company and in each of the key business processes, is a cornerstone of the internal control system.

The Management Committees of brands or entities are responsible for the implementation of action plans for the management of the major risks they identify and evaluate in the course of internal control self-assessment, for their scope of operations.

2.5. Risk management and internal controls related to financial and accounting information

2.5.1. Organization

Risk management and internal controls of accounting and financial information are organized based on the cooperation and control of the following departments, which are all part of the Finance Team: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax and Financial Communication.

Accounting and Consolidation is responsible for preparing and producing the individual company accounts of the holding companies and the consolidated financial statements, in particular the financial statements and financial documents published as of June 30 (the interim report) and as of December 31 (the reference document) in addition to the management reporting process.

To this end, Accounting and Consolidation defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. Accounting and Consolidation also ensures that an appropriate financial reporting information system is maintained, while also coordinating the work of the Group's Statutory Auditors.

Management Control is responsible for coordinating the budget process and its revisions during the year as well as the five-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management (see below § 2.5.4 Management reporting); it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.

By virtue of its area of competence and the high standards of the reports it produces, Management Control is a very important participant in the internal control and financial risk management system.

Information Systems designs and implements the information systems needed by the Group's central functions. It disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops and maintains a telecommunications system shared by the Group. It drives policies for system and data security and helps the brands prepare emergency contingency plans. In cooperation with the subsidiaries, Information Systems supervises the creation of three-year plans for all information systems across the Group, by business group and by entity.

Corporate Finance and Treasury is responsible for applying the Group's financial policy, efficiently managing the balance sheet and financial debt, improving the financial structure and implementing a prudent policy for managing solvability, liquidity and counterparty risks. Within this department, International Treasury focuses particularly on Group cash pooling, and cash forecasts on the basis of quarterly updates prepared by the companies involved and responds to subsidiaries' liquidity and financing requirements. It is also responsible for applying a centralized foreign exchange risk management strategy.

The Markets department, which is also in this department, is delegated the responsibility of implementing the policy of hedging risks generated directly or indirectly by Group companies. It is also responsible for applying a centralized interest rate and counterparty risk management strategy, designed to limit the negative impact of interest rate fluctuations and credit risk on operations and investments.

To this end, a management policy and strict procedures have been established to measure, manage and consolidate these market risks. Within this team, the separation of Front office and Back office activities, coupled with an independent control team reporting to the Accounting Director allow for a greater segregation of duties. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are taken by means of a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

The **Tax** team, which coordinates the preparation of tax returns and ensures compliance with applicable tax laws and regulations, provides advice to the different business groups and companies and defines tax planning strategy based on the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax law and coordinates the uniform reporting system for tax data.

The **Financial Communication** department is responsible for coordinating all information issued to the financial community to enable it to acquire a clear, transparent and precise understanding of the Group's performance and prospects. It also provides Executive Management with the perspectives from of the financial community on the Group's strategy and its positioning within its competitive environment. It defines the key messages to be communicated in close collaboration with Executive Management and the business groups. It harmonizes and coordinates the distribution of corporate messages through various channels (publications such as the annual and half-yearly reports, financial presentations, meetings with shareholders and analysts, the website, etc.)

Each of these departments coordinates the financial aspects of the Group's internal control in its own area of activity via the finance departments of business groups, the main companies and their subsidiaries, which are in charge of similar functions in their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (controller, head of accounting, consolidation manager, Treasurer, etc.).

The finance departments of the main companies of the Group and the Departments of the parent company, LVMH, described above periodically organize joint finance committees. Run and coordinated by the Central Departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal controls applied to accounting and management data.

2.5.2. Accounting and management policies

Subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated. Accounting and management reporting is also carried out through the same system, thus ensuring the consistency of internal and published data.

2.5.3. Consolidation process

The consolidation process is laid out in a detailed set of instructions and has a specially adapted data submission system designed to facilitate complete and accurate data processing, based on a consistent methodology and within suitable timeframes. The Chairman and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group - including off-balance sheet items - in a signed letter of representation which gives added weight to the quality of their financial information.

There are sub-consolidations at business unit and business group level, which also act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are specialized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

2.5.4. Management reporting

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

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

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions as well as appropriate controls.

The half-yearly and annual financial statements are closed out at special results presentation meetings, in the presence of the Group's financial representatives and the companies concerned, during which the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the Group, on the basis of the work that they performed during their review and audit assignments.

Conclusions

The LVMH group is pursuing its policy of constantly improving its internal controls, which it has carried out since 2003, by bolstering the self-appraisal system and its adoption by the main stakeholders.

In response to changes in regulatory requirements, since 2010 the Group has been rolling out the ERICA project, an approach integrating risk management and internal control, with the objective of extending its reach to all significant entities over the course of 2011.

3. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-35 OF THE FRENCH COMMERCIAL CODE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy-Louis Vuitton and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code (Code de commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

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

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	2011	2010	2009
Brands and other intangible assets - net	3	11,482	9,104	8,697
Goodwill - net	4	6,957	5,027	4,270
Property, plant and equipment - net	6	8,017	6,733	6,140
Investments in associates	7	170	223	213
Non-current available for sale financial assets	8	5,982	3,891	540
Other non-current assets		478	319	750
Deferred tax	26	716	668	521
Non-current assets		**33,802**	**25,965**	**21,131**
Inventories and work in progress	9	7,510	5,991	5,644
Trade accounts receivable	10	1,878	1,565	1,455
Income taxes		121	96	217
Other current assets	11	1,455	1,255	1,213
Cash and cash equivalents	13	2,303	2,292	2,446
Current assets		**13,267**	**11,199**	**10,975**
Total assets		**47,069**	**37,164**	**32,106**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	2011	2010	2009
Share capital		152	147	147
Share premium account		3,801	1,782	1,763
Treasury shares and LVMH-share settled derivatives		(485)	(607)	(929)
Cumulative translation adjustment		431	230	(495)
Revaluation reserves		2,689	1,244	871
Other reserves		12,798	11,370	10,684
Net profit, Group share		3,065	3,032	1,755
Equity, Group share	14	22,451	17,198	13,796
Minority interests	16	1,061	1,006	989
Total equity		**23,512**	**18,204**	**14,785**
Long term borrowings	17	4,132	3,432	4,077
Provisions	18	1,400	1,167	990
Deferred tax	26	3,925	3,354	3,117
Other non-current liabilities	19	4,506	3,947	3,089
Non-current liabilities		**13,963**	**11,900**	**11,273**
Short term borrowings	17	3,134	1,834	1,708
Trade accounts payable		2,952	2,298	1,911
Income taxes		443	446	221
Provisions	18	349	339	334
Other current liabilities	20	2,716	2,143	1,874
Current liabilities		**9,594**	**7,060**	**6,048**
Total liabilities and equity		**47,069**	**37,164**	**32,106**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2011	2010	2009
I. OPERATING ACTIVITIES AND INVESTMENTS				
Operating profit		5,154	4,169	3,161
Net increase in depreciation, amortization and provisions		999	788	826
Other computed expenses		(45)	(126)	(37)
Dividends received		61	20	21
Other adjustments		(32)	(3)	(43)
Cash from operations before changes in working capital		**6,137**	**4,848**	**3,928**
Cost of net financial debt: interest paid		(152)	(149)	(185)
Income taxes paid		(1,544)	(897)	(900)
Net cash from operating activities before changes in working capital		**4,441**	**3,802**	**2,843**
Change in inventories and work in progress		(768)	(126)	69
Change in trade accounts receivable		(65)	(13)	206
Change in trade accounts payable		331	295	(362)
Change in other receivables and payables		(32)	91	178
Total change in working capital		**(534)**	**247**	**91**
Net cash from operating activities		**3,907**	**4,049**	**2,934**
Purchase of tangible and intangible fixed assets		(1,749)	(1,002)	(748)
Proceeds from sale of tangible and intangible fixed assets		31	33	26
Guarantee deposits paid and other operating investments		(12)	(7)	(7)
Operating investments		**(1,730)**	**(976)**	**(729)**
Net cash from (used in) operating activities and operating investments (free cash flow)		**2,177**	**3,073**	**2,205**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(518)	(1,724)	(93)
Proceeds from sale of non-current available for sale financial assets	8	17	70	49
Impact of purchase and sale of consolidated investments [a]	2.4	(785)	(61)	(278)
Net cash from (used in) financial investments		**(1,286)**	**(1,715)**	**(322)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH [a]	14	94	120	30
Capital increases of subsidiaries subscribed by minority interests	16	3	1	11
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	14.2	2	155	34
Interim and final dividends paid by LVMH	14.3	(1,069)	(953)	(758)
Interim and final dividends paid to minority interests in consolidated subsidiaries	16	(189)	(158)	(175)
Purchase and proceeds from sale of minority interests	2.4	(1,413)	(185)	-
Net cash from (used in) transactions relating to equity		**(2,572)**	**(1,020)**	**(858)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		2,659	564	2,442
Repayment of borrowings		(1,005)	(1,290)	(2,112)
Purchase and proceeds from sale of current available for sale financial assets		6	(32)	321
Net cash from (used in) financing activities		**1,660**	**(758)**	**651**
V. EFFECT OF EXCHANGE RATE CHANGES		**60**	**188**	**(120)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**39**	**(232)**	**1,556**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13	**2,042**	**2,274**	**718**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	**2,081**	**2,042**	**2,274**
Transactions included in the table above, generating no change in cash:				
- acquisition of assets by means of finance leases		3	6	12

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

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1. ACCOUNTING POLICIES

1.1. General framework and environment

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

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

1.2. Changes in the accounting framework in 2011

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

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

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

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

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

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

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

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

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

  The application of these standards in 2013 is not expected to have any material impact on the Group's consolidated financial statements, due to the low number of jointly controlled entities which are proportionately consolidated.
- Amendments to IAS 19 on employee benefit commitments which require full and immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

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

1.3. First-time adoption of IFRS

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

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

1.4. Use of estimates

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

1.5. Methods of consolidation

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

Jointly controlled companies are consolidated on a proportionate basis.

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

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

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

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

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

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

1.7. Foreign currency transactions and hedging of exchange rate risks

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

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of inter-company transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long term inter-company financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives which are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value at the balance sheet date and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as "Revaluation reserves") for the effective portion of hedges of future cash flows (this part is transferred to cost of sales at the time of recognition of the hedged assets and liabilities);
- within net financial income/expense for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity outside the euro zone (net investment hedge), any change in fair value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/expense for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/expense.

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

1.8. Brands, trade names and other intangible assets

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

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

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

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

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

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

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

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

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

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

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

1.9. Goodwill

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

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

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

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

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

1.10. Purchase commitments for minority interests

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

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

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

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

1.11. Property, plant and equipment

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

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

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

Investment property is measured at cost.

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

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

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

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

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

1.12. Impairment testing of fixed assets

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

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

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

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

1.13. Available for sale financial assets

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

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

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

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

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

1.14. Inventories and work in progress

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

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

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

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

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

1.15. Trade accounts receivable, loans and other receivables

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

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

1.16. Cash and cash equivalents

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

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

1.17. Provisions

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

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

1.18. Borrowings

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

In the case of hedging against fluctuations in the nominal amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense for the period. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.19.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost whilst any changes in value of the effective hedge portions are taken to equity as part of "Revaluation reserves".

Changes in value of non-hedge derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

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

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

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

1.19. Derivatives

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

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

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.7 in the case of foreign exchange hedges, and as described in Note 1.18 in the case of interest rate hedges.

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

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

1.20. Treasury shares and LVMH-share settled derivatives

LVMH shares and options to purchase LVMH shares that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

The cost of disposals of shares is determined by allocation category (see Note 14.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

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

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

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

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

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

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

1.22. Current and deferred tax

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

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

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

Deferred tax assets and liabilities are not discounted.

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

1.23. Revenue recognition

Revenue

Revenue mainly comprises retail sales within the Group's store network and sales through distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores for Fashion and Leather Goods and Selective Retailing, as well as certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

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

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

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

Provisions for product returns

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

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

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' income statement items and assets and liabilities between LVMH and Diageo, LVMH only recognizes the portion of the income statement and balance sheet attributable to its own brands.

1.24. Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and publishing catalogs, and in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recorded upon receipt or production of goods or upon completion of services rendered.

1.25. Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the amortization of the expected benefit granted to beneficiaries; the expected benefit is calculated according to the Black & Scholes method, on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted.

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

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

For cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated at each period-end based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Beyond that date and until the settlement date, the change in the expected benefit resulting from the change in the LVMH share price is recorded in the income statement.

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

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

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

1.27. Earnings per share

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

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

2. CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2011

2.1.1. Fashion and Leather Goods

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

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

2.1.2. Watches and Jewelry

Bulgari

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

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

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

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

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

In accordance with IFRS:

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

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

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

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

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

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

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

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

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

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

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

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

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

ArteCad

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

2.1.3. Selective Retailing

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

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

2.2. Fiscal year 2010

Wines and Spirits

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

Perfumes and Cosmetics

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

Selective Retailing

In July 2010, the Group acquired 70% of the share capital of Sack's for a consideration of 75 million euros and entered into a purchase commitment for the remaining 30%, exercisable from fiscal year 2015. Sack's is Brazil's leading online retailer of perfumes and cosmetics and is also a top player in the beauty retail sector in this country. Sack's was fully consolidated with effect from August 2010. Goodwill, determined on the basis of the portion of the net assets acquired by the Group, amounted to 75 million euros. The difference between the value of the purchase commitment for the 30% of the share capital that was not acquired and minority interests, amounting to 30 million euros, was deducted from equity.

Other activities

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

2.3. Fiscal year 2009

Wines and Spirits

In August 2009, the Group acquired from Groupe Arnault for 238 million euros a 50% stake in the wine estate Château Cheval Blanc (Gironde, France), producer of the eponymous premium Saint-Émilion wine classified as *premier grand cru classé A*. Château Cheval Blanc has been consolidated on proportionate basis since August 2009. The table below summarizes the final purchase price allocation, on the basis of Château Cheval Blanc's balance sheet as of August 12, 2009:

(EUR millions)	**Allocation of purchase price**
Brand	183
Vines and vineyard land	35
Other tangible assets	3
Inventories	9
Working capital, excluding inventories	(11)
Net financial debt	8
Deferred taxes	(76)
Net assets acquired (50%)	151
Goodwill	87
Total cost of acquisition	**238**

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

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

(EUR millions)	2011	2010	2009
Purchase price of consolidated investments	(2,375)	(269)	(287)
Positive cash balance/(net overdraft) of companies acquired	174	(10)	9
Proceeds from sale of consolidated investments	8	38	-
(Positive cash balance)/net overdraft of companies sold	(5)	(5)	-
Impact of changes in the percentage of interest in consolidated entities on cash and cash equivalents	**(2,198)**	**(246)**	**(278)**

In 2011, the main impacts of changes in the percentage interest of consolidated entities break down as follows:
- 2,025 million euros for the acquisition of Bulgari;
- 44 million euros for the acquisition of 51% of Heng Long;
- 49 million euros for the acquisition of ArteCad;
- 40 million euros, for the acquisition of a 20% stake in Ile de Beauté.

In 2010, the main impacts of changes in the percentage interest of consolidated entities broke down as follows:
- 185 million euros for the acquisition of minority interests in the Samaritaine;
- 75 million euros for the acquisition of 70% of Sack's.

In 2010, the main impacts of disposals of consolidated investments on the Group's cash and cash equivalents broke down as follows:
- 20 million euros for the disposal of La Brosse et Dupont;
- 13 million euros for the disposal of Montaudon.

In 2009, the main impacts of acquisitions of consolidated investments on the Group's cash and cash equivalents broke down as follows:
- 238 million euros for the acquisition of 50% of Cheval Blanc;
- 24 million euros for the acquisition of minority interests in certain subsidiaries of Sephora Europe.

2.5. Impact of acquisitions on period net profit

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

(EUR millions)	2011 - Published consolidated income statement	Pro forma restatements	2011 - Pro forma consolidated income statement
Revenue	23,659	664	24,323
Profit from recurring operations	5,263	40	5,303

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

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2011	2010	2009
	Gross	Amortization and impairment	Net	Net	Net
Brands	9,310	(460)	8,850	6,717	6,489
Trade names	3,450	(1,406)	2,044	1,977	1,853
License rights	102	(77)	25	26	41
Leasehold rights	383	(201)	182	109	91
Software	677	(508)	169	138	110
Other	431	(219)	212	137	113
Total	**14,353**	**(2,871)**	**11,482**	**9,104**	**8,697**
Of which: assets held under finance leases	*14*	*(14)*	-	-	-

3.1. Movements in the year

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

Gross value *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	**7,142**	**3,339**	**1,143**	**11,624**
Acquisitions	-	-	246	246
Disposals and retirements	-	-	(28)	(28)
Changes in the scope of consolidation	2,106	12	211	2,329
Translation adjustment	62	99	16	177
Reclassifications	-	-	5	5
As of December 31, 2011	**9,310**	**3,450**	**1,593**	**14,353**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	**(425)**	**(1,362)**	**(733)**	**(2,520)**
Amortization expense	(32)	(1)	(149)	(182)
Impairment expense	-	-	(1)	(1)
Disposals and retirements	-	-	27	27
Changes in the scope of consolidation	-	-	(135)	(135)
Translation adjustment	(3)	(43)	(12)	(58)
Reclassifications	-	-	(2)	(2)
As of December 31, 2011	**(460)**	**(1,406)**	**(1,005)**	**(2,871)**
Net carrying amount as of December 31, 2011	**8,850**	**2,044**	**588**	**11,482**

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

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

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

3.2. Movements in prior years

Net carrying amount *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2008	**6,244**	**1,909**	**370**	**8,523**
Acquisitions	-	-	81	81
Disposals and retirements	-	-	-	-
Changes in the scope of consolidation	277	-	2	279
Amortization expense	(32)	-	(97)	(129)
Impairment expense	-	-	-	-
Translation adjustment	-	(56)	(1)	(57)
As of December 31, 2009	**6,489**	**1,853**	**355**	**8,697**
Acquisitions	1	-	135	136
Disposals and retirements	-	-	(13)	(13)
Changes in the scope of consolidation	(2)	-	4	2
Amortization expense	(34)	-	(101)	(135)
Impairment expense	-	-	-	-
Translation adjustment	263	124	30	417
As of December 31, 2010	**6,717**	**1,977**	**410**	**9,104**

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

3.3. Brands and trade names

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

(EUR millions)			2011	2010	2009
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	1,027	(47)	980	985	977
Fashion and Leather Goods	3,908	(353)	3,555	3,556	3,542
Perfumes and Cosmetics	620	(23)	597	596	594
Watches and Jewelry	3,524	(6)	3,518	1,380	1,167
Selective Retailing	3,407	(1,358)	2,049	1,976	1,853
Other activities	274	(79)	195	201	209
Brands and trade names	**12,760**	**(1,866)**	**10,894**	**8,694**	**8,342**

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

- Wines and Spirits: Veuve Clicquot, Krug, Château d'Yquem, Château Cheval Blanc, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Donna Karan New York, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up for Ever, Benefit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: Bulgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora and Le Bon Marché, Ile de Beauté and Ole Henriksen;
- Other activities: the publications of the media group Les Echos-Investir and the Royal Van Lent-Feadship brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their net selling price as of the closing date for the consolidated financial statements of the Group. This is notably the case for the brands Louis Vuitton, Veuve Clicquot, and Parfums Christian Dior, or the trade name Sephora, with the understanding that this list must not be considered as exhaustive.

Brands developed by the Group, notably Hennessy, Moët & Chandon, Dom Pérignon, Mercier and Ruinart champagnes, as well as De Beers Diamond Jewellers developed as a joint-venture with the De Beers Group, are not capitalized in the balance sheet.

Brands and trade names developed by the Group, in addition to Louis Vuitton, Veuve Clicquot, Parfums Christian Dior and Sephora, represented 23% of total brands and trade names capitalized in the balance sheet and 61% of the Group's consolidated revenue in 2010.

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

4. GOODWILL

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

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

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

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

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

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

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

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2011. As described in Note 1.12, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up over the course of each fiscal year. The main assumptions retained in 2011, for the determination of these forecast cash flows are as follows:

(%)	2011			2010		2009	
Business group	Discount rate		Growth rate for the period after the plan	Post-tax Discount rate	Growth rate for the period after the plan	Post-tax Discount rate	Growth rate for the period after the plan
	Post-tax	Pre-tax					
Wines and Spirits	7.5 to 11.2	11 to 16.5	2.0	7.5 to 11.6	2.0	7.5 to 11.6	2.0
Fashion and Leather Goods	8 to 13.3	11.8 to 19.6	2.0	8.7 to 12.8	2.0	8.7 to 12.8	2.0
Perfumes and Cosmetics	8 to 8.4	11.8 to 12.4	2.0	8	2.0	8	2.0
Watches and Jewelry	8.5 to 10.3	12.5 to 15.1	2.0	9.5 to 10.8	2.0	9.5 to 10.8	2.0
Selective Retailing	8.4 to 9.6	12.4 to 14.1	2.0	7.5 to 8.6	2.0	7.5 to 8.6	2.0
Other	6.5 to 8.2	9.6 to 12.1	2.0	7.5 to 10	2.0	7.5	2.0

Plans generally cover a five-year period, but may be prolonged up to ten years in case of brands for which production cycle exceeds five years or brands undergoing strategic repositioning.

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

As of December 31, 2011, the intangible assets with indefinite useful lives that are the most significant in terms of their net carrying amounts and the criteria used for their impairment testing are as follows:

	Brands and trade names (EUR millions)	Goodwill (EUR millions)	Total (EUR millions)	Post-tax discount rate (%)	Growth rate for the period after the plans (%)	Period covered by the forecast cash flows
Louis Vuitton	2,058	487	2,545	8.0	2.0	5 years
Fendi	713	401	1,114	9.5	2.0	5 years
Bulgari	2,100	1,522	3,622	8.5	2.0	10 years
TAG Heuer	1,021	192	1,213	9.2	2.0	5 years
DFS Galleria	1,769	14	1,782	9.6	2.0	5 years
Sephora	281	624	905	8.4	2.0	5 years

As of December 31, 2011, for the business segments listed above, a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates used as of December 31, 2011, would not result in the recognition of any impairment losses for these intangible assets. The Group considers that changes in excess of the 0.5% limit mentioned above would entail assumptions at a level not deemed relevant, in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

With respect to the other business segments, eight have disclosed intangible assets with a carrying amount close to their value in use. The carrying amount for each of these intangible assets as of December 31, 2011 as well as the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates used as of December 31, 2011, are indicated below:

(EUR millions)	Intangible assets with indefinite lives as of 12/31/2011	Sensitivity	
		Change in post-tax discount rate +0.5%	Change in growth rate -0.5%
Wines and Spirits	318	(25)	(18)
Watches and Jewelry	457	(18)	(9)
Other business groups	474	(25)	(17)
Total	**1,249**	**(68)**	**(44)**

6. PROPERTY, PLANT AND EQUIPMENT

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

6.1. Movements in the year

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

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

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

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

6.2. Movements in prior years

Net carrying amount *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Machinery and equipment**	**Other tangible fixed assets (including assets in progress)**	**Total**
As of December 31, 2008	**1,613**	**1,742**	**291**	**1,631**	**804**	**6,081**
Acquisitions	4	44	3	316	326	693
Disposals and retirements	(1)	(3)	-	(8)	(9)	(21)
Depreciation expense	(6)	(57)	(4)	(432)	(75)	(574)
Impairment expense	-	-	-	-	-	-
Change in the market value of vineyard land	(53)	-	-	-	-	(53)
Changes in the scope of consolidation	43	16	-	1	(1)	59
Translation adjustment	3	(21)	(3)	(11)	(5)	(37)
Other, including transfers	8	28	(1)	150	(193)	(8)
As of December 31, 2009	**1,611**	**1,749**	**286**	**1,647**	**847**	**6,140**
Acquisitions	5	115	3	358	367	848
Disposals and retirements	(2)	(2)	(1)	(9)	(13)	(27)
Depreciation expense	(6)	(63)	(5)	(497)	(79)	(650)
Impairment expense	-	-	-	-	-	-
Change in the market value of vineyard land	206	-	-	-	-	206
Changes in the scope of consolidation	1	(10)	-	(1)	(3)	(13)
Translation adjustment	10	95	8	87	27	227
Other, including transfers	3	20	6	119	(146)	2
As of December 31, 2010	**1,828**	**1,904**	**297**	**1,704**	**1,000**	**6,733**

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

7. INVESTMENTS IN ASSOCIATES

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

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

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

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

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

Non-current available for sale financial assets held by the Group as of December 31, 2011 include the following:

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

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

9. INVENTORIES AND WORK IN PROGRESS

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

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

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

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

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

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

10. TRADE ACCOUNTS RECEIVABLE

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

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

Approximately 63% of the Group's sales is generated through its own stores. The balance of trade accounts receivable is comprised primarily of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. Credit insurance is taken out whenever the likelihood that receivables may not be recoverable is justified on reasonable grounds.

As of December 31, 2011, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)		Nominal amount of receivables	Impairment	Net amount of receivables
Not due:	- less than 3 months	1,756	(13)	1,743
	- more than 3 months	108	(2)	106
		1,864	(15)	1,849
Overdue:	- less than 3 months	158	(7)	151
	- more than 3 months	85	(42)	43
		243	(49)	194
Total		**2,107**	**(64)**	**2,043**

For each of the years presented, no single customer represented revenue exceeding 10% of the Group's consolidated revenue.

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

11. OTHER CURRENT ASSETS

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

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

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

12. CURRENT AVAILABLE FOR SALE ASSETS

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

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

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

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

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

13. CASH AND CASH EQUIVALENTS

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

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

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

14. EQUITY

14.1. Share capital

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

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

(EUR millions)	2011		2010		2009	
	Number	Value	Number	Value	Number	Value
Share capital as of January 1	**490,642,232**	**147**	**490,405,654**	**147**	**489,937,410**	**147**
Increase in share capital related to the acquisition of a controlling stake in Bulgari	18,037,011	5	-	-	-	-
Exercise of share subscription options	1,395,835	-	2,012,478	-	557,204	-
Retirement of LVMH shares	(2,259,454)	-	(1,775,900)	-	(88,960)	-
Share capital as of December 31	**507,815,624**	**152**	**490,642,232**	**147**	**490,405,654**	**147**

14.2. Treasury shares and derivatives settled in LVMH shares

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

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

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

"Other plans" correspond to future plans.

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

The portfolio movements in 2011 were as follows:

LVMH shares

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

LVMH share-based calls

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

14.3. Dividends paid by the parent company LVMH SA

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

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

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

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

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

14.4. Cumulative translation adjustment

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

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

14.5. Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Furthermore, maintaining a strong credit rating and providing adequate security to the Group's bondholders and bank creditors are regarded as objectives in their own right, which also permits substantial access to markets under favorable conditions.

The Group manages its financial structure so as to ensure considerable flexibility, allowing it both to seize opportunities and enjoy significant access to markets offering favorable conditions.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:
- net financial debt (see Note 17) to equity;
- net financial debt to cash from operations before changes in working capital;
- long term resources to fixed assets;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- proportion of long term debt in net financial debt.

Long term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

With respect to these indicators, the Group seeks to maintain levels allowing for significant financial flexibility.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through the frequent recourse to several negotiable debt markets (both short and long term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts in undrawn confirmed credit lines.

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

15. STOCK OPTION AND SIMILAR PLANS

Share purchase option and subscription plans

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

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

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

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

Bonus share plans

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

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

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

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

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

Performance conditions

Since 2009, 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.

15.1. Share purchase option plans

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

Grant date	Number of options granted	Exercise price *(EUR)*	Vesting period of rights	Number of options exercised in 2011	Number of options expired in 2011	Number of options to be exercised as of Dec. 31, 2011
January 23, 2001 [a]	2,649,075	65.12	3 years	(46,870)	(171,675)	-
March 6, 2001 [a]	40,000	63.53	"	-	-	-
May 14, 2001 [a]	552,500	61.77	"	(14,122)	-	-
September 12, 2001 [a]	50,000	52.48	"	-	(50,000)	-
January 22, 2002	3,256,700	43.30	"	(77,175)	(48,300)	167,702
January 22, 2002	27,400	45.70	"	-	(2,700)	1,550
May 15, 2002	8,560	54.83	"	(5,560)	-	-
January 22, 2003	3,155 225	37.00	"	(74,065)	(37,375)	189,418
January 22, 2003	58,500	38.73	"	(1,070)	(1,500)	26,400
				(218,862)	**(311,550)**	**385,070**

(a) Plans expired on January 22, 2011, March 5, 2011, May 13, 2011 and September 11, 2011 respectively.

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

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

15.2. Share subscription option plans

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

Grant date	Number of options granted	Exercise price *(EUR)*	Vesting period of rights	Number of options excercised in 2011	Number of options expired in 2011	Number of options to be exercised as of Dec. 31, 2011
January 21, 2004	2,720,425	55.70	4 years	(397,045)	(8,100)	950,335
"	27,050	58.90	"	(3,000)	-	10,100
May 12, 2005	1,852,150	52.82	"	(385,475)	(3,000)	430,203
"	72,250	55.83	"	(1,500)	-	49,350
May 11, 2006	1,712,959	78.84	"	(163,043)	(8,038)	1,077,478
"	76,400	82.41	"	(8,050)	(1,500)	39,300
May 10, 2007	1,679,988	86.12	"	(437,722)	(21,312)	1,158,194
May 15, 2008	1,621,882	72.50	"	-	(24,450)	1,547,513
"	76,438	72.70	"	-	(1,300)	75,138
May 14, 2009	1,266,507	56.50	"	-	(16,638)	1,236,143
"	35,263	56.52	"	-	(125)	27,663
July 29, 2009	2,500	57.10	"	-	-	2,500
				(1,395,835)	**(84,463)**	**6,603,917**

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

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

Share subscription options granted under the plan dated May 14, 2009 may only be exercised if, in fiscal years 2009 and 2010, (or, for senior executive officers, in three of the four fiscal years from 2009 to 2012) either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008. The performance condition, which was met in 2009, 2010 and 2011, was also considered to have been met for the future fiscal years, for the purpose of determining the expense for 2011.

15.3. Bonus share plans

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

Grant date	Number of shares allocated initially	*Of which: performance bonus shares*	Vesting periods of rights	Expired allocations in 2011	Shares vested in 2011	Non-vested shares as of Dec. 31, 2011
May 14, 2009	311,209	-	2 [a] or 4 years [b]	(14,405)	(143,979)	141,958
July 29, 2009	833	-	"	-	-	833
April 15, 2010	469,436	*274,367*	"	(7,420)	-	462,016
March 31, 2011	442,052	*257,724*	3 [a] or 4 years [b]	(1,418)	-	440,634
October 20, 2011	115,000	-	3 years	-	-	115,000
				(23,243)	**(143,979)**	**1,160,441**

(a) Beneficiaries with tax residence in France.
(b) Beneficiaries with tax residence outside France.

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

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

The bonus share plans launched in 2010 and 2011 are subject to performance conditions to a variable extent depending on beneficiaries. Bonus shares may only be definitively granted if, in fiscal years 2011 and 2012 (2010 and 2011 for the plan launched in 2010), either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin shows a positive change compared to 2010 (2009 for the plan launched in 2010). The performance condition, which was met for fiscal years 2010 and 2011, was considered to have been met for fiscal year 2012, for the purpose of determining the expense for 2011.

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

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

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

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

15.5. Expense for the period

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

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

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

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

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

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

16. MINORITY INTERESTS

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

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

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

17. BORROWINGS

17.1. Net financial debt

(EUR millions)	2011	2010	2009
Long term borrowings	4,132	3,432	4,077
Short term borrowings	3,134	1,834	1,708
Gross amount of borrowings	**7,266**	**5,266**	**5,785**
Interest rate risk derivatives	(159)	(82)	(89)
Other derivatives	1	5	6
Gross borrowings after derivatives	**7,108**	**5,189**	**5,702**
Current available for sale financial assets	(145)	(219)	(218)
Other current financial assets	-	-	(44)
Cash and cash equivalents	(2,303)	(2,292)	(2,446)
Net financial debt	**4,660**	**2,678**	**2,994**

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

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

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

17.2. Breakdown by nature

(EUR millions)	2011	2010	2009
Bonds and euro Medium Term Notes (EMTNs)	3,390	2,776	3,425
Finance and other long term leases	133	131	121
Bank borrowings	609	525	531
Long term borrowings	**4,132**	**3,432**	**4,077**
Bonds and euro Medium Term Notes (EMTNs)	759	815	723
Finance and other long term leases	19	17	23
Bank borrowings	248	179	135
Commercial paper	1,603	272	200
Other borrowings and credit facilities	193	224	352
Bank overdrafts	222	250	172
Accrued interest	90	77	103
Short term borrowings	**3,134**	**1,834**	**1,708**
Total borrowings	**7,266**	**5,266**	**5,785**
Market value of gross borrowings	**7,418**	**5,422**	**5,979**

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

17.3. Bonds and EMTNs

Nominal amount *(in local currency)*	Date of issuance	Maturity	Initial effective interest rate [a] *(%)*	2011 *(EUR millions)*	2010	2009
EUR 500,000,000	2011	2018	4.08	524	-	-
EUR 500,000,000	2011	2015	3.47	522	-	-
EUR 1,000,000,000	2009	2014	4.52	1,033	1,021	998
CHF 200,000,000	2008	2015	4.04	165	161	135
CHF 200,000,000	2008	2011	3.69	-	161	135
EUR 760,000,000 [b]	2005 and 2008	2012	3.76	759	755	752
CHF 300,000,000	2007	2013	3.46	250	243	206
EUR 600,000,000	2004	2011	4.74	-	609	611
EUR 750,000,000	2003	2010	5.05	-	-	723 [c]
Public bond issues				**3,253**	**2,950**	**3,560**
EUR 250,000,000	2009	2015	4.59	263	257	251
EUR 150,000,000	2009	2017	4.81	161	153	149
Private placements in foreign currencies				472	231	188
Private placements (EMTNs)				**896**	**641**	**588**
Total bonds and EMTNs				**4,149**	**3,591**	**4,148**

(a) Before impact of interest rate hedges set up at the time of, or subsequent to, each issuance.
(b) Accumulated amounts and weighted average initial effective interest rate for a 600 million euro bond issued in 2005 at an initial effective interest rate of 3.43%, which was supplemented in 2008 by an amount of 160 million euros issued at an effective rate of 4.99%.
(c) The nominal amount of this bond issue was reduced by 35 million euros thanks to buy-backs and subsequent cancellations performed in 2009.

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

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

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

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

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

17.5. Analysis of gross borrowings by currency after derivatives

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

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

17.6. Sensitivity

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

- an instantaneous increase of 1 point in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 42 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 62 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 42 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 62 million euros after hedging.

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

17.7. Covenants

In connection with certain long-term loan agreements, the Group has undertaken to comply with a financial covenant based on a ratio of net financial debt to total equity.

The current level of this ratio is very far from its contractual level, which means that the Group has a high degree of financial flexibility with regard to this commitment.

17.8. Undrawn confirmed credit lines

As of December 31, 2011, unused confirmed credit lines totaled 3.4 billion euros.

17.9. Guarantees and collateral

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

18. PROVISIONS

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

In 2011, the changes in provisions were as follows:

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

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation. Provisions for pensions, medical costs and similar commitments are analyzed in Note 28.

19. OTHER NON-CURRENT LIABILITIES

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

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

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

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

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

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

20. OTHER CURRENT LIABILITIES

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

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

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

Derivatives are analyzed in Note 21.

21. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

21.1. Foreign exchange, interest rate and equity market risk management

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

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

These activities are organized based on a strict segregation of duties between risk measurement, conclusion of the transactions (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.

21.2. Presentation of financial instruments in the balance sheet

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

(EUR millions)	Notes	2011		2010		2009	
		Balance sheet value	Fair value	Balance sheet value	Fair value	Balance sheet value	Fair value
Non-current available for sale financial assets	8	5,982	5,982	3,891	3,891	540	540
Current available for sale financial assets	12	145	145	219	219	218	218
Available for sale financial assets (see Note 1.13)		6,127	6,127	4,110	4,110	758	758
Other non-current assets, excluding derivatives		335	335	256	256	624	624
Trade accounts receivable	10	1,878	1,878	1,565	1,565	1,455	1,455
Other current assets [(a)]	11	914	914	636	636	522	522
Loans and receivables (see Note 1.15)		3,127	3,127	2,457	2,457	2,601	2,601
Cash and cash equivalents (see Note 1.16)	13	2,303	2,303	2,292	2,292	2,446	2,446
Financial assets, excluding derivatives		**11,557**	**11,557**	**8,859**	**8,859**	**5,805**	**5,805**
Long term borrowings	17	4,132	4,275	3,432	3,582	4,077	4,269
Short term borrowings	17	3,134	3,143	1,834	1,840	1,708	1,710
Trade accounts payable		2,952	2,952	2,298	2,298	1,911	1,911
Other non-current liabilities [(b)]	19	307	307	259	259	226	226
Other current liabilities [(c)]	20	2,340	2,340	1,922	1,922	1,721	1,721
Financial liabilities, excluding derivatives (see Note 1.18)		**12,865**	**13,017**	**9,745**	**9,901**	**9,643**	**9,837**
Derivatives (see Note 1.19)	**21.3**	**21**	**21**	**123**	**123**	**314**	**314**

(a) Excluding derivatives, current available for sale financial assets and prepaid expenses.
(b) Excluding derivatives and purchase commitments for minority interests.
(c) Excluding derivatives and deferred income.

Fair value may be considered as nearly equivalent to market value, the latter being defined as the price that an informed third party acting freely would be willing to pay or receive for the asset or liability in question.

Breakdown of financial assets and liabilities measured at fair value by measurement method

(EUR millions)	2011			2010			2009		
	Available for sale assets	Derivatives	Cash and cash equivalents	Available for sale assets	Derivatives	Cash and cash equivalents	Available for sale assets	Derivatives	Cash and cash equivalents
Valuation based on:									
Published price quotations	5,738	-	2,303	3,750	-	2,292	356	-	2,446
Formula based on market data	112	290	-	119	270	-	191	428	-
Private quotations	277	-	-	241	-	-	211	-	-
Other	-	-	-	-	-	-	-	-	-
Assets	**6,127**	**290**	**2,303**	**4,110**	**270**	**2,292**	**758**	**428**	**2,446**
Valuation based on:									
Published price quotations	-	-	-	-	-	-	-	-	-
Formula based on market data	-	269	-	-	147	-	-	114	-
Private quotations	-	-	-	-	-	-	-	-	-
Liabilities	**-**	**269**	**-**	**-**	**147**	**-**	**-**	**114**	**-**

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

- quoted prices: Level 1
- formulas based on market data: Level 2
- private quotations: Level 3

The amount of financial assets valued on the basis of private quotations changed as follows in 2011:

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

21.3. Summary of derivatives

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

(EUR millions)			Notes	2011	2010	2009
Interest rate risk	Assets:	non-current		113	41	46
		current		57	66	90
	Liabilities:	non-current		(1)	(1)	(21)
		current		(10)	(24)	(26)
			21.4	**159**	**82**	**89**
Foreign exchange risk	Assets:	non-current		2	8	6
		current		83	139	211
	Liabilities:	non-current		(3)	(1)	(1)
		current		(255)	(121)	(56)
			21.5	**(173)**	**25**	**160**
Other risks	Assets:	non-current		28	12	74
		current		7	4	1
	Liabilities:	non-current		-	-	-
		current		-	-	(10)
				35	**16**	**65**
Total	Assets:	non-current		143	61	126
		current	11	147	209	302
	Liabilities:	non-current	19	(4)	(2)	(22)
		current	20	(265)	(145)	(92)
				21	**123**	**314**

21.4. Derivatives used to manage interest rate risk

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

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

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

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

(a) Gain/(Loss)

21.5. Derivatives used to manage foreign exchange risk

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

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

In addition, the Group may also use appropriate financial instruments to hedge the net equity of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

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

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

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

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

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

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
- change in collection rates of foreign currency-denominated sales	(14)	14	(31)	23	0	(1)	1	0
- conversion to euro of net profit of entities outside the euro zone	59	(59)	11	(11)	19	(19)	45	(45)
Impact on net profit	**45**	**(45)**	**(20)**	**12**	**19**	**(20)**	**46**	**(45)**

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

As of December 31, 2011, forecast cash collections for 2012 in US dollars and Japanese yen are both hedged in the proportion of 85% and 83%.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2011 is assessed by measuring the effect of a change of 10% in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar from their values as of this date:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion to euro of foreign-currency denominated net assets	303	(303)	78	(78)	192	(192)	163	(163)
Impact on market value of net investment hedges, after tax	(116)	95	(8)	7	(71)	58	(60)	49
Net impact on equity, excluding net profit	**187**	**(208)**	**70**	**(71)**	**121**	**(134)**	**103**	**(114)**

21.6. Financial instruments used to manage other risks

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

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

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

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

21.7. Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to the amount of its short term borrowings excluding derivatives, net of cash and cash equivalents, i.e. 0.8 billion euros as of December 31, 2011, or through the outstanding amount of its commercial paper program, i.e. 1.6 billion euros. Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.4 billion euros.

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

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

(EUR millions)	**2012**	**2013**	**2014**	**2015**	**2016**	**Over 5 years**	**Total**
Bonds and EMTNs	891	586	1,334	954	27	679	4,471
Bank borrowings	269	368	234	11	5	10	897
Other borrowings and credit facilities	196	-	-	-	-	-	196
Finance and other long term leases	25	24	21	18	15	354	457
Commercial paper	1,603	-	-	-	-	-	1,603
Bank overdrafts	222	-	-	-	-	-	222
Gross financial debt	**3,206**	**978**	**1,589**	**983**	**47**	**1,043**	**7,846**
Other liabilities, current and non-current [a]	2,399	47	40	34	35	92	2,647
Trade accounts payable	2,952	-	-	-	-	-	2,952
Other financial liabilities	**5,351**	**47**	**40**	**34**	**35**	**92**	**5,599**
Total financial liabilities	**8,557**	**1,025**	**1,629**	**1,017**	**82**	**1,135**	**13,445**

(a) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 2,340 million euros and to Other non-current liabilities (excluding derivatives and purchase commitments for minority interests) for 307 million euros, see Note 21.2.

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

22. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. The Selective Retailing business comprises the Group's own-label retailing activities. Other activities comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

22.1. Information by business group

Fiscal year 2011

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated[a]	Total
Sales outside the Group	3,511	8,672	2,851	1,911	6,414	300	-	23,659
Sales between business groups	13	40	344	38	22	14	(471)	-
Total revenue	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**314**	**(471)**	**23,659**
Profit from recurring operations	1,101	3,075	348	265	716	(204)	(38)	5,263
Other operating income and expenses	(16)	(56)	(2)	(6)	(26)	(3)	-	(109)
Purchase of tangible and intangible fixed assets[b]	170	496	145	169	235	655	-	1,870
Depreciation and amortization expense	92	359	105	82	209	37	-	884
Impairment expense	-	20	-	-	5	15	-	40
Brands, trade names, licenses and goodwill[c]	3,047	4,705	926	5,423	2,905	870	-	17,876
Inventories	3,905	1,030	337	1,118	1,181	67	(128)	7,510
Other operating assets	2,828	2,304	799	1,043	1,610	3,473	9,626[d]	21,683
Total assets	**9,780**	**8,039**	**2,062**	**7,584**	**5,696**	**4,410**	**9,498**	**47,069**
Equity	-	-	-	-	-	-	23,512	23,512
Operating liabilities	1,259	1,708	1,019	672	1,496	662	16,741[e]	23,557
Total liabilities and equity	**1,259**	**1,708**	**1,019**	**672**	**1,496**	**662**	**40,253**	**47,069**

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

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

Fiscal year 2010

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

Fiscal year 2009

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

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

22.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

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

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

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

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

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

22.3. Quarterly information

Quarterly sales by business group break down as follows:

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

23. REVENUE AND EXPENSES BY NATURE

23.1. Revenue

Revenue consists of the following:

(EUR millions)	2011	2010	2009
Revenue generated by brands and trade names	23,274	19,957	16,737
Royalties and license revenue	133	119	89
Income from investment property	34	31	30
Other revenue	218	213	197
Total	**23,659**	**20,320**	**17,053**

23.2. Expenses by nature

Profit from recurring operations includes the following expenses:

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

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

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

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

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

Personnel costs consist of the following elements:

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

24. OTHER OPERATING INCOME AND EXPENSE

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

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

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

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

25. NET FINANCIAL INCOME/EXPENSE

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

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

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

The revaluation effects of financial debt and interest rate derivatives are attributable to the following items:

(EUR millions)	2011	2010	2009
Hedged financial debt	(65)	(17)	(20)
Hedging instruments	63	15	20
Unallocated derivatives	(1)	1	1
Effects of revaluation of financial debt and rate instruments	**(3)**	**(1)**	**1**

The ineffective portion of exchange rate derivatives breaks down as follows:

(EUR millions)	2011	2010	2009
Financial cost of commercial foreign exchange hedges	(145)	(124)	(55)
Financial cost of foreign-currency denominated net investment hedges	34	1	13
Change in the fair value of unallocated derivatives	6	27	(4)
Ineffective portion of foreign exchange derivatives	**(105)**	**(96)**	**(46)**

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

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

In 2011, excluding the Hermès transactions, as well as in 2010 and 2009, the net gain/loss related to available for sale financial assets and other financial instruments is due to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets.

26. INCOME TAXES

26.1. Analysis of the income tax expense

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

The effective tax rate is as follows:

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

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

26.2. Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2011	2010	2009
Deferred tax assets	716	668	521
Deferred tax liabilities	(3,925)	(3,354)	(3,117)
Net deferred tax asset (liability)	**(3,209)**	**(2,686)**	**(2,596)**

26.3. Analysis of the difference between the theoretical and effective income tax rates

The theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	2011	2010	2009
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates	(1.2)	(0.1)	-
Differences in tax rates for foreign companies	(5.7)	(5.4)	(6.4)
Tax losses and tax loss carry forwards	(0.6)	(0.1)	(0.4)
Difference between consolidated and taxable income, income taxable at reduced rates	2.4	1.5	2.0
Withholding taxes	0.3	0.4	0.5
Effective tax rate of the Group	**29.6**	**30.7**	**30.1**

Since 2000, French companies have been subject to additional income tax, at a rate of 3.3% for 2009, 2010 and 2011, bringing the theoretical tax rate to 34.4% in each fiscal year.

26.4. Sources of deferred taxes

In the income statement

(EUR millions)	2011	2010	2009
Valuation of brands	42	(65)	(9)
Other revaluation adjustments	(4)	4	(11)
Gains and losses on available for sale financial assets	(5)	3	(5)
Gains and losses on hedges of future foreign currency cash flows	16	8	(4)
Provisions for contingencies and losses [a]	10	24	10
Intercompany margin included in inventories	102	39	(20)
Other consolidation adjustments [a]	78	34	5
Losses carried forward	(23)	(10)	(34)
Total	**216**	**37**	**(68)**

In equity

(EUR millions)	2011	2010	2009
Fair value adjustment of vineyard land	(11)	(71)	18
Gains and losses on available for sale financial assets	(91)	(22)	-
Gains and losses on hedges of future foreign currency cash flows	21	14	(2)
Total	**(81)**	**(79)**	**16**

In the balance sheet

(EUR millions)	2011 [b]	2010 [b]	2009 [b]
Valuation of brands	(3,203)	(2,532)	(2,385)
Fair value adjustment of vineyard land	(579)	(568)	(496)
Other revaluation adjustments	(373)	(370)	(330)
Gains and losses on available for sale financial assets	(145)	(48)	(21)
Gains and losses on hedges of future foreign currency cash flows	31	(1)	(22)
Provisions for contingencies and losses [a]	205	182	153
Intercompany margin included in inventories	416	312	268
Other consolidation adjustments [a]	388	295	187
Losses carried forward	51	44	50
Total	**(3,209)**	**(2,686)**	**(2,596)**

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance lease.
(b) Asset/(Liability).

26.5. Tax loss carry forwards

As of December 31, 2011, unused tax loss carry forwards and tax credits, for which no deferred tax assets were recognized, had a potential positive impact on the future tax expense of 301 million euros (290 million euros in 2010, 321 million euros in 2009).

26.6. Tax consolidation

- Tax consolidation agreements in France allow virtually all French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

  This tax consolidation agreement generated a decrease in the current tax expense of 136 million euros in 2011 (107 million euros in 20109, 104 million euros in 2009).

- The application of other tax consolidation agreements, notably in the United States and Italy, generated current tax savings of 52 million euros in 2011 (82 million euros in 2010, 96 million euros in 2009).

27. EARNINGS PER SHARE

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

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

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

28. PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

28.1. Expense for the year

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

28.2. Net recognized commitment

(EUR millions)	2011	2010	2009
Benefits covered by plan assets	815	685	573
Benefits not covered by plan assets	149	140	142
Defined benefit obligation	**964**	**825**	**715**
Market value of plan assets	**(569)**	**(488)**	**(420)**
Actuarial gains and losses not recognized in the balance sheet	(122)	(78)	(58)
Past service cost not yet recognized in the balance sheet	(4)	(6)	(8)
Unrecognized items	**(126)**	**(84)**	**(66)**
Net recognized commitment	**269**	**253**	**229**
Of which:			
Non-current provisions	283	261	240
Current provisions	11	9	8
Other assets	(25)	(17)	(19)
Total	**269**	**253**	**229**

28.3. Breakdown of the change in net recognized commitment

(EUR millions)	Defined benefit obligation	Market value of plan assets	Unrecognized amounts	Net recognized commitment
As of December 31, 2010	**825**	**(488)**	**(84)**	**253**
Net expense for the period	90	(24)	1	67
Payments to beneficiaries	(45)	33	-	(12)
Contributions to plan assets	-	(61)	-	(61)
Contributions of employees	6	(6)	-	-
Changes in scope and reclassifications	63	(42)	-	21
Changes in regimes	(5)	-	5	-
Actuarial gains and losses: experience adjustments	9	34	(43)	-
Actuarial gains and losses: changes in assumptions	-	-	-	-
Translation adjustment	21	(15)	(5)	1
As of December 31, 2011	**964**	**(569)**	**(126)**	**269**

Actuarial gains and losses resulting from experience adjustments related to the fiscal years 2007 to 2010 amounted to:

(EUR millions)	2007	2008	2009	2010
Experience adjustments on the defined benefit obligation	(1)	(2)	(16)	(14)
Experience adjustments on the fair value of plan assets	-	96	(29)	(4)
Actuarial gains and losses resulting from experience adjustments	**(1)**	**94**	**(45)**	**(18)**

The actuarial assumptions applied to estimate commitments as of December 31, 2011 in the main countries where such commitments have been undertaken, were as follows:

(%)	2011				2010				2009			
	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan	France	United States	United Kingdom	Japan
Discount rate [a]	4.65	4.9	4.7	1.75	4.5	5.1	5.4	1.75	5.25	5.5	5.75	2.25
Average expected return on investments	4.0	7.75	5.0	4.0	4.0	7.75	6.0	4.0	4.0	7.75	5.75	4.0
Future rate of increase of salaries	3.0	4.0	3.8	2.0	3.0	4.0	4.2	2.0	3.0	4.0	4.25	2.0

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the year-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.

The average expected rate of return on investments by type of asset, based on which 2011 net expense was determined, is as follows by type of investment:

(percentage)	2011
Shares	6.6
Bonds	
- private issues	4.5
- public issues	2.6
Real estate, cash and other assets	2.6

The assumed rate of increase in medical expenses in the United States is 7.6% for 2011, then it is assumed to decline progressively as of 2012 to reach a rate of 4.5% in 2030.

A rise of 0.5% in the discount rate would result in a reduction of 55 million euros in the amount of the defined benefit obligation as of December 31, 2011; a decrease of 0.5% in the discount rate would result in a rise of 53 million euros.

28.4. Analysis of benefits

The breakdown of the defined benefit obligation by type of benefit plan is as follows:

(EUR millions)	2011	2010	2009
Retirement and other indemnities	149	127	114
Medical costs of retirees	45	46	54
Jubilee awards	12	11	11
Supplementary pensions	741	617	517
Early retirement indemnities	2	3	4
Other	15	21	15
Defined benefit obligation	**964**	**825**	**715**

The geographic breakdown of the defined benefit obligation is as follows:

(EUR millions)	2011	2010	2009
France	309	308	276
Europe (excluding France)	367	265	219
United States	175	147	144
Japan	103	93	65
Asia (excluding Japan)	10	12	11
Defined benefit obligation	**964**	**825**	**715**

The main components of the Group's net commitment for retirement and other benefit obligations as of December 31, 2011 are as follows:

- in France, these commitments include the commitment to members of the Group's Executive Committee and senior executives, who are covered by a supplementary pension plan after a certain number of years' service, the amount of which is linked to their last remunerations; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively after upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension schemes, set up in the United Kingdom by certain Group companies, in Switzerland, participation by Group companies in the mandatory Swiss occupational pension scheme, the LPP (*Loi pour la Prévoyance Professionnelle*), as well as the TFR (*Trattamento di Fine Rapporto*) in Italy, a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company;
- in the United States, the commitment relates to defined benefit pension plans or schemes for the reimbursement of medical expenses of retirees set up by certain Group companies.

28.5. Analysis of related plan assets

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

(percentage)	2011	2010	2009
Shares	39	45	42
Bonds			
- private issues	27	23	27
- public issues	15	18	19
Real estate, cash and other assets	19	14	12
Fair value of related plan assets	**100**	**100**	**10**

These assets do not include any real estate assets belonging to the Group nor any LVMH shares for significant amounts.

The additional sums that will be paid into the funds to build up these assets in 2012 are estimated at 71 million euros.

29. OFF BALANCE SHEET COMMITMENTS

29.1. Purchase commitments

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

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and *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, 2011, the maturity dates of these commitments break down as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	540	414	65	1,019
Other purchase commitments for raw materials	81	3	-	84
Industrial and commercial fixed assets	85	38	31	154
Investments in joint venture shares and non-current available for sale financial assets	40	16	34	90

29.2. Lease and similar commitments

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

Operating leases and concession fees

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

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

Finance leases

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

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

29.3. Collateral and other guarantees

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

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

Maturity dates of these commitments are as follows:

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

29.4. Contingent liabilities and outstanding litigation

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

29.5. Other commitments

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

30. RELATED PARTY TRANSACTIONS

30.1. Relations of LVMH with Christian Dior and Groupe Arnault

The LVMH group is consolidated within Christian Dior SA, a public company listed on the Eurolist by Euronext Paris, which is controlled by Groupe Arnault SAS via its subsidiary Financière Agache SA.

Relations of LVMH with Christian Dior

LVMH, via its subsidiaries Parfums Christian Dior and Montres Dior, coordinates its communications efforts with Christian Dior SA and its subsidiaries, in particular Christian Dior Couture SA. Christian Dior also provides creative assistance to LVMH for the design of Dior perfume bottles and watches, as well as in the course of its advertising and promotional campaigns. Montres Dior watches are manufactured by a company equally owned by Christian Dior and LVMH.

LVMH distributes Christian Dior products through its Selective Retailing businesses, and distributes Montres Dior watches through its Watches and Jewelry business group's distribution network. Christian Dior purchases the products manufactured by Parfums Christian Dior and Montres Dior from LVMH, which it sells in its network of retail stores.

Finally, LVMH provides administrative assistance to the subsidiaries of Christian Dior located outside France.

Transactions between LVMH and Christian Dior, which are completed at market prices, may be summarized as follows, in value:

(EUR millions)	2011	2010	2009
LVMH purchases from Christian Dior	(22)	(13)	(16)
Amount payable outstanding as of December 31	(17)	(12)	(12)
LVMH sales to Christian Dior	11	7	9
Amount receivable outstanding as of December 31	2	1	4

Relations of LVMH with Groupe Arnault and Financière Agache

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

LVMH leases office space to Groupe Arnault SAS and Financière Agache SA and LVMH also provides them with various forms of administrative assistance.

Transactions between LVMH and Groupe Arnault or Financière Agache may be summarized as follows:

(EUR millions)	2011	2010	2009
Amounts billed by Groupe Arnault SAS and Financière Agache to LVMH	(5)	(5)	(5)
Amount payable outstanding as of December 31	(2)	-	(2)
Amounts billed by LVMH to Groupe Arnault SAS and Financière Agache	2	2	2
Amount receivable outstanding as of December 31	-	-	-

30.2. Relations with Diageo

Moët Hennessy SNC and Moët Hennessy International SAS (hereafter referred to as "Moët Hennessy") are the holding companies for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem, Château Cheval Blanc and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. In 1994, at the time when Diageo acquired this 34% stake, an agreement was concluded between Diageo and LVMH for the apportionment of holding company expenses between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 19% of shared expenses in 2011 (20% in 2010 and in 2009) representing an amount of 20 million euros in 2011 (9 million euros in 2010 and 17 million in 2009).

30.3. Executive bodies

The total compensation paid to the members of the Executive Committee and the Board of Directors, in respect of their functions within the Group, breaks down as follows:

(EUR millions)	2011	2010	2009
Gross compensation, employers' charges and benefits in kind	60	56	51
Post-employment benefits	11	10	10
Other long term benefits	14	13	6
End of contract indemnities	9	-	-
Stock option and similar plans	26	24	22
Total	**120**	**103**	**89**

The commitment recognized as of December 31, 2011 for post-employment benefits, net of related financial assets was 19 million euros (18 million euros as of December 31, 2010 and 7 million euros as of December 31, 2009).

31. SUBSEQUENT EVENTS

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

CONSOLIDATED COMPANIES

Companies	Registered office	Percentage Control	Percentage Interest
WINES AND SPIRITS			
MHCS SCS	Epernay, France	100%	66%
Champagne Des Moutiers SA	Epernay, France	100%	66%
Société Viticole de Reims SA	Epernay, France	100%	66%
Cie Française du Champagne et du Luxe SA	Epernay, France	100%	66%
Chamfipar SA	Epernay, France	100%	66%
STM Vignes SAS	Epernay, France	95%	63%
GIE MHIS	Epernay, France	100%	66%
Moët Hennessy Entreprise Adaptée	Epernay, France	100%	66%
Champagne Bernard Breuzon SAS	Colombe le Sec, France	100%	66%
Champagne de Mansin SAS	Gye sur Seine, France	100%	66%
SARL Philippe Montaudon	Reims, France	100%	66%
Société Civile des Crus de Champagne SA	Reims, France	100%	66%
Moët Hennessy Italia Spa	Milan, Italy	100%	66%
Moët Hennessy UK Ltd	London, United Kingdom	100%	66%
Moët Hennessy España SA	Barcelona, Spain	100%	66%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	100%	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	100%	66%
Moët Hennessy de Mexico, SA de C.V.	Mexico City, Mexico	100%	66%
Moët Hennessy Belux SA	Brussels, Belgium	100%	66%
Moët Hennessy Osterreich GmbH	Vienna, Austria	100%	66%
Moët Hennessy Suomi OY	Helsinki, Finland	100%	66%
Moët Hennessy Polska SP Z.O.O.	Warsaw, Poland	100%	66%
Moët Hennessy Czech Republic Sro	Prague, Czech Republic	100%	66%
Moët Hennessy Sverige AB	Stockholm, Sweden	100%	66%
Moët Hennessy România Srl	Bucharest, Romania	100%	66%
Moët Hennessy Norge AS	Hoevik, Norway	100%	66%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	100%	66%
Moët Hennessy Nederland BV	Baarn, Netherlands	100%	66%
Moët Hennessy USA Inc	New York, USA	100%	66%
MHD Moët Hennessy Diageo SAS	Courbevoie, France [c]	100%	66%
Clicquot Inc	New York, USA [*]	100%	66%
Cheval des Andes SA	Buenos Aires, Argentina [a]	50%	33%
Domaine Chandon Inc	Yountville (California), USA	100%	66%
Cape Mentelle Vineyards Ltd	Margaret River, Australia	100%	66%
Veuve Clicquot Properties, Pty Ltd	Margaret River, Australia	100%	66%
Moët Hennessy do Brasil – Vinhos E Destilados Ltda	Sao Paulo, Brazil	100%	66%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	100%	66%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	100%	66%
Domaine Chandon Australia Pty Ltd	Coldstream Victoria, Australia	100%	66%
Newton Vineyards LLC	St Helena (California), USA	90%	59%
Domaine Chandon (Ningxia) Moët Hennessy Co, Ltd	Yinchuan, China	100%	66%
Moët Hennessy Chandon (Ningxia) Vineyards Co, Ltd	Yinchuan, China	60%	40%
Château d'Yquem SA	Sauternes, France	65%	65%
Château d'Yquem SC	Sauternes, France	64%	64%
Société Civile Cheval Blanc (SCCB)	Saint Emilion, France [a]	50%	50%
La Tour du Pin SAS	Saint Emilion, France [a]	50%	50%
Jas Hennessy & Co SCS	Cognac, France	99%	65%
Distillerie de la Groie SARL	Cognac, France	100%	65%
SICA de Bagnolet	Cognac, France	100%	3%
Sodepa SARL	Cognac, France	100%	65%
Diageo Moët Hennessy BV	Amsterdam, Netherlands [c]	100%	66%
Hennessy Dublin Ltd	Dublin, Ireland	100%	66%
Edward Dillon & Co Ltd	Dublin, Ireland [b]	40%	26%
Hennessy Far East Ltd	Hong Kong, China	100%	65%
Moët Hennessy Diageo Hong Kong Ltd	Hong Kong, China [c]	100%	66%
Moët Hennessy Diageo Macau Ltd	Macao, China [c]	100%	66%
Riche Monde (China) Ltd	Hong Kong, China [c]	100%	66%
Moët Hennessy Diageo Singapore Pte Ltd	Singapore [c]	100%	66%
Moët Hennessy Diageo Malaysia SDN BHD	Kuala Lumpur, Malaysia [c]	100%	66%
Diageo Moët Hennessy Thailand Ltd	Bangkok, Thailand [c]	100%	66%
MH Champagnes and Wines Korea Ltd	Seoul, South Korea	100%	66%
Moët Hennessy Shanghai Ltd	Shanghai, China	100%	66%
Moët Hennessy India Pvt. Ltd	New Delhi, India	100%	66%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	100%	65%
MHD Chine Co Ltd	Shanghai, China [c]	100%	66%
MHWH Limited	Limassol, Cyprus	100%	66%
Moët Hennessy Whitehall Russia SA	Moscow, Russia	100%	66%
Moët Hennessy Vietnam Importation Co Ltd	Ho Chi Minh City, Vietnam	100%	65%
Moët Hennessy Vietnam Distribution Co Pte Ltd	Ho Chi Minh City, Vietnam	51%	33%
Moët Hennessy Rus LLC	Moscow, Russia	100%	66%
Moët Hennessy Diageo KK	Tokyo, Japan [c]	100%	66%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	100%	65%
Moët Hennessy Australia Ltd	Rosebury, Australia	100%	65%
Millennium Import LLC	Minneapolis, Minnesota, USA	100%	66%
Polmos Zyrardow LLC	Zyrardow, Poland	100%	66%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	100%	66%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	100%	66%
The Scotch Malt Whisky Society Ltd	Edinburgh, United Kingdom	100%	66%
Wenjun Spirits Company Ltd	Chengdu, China	55%	36%
Wenjun Spirits Sales Company Ltd	Chengdu, China	55%	36%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier SA	Paris, France	100%	100%
Manufacture de Souliers Louis Vuitton Srl	Fiesso d'Artico, Italy	100%	100%
Louis Vuitton South Europe Srl	Milan, Italy	100%	100%
Louis Vuitton Saint Barthélémy SNC	Saint Bartholomew, French Antilles	100%	100%
Louis Vuitton Cantacilik Ticaret AS	Istanbul, Turkey	100%	100%
Louis Vuitton Editeur SAS	Paris, France	100%	100%
Louis Vuitton International SNC	Paris, France	100%	100%
Louis Vuitton India Holding Private Ltd	Bangalore, India	100%	100%
Société des Ateliers Louis Vuitton SNC	Paris, France	100%	100%
Les Tanneries de la Comète SA	Estaimpuis, Belgium	60%	60%
Manufacture des accessoires Louis Vuitton Srl	Milan, Italy	100%	100%
Louis Vuitton Bahrain W.L.L	Manama, Bahrain	[d]	[d]
Société Louis Vuitton Services SNC	Paris, France	100%	100%
Louis Vuitton Qatar LLC	Doha, Qatar	[d]	[d]
Société des Magasins Louis Vuitton France SNC	Paris, France	100%	100%
Belle Jardinière SA	Paris, France	100%	100%
Belle Jardinière Immo SAS	Paris, France	100%	100%
Les Ateliers Horlogers Louis Vuitton SA	La Chaux-de-Fonds, Switzerland	100%	100%
Les Ateliers Joailliers Louis Vuitton SAS	Paris, France	100%	100%
La Fabrique du Temps SA	Vernier, Switzerland	100%	100%
La Minute & ses Complications SA	Le Sentier, Switzerland	100%	100%
LVMH W&J Services (Suisse) SA	La Chaux-de-Fonds, Switzerland	100%	100%
Operadora Louis Vuitton Mexico SRLCV	Mexico City, Mexico	100%	100%
Louis Vuitton Monaco SA	Monte Carlo, Monaco	100%	100%
ELV SNC	Paris, France	100%	100%
Louis Vuitton Services Europe Sprl	Brussels, Belgium	100%	100%
Louis Vuitton UK Ltd	London, United Kingdom	100%	100%
Louis Vuitton Ireland Ltd	Dublin, Ireland	100%	100%
Louis Vuitton Deutschland GmbH	Dusseldorf, Germany	100%	100%
Louis Vuitton Ukraine LLC	Kiev, Ukraine	100%	100%
Catalana Talleres Artesanos Louis Vuitton SA	Barcelona, Spain	100%	100%
Atepeli – Ateliers de Ponte de Lima SA	Ponte de Lima, Portugal	100%	100%
Louis Vuitton BV	Amsterdam, Netherlands	100%	100%
Louis Vuitton Belgium SA	Brussels, Belgium	100%	100%
Louis Vuitton Luxembourg SARL	Luxembourg, Luxembourg	100%	100%
Louis Vuitton Hellas SA	Athens, Greece	100%	100%
Louis Vuitton Cyprus Limited	Nicosia, Cyprus	100%	100%
Louis Vuitton Portugal Maleiro, Ltda	Lisbon, Portugal	100%	100%
Louis Vuitton Ltd	Tel Aviv, Israel	100%	100%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	100%	100%
Louis Vuitton Aktiebolag SA	Stockholm, Sweden	100%	100%
Louis Vuitton Suisse SA	Geneva, Switzerland	100%	100%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	100%	100%
Louis Vuitton Osterreich GmbH	Vienna, Austria	100%	100%
LV US Manufacturing, Inc	New York, USA	100%	100%
Somarest SARL	Sibiu, Romania	100%	100%
Louis Vuitton Hawaii Inc	Honolulu (Hawaii), USA	100%	100%
Atlantic Luggage Company Ltd	Hamilton, Bermuda	100%	40%
Louis Vuitton Guam Inc	Guam	100%	100%
Louis Vuitton Saipan Inc	Saipan, Mariana Islands	100%	100%
Louis Vuitton Norge AS	Oslo, Norway	100%	100%
San Dimas Luggage Company	New York, USA	100%	100%
Louis Vuitton Liban retail SAL	Beirut, Lebanon	100%	100%
Louis Vuiton Liban Holding SAL	Beirut, Lebanon	100%	100%
Louis Vuitton Vietnam Company Ltd	Hanoi, Vietnam	100%	100%
Louis Vuitton Suomy Oy	Helsinki, Finland	100%	100%
Louis Vuitton România Srl	Bucharest, Romania	100%	100%
LVMH FG Brasil Ltda	Sao Paulo, Brazil	100%	100%
Louis Vuitton Panama Inc	Panama City, Panama	100%	100%
Louis Vuitton Mexico S de RL de C.V.	Mexico City, Mexico	100%	100%
Louis Vuitton Uruguay SA	Montevideo, Uruguay	100%	100%
Louis Vuitton Chile Ltda	Santiago de Chile, Chile	100%	100%
Louis Vuitton (Aruba) N.V	Oranjestad, Aruba	100%	100%
Louis Vuitton Republica Dominica Srl	Santo Domingo, Dominican Republic	100%	100%

Companies	Registered office	Percentage	
		Control	Interest
LVMH Fashion Group Pacific Ltd	Hong Kong, China	100%	100%
Louis Vuitton Trading Hong Kong Ltd	Hong Kong, China	100%	100%
Louis Vuitton Hong Kong Ltd	Hong Kong, China	100%	100%
Louis Vuitton (Philippines) Inc	Makati, Philippines	100%	100%
LVMH Fashion (Singapore) Pte Ltd	Singapore	100%	100%
LV IOS Private Ltd	Singapore	100%	100%
Heng Long International Holding Pte Ltd	Singapore	51%	51%
Heng Long International Ltd	Singapore	100%	51%
Heng Long Leather Co (Pte) Ltd	Singapore	100%	51%
Heng Long Leather (Guangzhou) Co Ltd	Guangzhou, China	100%	51%
PT Louis Vuitton Indonesia LLC	Jakarta, Indonesia	98%	98%
Louis Vuitton (Malaysia) SDN BHD	Kuala Lumpur, Malaysia	100%	100%
Louis Vuitton (Thailand) SA	Bangkok, Thailand	100%	100%
Louis Vuitton Taïwan Ltd	Taipei, Taiwan	98%	98%
Louis Vuitton Australia PTY Ltd	Sydney, Australia	100%	100%
Louis Vuitton (China) Co Ltd	Shanghai, China	100%	100%
Louis Vuitton Mongolia LLC	Ulaanbaatar, Mongolia	100%	100%
Louis Vuitton New Zealand Limited	Auckland, New Zealand	100%	100%
Louis Vuitton Trading India Private Ltd	New Delhi, India	51%	51%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	(d)	(d)
Louis Vuitton FZCO	Dubai, United Arab Emirates	65%	65%
Louis Vuitton – Jordan PCLS	Amman, Jordan	100%	100%
Louis Vuitton Korea Ltd	Seoul, South Korea	100%	100%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	100%	100%
Louis Vuitton Hungaria Sarl	Budapest, Hungary	100%	100%
Louis Vuitton Argentina SA	Buenos Aires, Argentina	100%	100%
Louis Vuitton Vostock LLC	Moscow, Russia	100%	100%
LV Colombia SA	Santafe de Bogota, Colombia	100%	100%
Louis Vuitton Maroc Sarl	Casablanca, Morocco	100%	100%
Louis Vuitton South Africa Ltd	Johannesburg, South Africa	100%	100%
Louis Vuitton Macau Company Ltd	Macao, China	100%	100%
LVMH Fashion (Shanghai) Trading Co., Ltd	Shanghai, China	100%	100%
LVJ Group KK	Tokyo, Japan	99%	99%
Louis Vuitton North America Inc	New York, USA (*)	100%	100%
Louis Vuitton Canada Inc	Toronto, Canada	100%	100%
Louis Vuitton (Barbados) Ltd	Saint Michael, Barbados	100%	100%
Marc Jacobs International LLC	New York, USA (*)	96%	96%
Marc Jacobs International (UK) Ltd	London, United Kingdom	100%	100%
Marc Jacobs Trademark LLC	New York, USA (*)	33%	33%
Marc Jacobs Japon KK	Tokyo, Japan	50%	48%
Marc Jacobs international Italia Srl	Milan, Italy	100%	96%
Marc Jacobs International France SAS	Paris, France	100%	96%
Loewe SA	Madrid, Spain	100%	100%
Loewe Hermanos SA	Madrid, Spain	100%	100%
Manufacturas Loewe SL	Madrid, Spain	100%	100%
LVMH Fashion Group France SNC	Paris, France	100%	100%
Loewe Hermanos UK Ltd	London, United Kingdom	100%	100%
Loewe Saïpan Inc	Saipan, Mariana Islands	100%	100%
Loewe Guam Inc	Guam	100%	100%
Loewe Hong Kong Ltd	Hong Kong, China	100%	100%
Loewe Commercial & Trading (Shanghai) Co Ltd	Shanghai, China	100%	100%
Loewe Fashion Pte Ltd	Singapore	100%	100%
Loewe Fashion (M) SDN BHD	Kuala Lumpur, Malaysia	100%	100%
Loewe Taïwan Ltd	Taipei, Taiwan	100%	98%
Loewe Korea Ltd	Seoul, South Korea	100%	100%
Loewe Macao Ltd	Macao, China	100%	100%
Berluti SA	Paris, France	100%	100%
Manufattura Ferrarese Srl	Ferrara, Italy	100%	100%
Berluti LLC	New York, USA	100%	100%
Berluti UK Ltd	London, United Kingdom	100%	100%
Berluti Macau Company Ltd	Macao, China	100%	100%
Berluti (Shanghai) Company Ltd	Shanghai, China	100%	100%
Berluti Hong Kong Company Ltd	Hong Kong, China	100%	100%
Rossimoda Spa	Vigonza, Italy	100%	100%
Rossimoda USA Ltd	New York, USA	100%	100%
Rossimoda France SARL	Paris, France	100%	100%
Brenta Suole Srl	Vigonza, Italy	65%	65%
LVMH Fashion Group Services SAS	Paris, France	100%	100%
Montaigne KK	Tokyo, Japan	100%	99%
Interlux Company Ltd	Hong Kong, China	100%	100%
Céline SA	Paris, France	100%	100%
Avenue M International SCA	Paris, France	100%	100%
Enilec Gestion SARL	Paris, France	100%	100%
Celine Montaigne SA	Paris, France	100%	100%
Celine Monte-Carlo SA	Monte-Carlo, Monaco	100%	100%
Celine Production Srl	Florence, Italy	100%	100%
Celine Suisse SA	Geneva, Switzerland	100%	100%
Celine UK Ltd	London, United Kingdom	100%	100%
Celine Inc	New York, USA (*)	100%	100%
Celine Hong Kong Ltd	Hong Kong, China	100%	100%

Companies	Registered office	Percentage	
		Control	Interest
Celine Commercial & Trading (Shanghai) Co Ltd	Shanghai, China	100%	100%
Celine Korea Ltd	Seoul, South Korea	100%	100%
Celine Taïwan Ltd	Taipei, Taiwan	100%	99%
CPC International Ltd	Hong Kong, China	100%	100%
CPC Macau Ltd	Macao, China	100%	100%
LVMH FG Services UK Ltd	London, United Kingdom	100%	100%
Kenzo SA	Paris, France	100%	100%
Kenzo Belgique SA	Brussels, Belgium	100%	100%
Kenzo UK Ltd	London, United Kingdom	100%	100%
Kenzo Japan KK	Tokyo, Japan	100%	100%
Kenzo Accessories Srl	Lentate Sul Seveso, Italy	51%	51%
Givenchy SA	Paris, France	100%	100%
Givenchy Corporation	New York, USA	100%	100%
Givenchy China Co Ltd	Hong Kong, China	100%	100%
Givenchy Shanghai Commercial and Trading Co Ltd	Shanghai, China	100%	100%
GCCL Macau Co Ltd	Macao, China	100%	100%
Gabrielle Studio Inc	New York, USA	100%	100%
Donna Karan International Inc	New York, USA (*)	100%	100%
The Donna Karan Company LLC	New York, USA	100%	100%
Donna Karan Service Company BV	Oldenzaal, Netherlands	100%	100%
Donna Karan Company Store Ireland Ltd	Dublin, Ireland	100%	100%
Donna Karan Studio LLC	New York, USA	100%	100%
The Donna Karan Company Store LLC	New York, USA	100%	100%
Donna Karan Company Store UK Holdings Ltd	London, United Kingdom	100%	100%
Donna Karan Management Company UK Ltd	London, United Kingdom	100%	100%
Donna Karan Company Stores UK Retail Ltd	London, United Kingdom	100%	100%
Donna Karan Company Store (UK) Ltd	London, United Kingdom	100%	100%
Donna Karan HK Ltd	Hong Kong, China	100%	100%
Donna Karan (Italy) Srl	Milan, Italy	100%	100%
Donna Karan (Italy) Production Services Srl	Milan, Italy	100%	100%
Fendi International BV	Baarn, Netherlands	100%	100%
Fun Fashion Bari Srl	Bari, Italy	100%	100%
Fen Fashion Hellas SA	Athens, Greece	51%	51%
Fendi Prague S.r.o.	Prague, Czech Republic	100%	100%
Luxury Kuwait for Ready Wear Company WLL	Kuwait City, Kuwait	100%	100%
Fun Fashion Qatar LLC	Doha, Qatar	(d)	(d)
Fendi International SA	Paris, France	100%	100%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	(d)	(d)
Fendi SA	Luxembourg, Luxembourg	100%	100%
Fun Fashion Bahrain WLL	Manama, Bahrain	(d)	(d)
Fendi Srl	Rome, Italy	100%	100%
Fendi Dis Ticaret LSi	Istanbul, Turkey	100%	100%
Fendi Adele Srl	Rome, Italy	100%	100%
Fendi Italia Srl	Rome, Italy	100%	100%
Fendi UK Ltd	London, United Kingdom	100%	100%
Fendi France SAS	Paris, France	100%	100%
Fendi North America Inc	New York, USA (*)	100%	100%
Fendi Guam Inc	Tumon, Guam	100%	100%
Fendi (Thailand) Company Ltd	Bangkok, Thailand	100%	100%
Fendi Asia Pacific Ltd	Hong Kong, China	100%	100%
Fendi Korea Ltd	Seoul, South Korea	100%	100%
Fendi Taiwan Ltd	Taipei, Taiwan	100%	100%
Fendi Hong Kong Ltd	Hong Kong, China	100%	100%
Fendi China Boutiques Ltd	Hong Kong, China	100%	100%
Fendi (Singapore) Pte Ltd	Singapore	100%	100%
Fendi Fashion (Malaysia) Snd. Bhd.	Kuala Lumpur, Malaysia	100%	100%
Fendi Switzerland SA	Geneva, Switzerland	100%	100%
Fun Fashion FZCO LLC	Dubai, United Arab Emirates	60%	60%
Fendi Marianas Inc	Tumon, Guam	100%	100%
Fun Fashion Kuwait Co. W.L.L.	Kuwait City, Kuwait	(d)	(d)
Fendi Macau Company Ltd	Macao, China	100%	100%
Fendi Germany GmbH	Stuttgart, Germany	100%	100%
Fun Fashion Napoli Srl	Rome, Italy	51%	51%
Fendi (Shanghai) Co Ltd	Shanghai, China	100%	100%
Fun Fashion India Pte Ltd	Mumbai, India	(d)	(d)
Interservices & Trading SA	Lugano, Switzerland	100%	100%
Fendi Silk SA	Lugano, Switzerland	51%	51%
Outshine Mexico, S. de RL de C.V.	Mexico City, Mexico	100%	100%
Maxelle SA	Neuchatel, Switzerland	100%	51%
Taramax USA Inc	New Jersey, USA	100%	51%
Primetime Inc	New Jersey, USA	100%	51%
Taramax SA	Neuchatel, Switzerland	51%	51%
Taramax Japan KK	Tokyo, Japan	100%	51%
Support Retail Mexico, S. de RL de C.V.	Mexico City, Mexico	100%	100%
Emilio Pucci Srl	Florence, Italy	100%	100%
Emilio Pucci International BV	Baarn, Netherlands	67%	67%
Emilio Pucci, Ltd	New York, USA	100%	100%

Companies	Registered office	Percentage	
		Control	Interest
Emilio Pucci Hong Kong Co Ltd	Hong Kong, China	100%	100%
Emilio Pucci (Shanghai) Commercial Ltd	Shanghai, China	100%	100%
Emilio Pucci UK Ltd	London, United Kingdom	100%	100%
Thomas Pink Holdings Ltd	London, United Kingdom	100%	100%
Thomas Pink Ltd	London, United Kingdom	100%	100%
Thomas Pink BV	Rotterdam, Netherlands	100%	100%
Thomas Pink Inc	New York, USA [*]	100%	100%
Thomas Pink Ireland Ltd	Dublin, Ireland	100%	100%
Thomas Pink Belgium SA	Brussels, Belgium	100%	100%
Thomas Pink France SAS	Paris, France	100%	100%
Thomas Pink Canada Inc	Toronto, Canada	100%	100%
Edun Apparel Ltd	Dublin, Ireland [b]	49%	49%
Edun Americas Inc.	Wilmington, USA [b]	49%	49%
Nowness LLC	New York, USA [*]	100%	100%

PERFUMES AND COSMETICS

Companies	Registered office	Control	Interest
Parfums Christian Dior SA	Paris, France	100%	100%
LVMH P&C Thailand Co Ltd	Bangkok, Thailand	49%	49%
LVMH Parfums & Cosmétiques do Brasil Ltda	Sao Paulo, Brazil	100%	100%
France Argentine Cosmetics SA	Buenos Aires, Argentina	100%	100%
LVMH P&C Shanghai Co Ltd	Shanghai, China	100%	100%
Parfums Christian Dior Finland Oy	Helsinki, Finland	100%	100%
LVMH P&C Inc	New York, USA	100%	100%
SNC du 33 avenue Hoche	Paris, France	100%	100%
LVMH Fragrances & Cosmetics (Sinpagore) Pte Ltd	Singapore	100%	100%
Parfums Christian Dior Orient Co	Dubai, United Arab Emirates	60%	60%
Parfums Christian Dior Emirates	Dubai, United Arab Emirates	51%	31%
EPCD SP ZOO	Warsaw, Poland [b]	20%	20%
LVMH Cosmetics KK	Tokyo, Japan	100%	100%
Parfums Christian Dior (UK) Ltd	London, United Kingdom	100%	100%
Parfums Christian Dior BV	Rotterdam, Netherlands	100%	100%
Iparkos BV	Rotterdam, Netherlands	100%	100%
Parfums Christian Dior S.A.B.	Brussels, Belgium	100%	100%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	100%	100%
Parfums Christian Dior Hellas S.A.	Athens, Greece	100%	100%
Parfums Christian Dior A.G.	Zurich, Switzerland	100%	100%
Christian Dior Perfumes LLC	New York, USA	100%	100%
Parfums Christian Dior Canada Inc	Montreal, Canada	100%	100%
LVMH P&C de Mexico SA de CV	Mexico City, Mexico	100%	100%
Parfums Christian Dior Japon K.K.	Tokyo, Japan	100%	100%
Parfums Christian Dior (Singapore) Pte Ltd	Singapore	100%	100%
Inalux SA	Luxembourg, Luxembourg	100%	100%
LVMH P&C Asia Pacific Ltd	Hong Kong, China	100%	100%
Fa Hua Fragrance & Cosmetic Co Ltd	Hong Kong, China	100%	100%
Parfums Christian Dior China	Shanghai, China	100%	100%
LVMH P&C Korea Ltd	Seoul, South Korea	100%	100%
Parfums Christian Dior Hong Kong Ltd	Hong Kong, China	100%	100%
LVMH P&C Malaysia Sdn berhad Inc	Kuala Lumpur, Malaysia	100%	100%
Fa Hua Hong Kong Co Ltd	Hong Kong, China	100%	100%
Pardior SA de CV	Mexico City, Mexico	100%	100%
Parfums Christian Dior A/S Ltd	Copenhagen, Denmark	100%	100%
LVMH Perfumes & Cosmetics Group Pty Ltd	Sydney, Australia	100%	100%
Parfums Christian Dior AS Ltd	Hoevik, Norway	100%	100%
Parfums Christian Dior AB	Stockholm, Sweden	100%	100%
Parfums Christian Dior (New Zealand) Ltd	Auckland, New Zealand	100%	100%
Parfums Christian Dior GmbH Austria	Vienna, Austria	100%	100%
Cosmetic of France Inc	Miami (Florida), USA	100%	100%
LVMH Recherche GIE	Saint-Jean de Braye, France	100%	100%
Parfums et Cosmétiques Information Services – PCIS GIE	Levallois Perret, France	100%	100%
Perfumes Loewe SA	Madrid, Spain	100%	100%
Acqua Di Parma Srl	Milan, Italy	100%	100%
Acqua Di Parma LLC	New York, USA	100%	100%
Guerlain SA	Paris, France	100%	100%
LVMH Parfums & Kosmetik Deutschland GmbH	Dusseldorf, Germany	100%	100%
Guerlain GmbH	Vienna, Austria	100%	100%
Guerlain SA (Belgique)	Fleurus, Belgium	100%	100%
Guerlain Ltd	London, United Kingdom	100%	100%
LVMH Perfumes e Cosmetica Lda	Lisbon, Portugal	100%	100%
PC Parfums Cosmétiques SA	Zurich, Switzerland	100%	100%
Guerlain Inc	New York, USA	100%	100%
Guerlain Canada Ltd	Montreal, Canada	100%	100%
Guerlain De Mexico SA	Mexico City, Mexico	100%	100%
Guerlain Asia Pacific Ltd	Hong Kong, China	100%	100%
Guerlain KK	Tokyo, Japan	100%	100%
Guerlain Saoudi	Paris, France	100%	100%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	100%	100%
Montecristo Elysées SAS	Paris, France	100%	100%

Companies	Registered office	Percentage	
		Control	Interest
Make Up For Ever SA	Paris, France	100%	100%
SCI Edison	Paris, France	100%	100%
Make Up For Ever LLC	New York, USA [*]	100%	100%
Make Up For Ever Canada Ltd	Montreal, Canada	100%	100%
LVMH Fragrance Brands SA	Levallois Perret, France	100%	100%
LVMH Fragrance Brands Ltd	London, United Kingdom	100%	100%
LVMH Fragrance Brands GmbH	Dusseldorf, Germany	100%	100%
LVMH Fragrance Brands LLC	New York, USA [*]	100%	100%
LVMH Fragrance Brands Ltd	Toronto, Canada	100%	100%
LVMH Fragrance Brands KK	Tokyo, Japan	100%	100%
LVMH Fragrance Brands WHD Inc	New York, USA [*]	100%	100%
LVMH P&K GmbH	Dusseldorf, Germany	100%	100%
LVMH Fragrance Brands Singapore Pte Ltd	Singapore	100%	100%
BeneFit Cosmetics LLC	San Francisco (California), USA	80%	80%
BeneFit Cosmetics Ireland Ltd	Dublin, Ireland	100%	80%
BeneFit Cosmetics UK Ltd	London, United Kingdom	100%	80%
BeneFit Cosmetics Services Canada Inc	Vancouver, Canada	100%	80%
BeneFit Cosmetics Korea	Seoul, South Korea	100%	80%
BeneFit Cosmetics SAS	Boulogne-Billancourt, France	100%	80%
BeneFit Cosmetics Hong Kong Limited	Hong Kong, China	100%	80%
Fresh Inc	Boston (Massachusetts), USA	80%	80%
Fresh Cosmetics Ltd	London, United Kingdom	100%	80%
Fresh Hong Kong Ltd	Hong Kong, China	100%	80%

WATCHES AND JEWELRY

Companies	Registered office	Control	Interest
TAG Heuer International SA	Luxembourg, Luxembourg	100%	100%
LVMH Swiss Manufactures SA	La Chaux-de-Fonds, Switzerland	100%	100%
LVMH Relojeria & Joyeria España SA	Madrid, Spain	100%	100%
LVMH Montres & Joaillerie France SA	Paris, France	100%	100%
LVMH Watch & Jewelry Central Europe GmbH	Bad Homburg, Germany	100%	100%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	100%	100%
LVMH Watch & Jewelry USA Inc	Springfield (New Jersey), USA	100%	100%
LVMH Watch & Jewelry Canada Ltd	Toronto, Canada	100%	100%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	100%	100%
LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	100%	100%
LVMH Watch & Jewelry Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	100%	100%
LVMH Watch & Jewelry Capital Pte Ltd	Singapore	100%	100%
LVMH Watch & Jewelry Japan KK	Tokyo, Japan	100%	100%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	100%	100%
LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong, China	100%	100%
LVMH Watch & Jewelry Taiwan Ltd	Hong Kong, China	100%	100%
LVMH Watch & Jewelry India Pvt Ltd	New Delhi, India	100%	100%
LVMH Watch & Jewelry (Shanghai) Commercial Co Ltd	Shanghai, China	100%	100%
LVMH Watch & Jewelry Russia SARL	Moscow, Russia	100%	100%
ArteCard SA	Tramelan, Switzerland	100%	100%
Alpha Time Corp. Ltd	Hong Kong, China	100%	100%
Dream Tech (Shanghai) Co. Ltd	Shanghai, China	100%	100%
Dream Tech Intl Trading Co. Ltd	Shanghai, China	100%	100%
Chaumet International SA	Paris, France	100%	100%
Chaumet London Ltd	London, United Kingdom	100%	100%
Chaumet Horlogerie SA	Bienne, Switzerland	100%	100%
Chaumet Korea Chusik Hoesa	Seoul, South Korea	100%	100%
Chaumet Middle East FZCO	Dubai, United Arab Emirates	60%	60%
Chaumet UAE	Dubai, United Arab Emirates	100%	60%
Farouk Trading	Riyadh, Saudi Arabia	100%	60%
LVMH Watch & Jewelry Italy Spa	Milan, Italy	100%	100%
Delano SA	La Chaux-de-Fonds, Switzerland	100%	100%
Fred Paris SA	Paris, France	100%	100%
Joaillerie de Monaco SA	Monte Carlo, Monaco	100%	100%
Fred Inc	Beverly Hills (California), USA [*]	100%	100%
Fred Londres Ltd	London, United Kingdom	100%	100%
Dior Montres SARL	Paris, France [a]	50%	50%
Les Ateliers Horlogers Dior SA	La Chaux-de-Fonds, Switzerland [a]	50%	50%
Hublot SA	Nyon, Switzerland	100%	100%
Bentim International SA	Luxembourg, Luxembourg	100%	100%
Hublot SA Genève	Geneva, Switzerland	100%	100%
MDM Conseil et Gestion SA	Nyon, Switzerland	100%	100%
Hublot of America, Inc	Fort Lauderdale, USA	100%	100%
Hublot Japan KK Ltd	Tokyo, Japan	100%	100%
Profusion SARL	Gland, Switzerland	100%	100%
De Beers LV Ltd	London, United Kingdom [a]	50%	50%
Bulgari SpA	Rome, Italy	100%	100%
Bulgari Italia SpA	Rome, Italy	100%	100%
Bulgari International Corporation (BIC) NV	Amsterdam, Netherlands	100%	100%
Bulgari Corporation of America Inc.	New York, USA	100%	100%

Companies	Registered office	Percentage Control	Percentage Interest
Bulgari SA	Geneva, Switzerland	100%	100%
Bulgari Horlogerie SA	Neuchâtel, Switzerland	100%	100%
Bulgari France SAS	Paris, France	100%	100%
Bulgari Montecarlo S.A.M.	Monte Carlo, Monaco	100%	100%
Bulgari (Deutschland) GmbH	Munich, Germany	100%	100%
Bulgari Espana S.A. Unipersonal	Madrid, Spain	100%	100%
Bulgari Parfums SA	Neuchâtel, Switzerland	100%	100%
Bulgari South Asian Operations Pte Ltd.	Singapore, Singapore	100%	100%
Bulgari (UK) Ltd.	London, United Kingdom	100%	100%
Bulgari Belgium SA	Brussels, Belgium	100%	100%
Bulgari Australia Pty. Ltd.	Sydney, Australia	100%	100%
Bulgari (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	100%	100%
Bulgari Global Operations SA	Neuchâtel, Switzerland	100%	100%
Bulgari Asia Pacific Ltd.	Hong Kong, Hong Kong	100%	100%
Bulgari (Taiwan) Ltd.	Taipei, Taiwan	100%	100%
Bulgari Korea Ltd.	Seoul, South Korea	100%	100%
Bulgari Collection Internationale SA	Neuchâtel, Switzerland	100%	100%
Bulgari Saint Barth SAS	St. Barth, France	100%	100%
Bulgari Gioielli SpA	Valenza (Alessandria), Italy	100%	100%
Bulgari Accessori Srl	Florence, Italy	100%	100%
Bulgari Austria GmbH	Vienna, Austria	100%	100%
Bulgari Holdings (Thailand) Ltd.	Bangkok, Thailand	100%	100%
Bulgari (Thailand) Ltd.	Bangkok, Thailand	100%	100%
Bulgari Commercial (Shangai) Co. Ltd.	Shanghai, China	100%	100%
Bulgari Japan Ltd.	Tokyo, Japan	100%	100%
Bulgari Panama Inc.	Panama City, Panama	100%	100%
Bulgari Ireland Ltd.	Dublin, Ireland	100%	100%
Bulgari Qatar Lcc	Doha, United Arab Emirates	[d]	[d]
Bulgari Kuwait Wll	Kuwait City, Kuwait	[d]	[d]
Bulgari Hotels & Resorts BV	Amsterdam, Netherlands [a]	65%	65%
Bulgari Hotels and Resorts Milano Srl	Milan, Italy [a]	65%	65%

SELECTIVE RETAILING

Companies	Registered office	Percentage Control	Percentage Interest
LVMH Iberia SL	Madrid, Spain	100%	100%
LVMH Italia SpA	Milan, Italy	100%	100%
Sephora SA	Boulogne-Billancourt, France	100%	100%
Sephora Luxembourg SARL	Luxembourg, Luxembourg	100%	100%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	100%	100%
Sephora Pologne Spzoo	Warsaw, Poland	100%	100%
Sephora Marinopoulos SA	Alimos, Greece [a]	50%	50%
Sephora Marinopulos Romania SA	Bucharest, Romania [a]	100%	50%
Sephora S.R.O.	Prague, Czech Republic	100%	100%
Sephora Monaco SAM	Monaco	99%	99%
Sephora Cosmeticos España	Madrid, Spain [a]	50%	50%
S+	Boulogne-Billancourt, France	100%	100%
Sephora Marinopoulos Bulgaria EOOD	Sofia, Bulgaria [a]	100%	50%
Sephora Marinopoulos Cyprus Ltd	Nicosia, Cyprus [a]	100%	50%
Sephora Unitim Kozmetik AS	Istanbul, Turkey	100%	100%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain [a]	45%	45%
Sephora Marinopoulos D.O.O.	Zagreb, Croatia [a]	100%	50%
Sephora Marinopoulos Cosmetics D.O.O.	Belgrade, Serbia [a]	100%	50%
Sephora Nederland BV	Amsterdam, Netherlands	100%	100%
Sephora Danmark ApS	Copenhagen, Denmark	100%	100%
Sephora Moyen Orient SA	Fribourg, Switzerland	60%	60%
Sephora Middle East FZE	Dubai, United Arab Emirates	100%	60%
Sephora Asia Pte Ltd	Shanghai, China	100%	100%
Sephora (Shanghai) Cosmetics Co. Ltd	Shanghai, China	81%	81%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	81%	81%
Sephora Singapore Pte Ltd	Singapore	100%	100%
Sephora USA Inc	San Francisco (California), USA [*]	100%	100%
Sephora Beauty Canada, Inc	San Francisco (California), USA	100%	100%
Sephora Puerto Rico LLC	San Francisco (California), USA	100%	100%
Sephora Mexico SRLCV	Lomas de Chapultepec, Mexico	51%	51%
Sephora Do Brasil Participacoes SA	Rio de Janeiro, Brazil	100%	100%
Dotcom group Comercio de Presentes SA	Rio de Janeiro, Brazil	70%	70%
Kendo Holdings Inc	San Francisco (California), USA	100%	100%
Ole Henriksen of Denmark Inc.	Los Angeles, USA	100%	100%
Galonta Holdings Limited	Nicosia, Cyprus	65%	65%
United Europe - Securities OJSC	Moscow, Russia	100%	65%
Beauty in Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	60%	60%
Le Bon Marché SA	Paris, France	100%	100%
SEGEP SNC	Paris, France	99%	99%
Franck & Fils SA	Paris, France	100%	100%
DFS Holdings Ltd	Hamilton, Bermuda	61%	61%
DFS Australia Pty Ltd	Sydney, Australia	100%	61%
Travel Retail Shops Pte Ltd	Sydney, Australia [b]	45%	28%
DFS Group Ltd	Delaware, USA	100%	61%
DFS China Partners Ltd	Hong Kong, China	100%	61%
DFS Hong Kong Ltd	Hong Kong, China	100%	61%
TRS Hong Kong Ltd	Hong Kong, China [b]	45%	28%
DFS France SAS	Paris, France	100%	61%
DFS Okinawa K.K.	Okinawa, Japan	100%	61%
TRS Okinawa	Okinawa, Japan [b]	45%	28%
JAL/DFS Co. Ltd	Chiba, Japan [b]	40%	24%
DFS Korea Ltd	Seoul, South Korea	100%	61%
DFS Seoul Ltd	Seoul, South Korea	100%	61%
DFS Cotai Limitada	Macao, China	100%	61%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	100%	61%
Gateshire Marketing Sdn Bhd.	Kuala Lumpur, Malaysia	100%	61%
DFS Merchandising Ltd	Delaware, USA	100%	61%
DFS New Caledonia Sarl	Noumea, New Caledonia	100%	61%
DFS New Zealand Ltd	Auckland, New Zealand	100%	61%
TRS New Zealand Ltd	Auckland, New Zealand [b]	45%	28%
Commonwealth Investment Company Inc	Saipan, Mariana Islands	97%	59%
DFS Saipan Ltd	Saipan, Mariana Islands	100%	61%
Kinkaï Saipan L.P.	Saipan, Mariana Islands	100%	61%
Saipan International Boutique Partners	Saipan, Mariana Islands [b]	50%	31%
DFS Palau Ltd	Koror, Palau	100%	61%
DFS Business consulting (Shanghai) Co. Ltd	Shanghai, China	100%	61%
Hainan DFS Retail Company Limited	Hainan, China	100%	61%
DFS Galleria Taiwan Ltd	Taipei, Taiwan	100%	61%
DFS Taiwan Ltd	Taipei, Taiwan	100%	61%
Tou You Duty Free Shop Co. Ltd	Taipei, Taiwan	100%	61%
DFS Singapore (Pte) Ltd	Singapore	100%	61%
DFS Trading Singapore (Pte) Ltd	Singapore	100%	61%
DFS Venture Singapore (Pte) Ltd	Singapore	100%	61%
TRS Singapore Pte Ltd	Singapore [b]	45%	28%
Singapore International Boutique Partners	Singapore [b]	50%	31%
DFS India Private Ltd	Mumbai, India	70%	43%
DFS Vietnam (S) Pte Ltd	Singapore	70%	43%
New Asia Wave International Pte Ltd	Singapore	70%	43%
IPP Group Pte Ltd	Singapore	70%	43%
L Development & Management Ltd	Hong Kong, China [b]	40%	25%
DFS Group L.P.	Delaware, USA	61%	61%
LAX Duty Free Joint Venture 2000	Los Angeles (California), USA	77%	47%
Royal Hawaiian Insurance Company Ltd	Hawaii, USA	100%	61%
Hawaii International Boutique Partners	Honolulu (Hawaii), USA [b]	50%	31%
JFK Terminal 4 Joint Venture 2001	New York, USA	80%	49%
DFS Guam L.P.	Tamuring, Guam	61%	61%
Guam International Boutique Partners	Tamuring, Guam [b]	50%	31%
DFS Liquor Retailing Ltd	Delaware, USA	61%	61%
Twenty Seven - Twenty Eight Corp.	Delaware, USA	61%	61%
TRS Hawaii LLC	Honolulu (Hawaii), USA [b]	45%	28%
TRS Saipan Ltd	Saipan, Mariana Islands [b]	45%	28%
TRS Guam LLC	Tumon, Guam [b]	45%	28%
Tumon Entertainment LLC	Tamuning, Guam	100%	100%
Comete Guam Inc	Tamuning, Guam	100%	100%
Tumon Aquarium LLC	Tamuning, Guam	97%	97%
Comete Saipan Inc	Saipan, Mariana Islands	100%	100%
Tumon Games LLC	Tamuning, Guam	100%	100%
DFS Vietnam LLC	Ho Chi Minh City, Vietnam	100%	61%
PT Sona Topas Tourism industry Tbk	Jakarta, Indonesia [b]	45%	28%
Cruise Line Holdings Co	Delaware, USA	100%	100%
On Board Media Inc	Delaware, USA	100%	100%
Starboard Cruise Services Inc	Delaware, USA	100%	100%
Starboard Holdings Ltd	Delaware, USA	100%	100%
International Cruise Shops Ltd	Cayman Islands	100%	100%
Vacation Media Ltd	Kingston, Jamaica	100%	100%
STB Srl	Florence, Italy	100%	100%
Parazul LLC	Delaware, USA	100%	100%
Y.E.S. Your Extended Services LLC	Delaware, USA [a]	33%	33%

OTHER ACTIVITIES

Companies	Registered office	Percentage Control	Percentage Interest
Groupe Les Echos SA	Paris, France	100%	100%
Les Echos Services SAS	Paris, France	100%	100%
Radio Classique SAS	Paris, France	100%	100%
Prélude & Fugue SAS	Paris, France [b]	49%	49%
DI Régie SAS	Paris, France	100%	100%
SFPA SARL	Paris, France	100%	100%
La Fugue SAS	Paris, France	75%	75%
Les Echos SAS	Paris, France	100%	100%
Les Echos Formation SAS	Paris, France	100%	100%
Hera SAS	Paris, France	100%	100%
Les Echos Médias SNC	Paris, France	100%	100%
Percier Publications SNC	Paris, France	100%	100%
EUROSTAF - Europe Stratégie Analyse Financière SAS	Paris, France	100%	100%
Investir Publications SAS	Paris, France	100%	100%
SID Développement SAS	Paris, France	100%	100%
SID Presse SAS	Paris, France	100%	100%
Magasins de la Samaritaine SA	Paris, France	99%	99%
Société Financière de la Samaritaine SA	Paris, France	99%	98%
DMB Gestion SARL	Paris, France	100%	98%

Companies	Registered office	Percentage Control	Percentage Interest
Mongoual SA	Paris, France (b)	40%	40%
RVL Holding BV	Kaag, Netherlands	91%	91%
Royal Van Lent Shipyard BV	Kaag, Netherlands	100%	91%
Tower Holding BV	Kaag, Netherlands	100%	91%
Green Bell BV	Kaag, Netherlands	100%	91%
Gebroeders Olie Beheer BV	Waddinxveen, Netherlands	100%	91%
Van der Loo Yachtinteriors BV	Waddinxveen, Netherlands	100%	91%
Red Bell BV	Kaag, Netherlands	100%	91%
De Voogt Naval Architects BV	Haarlem, Netherlands (b)	50%	46%
Feadship Holland BV	Amsterdam, Netherlands (b)	50%	46%
Feadship America Inc	Fort Lauderdale, USA (b)	50%	46%
OGMNL BV	Nieuw-Lekkerland, Netherlands (b)	50%	46%
Probinvest SAS	Boulogne-Billancourt, France	100%	100%
Ufipar SAS	Boulogne-Billancourt, France	100%	100%
L Capital Management SAS	Paris, France	100%	100%
Sofidiv SAS	Boulogne-Billancourt, France	100%	100%
GIE LVMH Services	Boulogne-Billancourt, France	100%	85%
Moët Hennessy SNC	Boulogne-Billancourt, France	66%	66%
LVMH Services Ltd	London, United Kingdom	100%	100%
UFIP (Ireland) PRU	Dublin, Ireland	100%	100%
Moët Hennessy Investissements SA	Boulogne-Billancourt, France	100%	66%
LVMH Fashion Group SA	Paris, France	100%	100%
Moët Hennessy International SAS	Boulogne-Billancourt, France	66%	66%
Creare SA	Luxembourg, Luxembourg	100%	86%
Creare Pte Ltd	Singapore	100%	86%
Société Montaigne Jean Goujon SAS	Paris, France	100%	100%
Delphine SAS	Boulogne-Billancourt, France	100%	100%
LVMH Finance SA	Boulogne-Billancourt, France	100%	100%
Primae SAS	Boulogne-Billancourt, France	100%	100%
Eutrope SAS	Boulogne-Billancourt, France	100%	100%
Flavius Investissements SA	Paris, France	100%	100%
LBD HOLDING SA	Boulogne-Billancourt, France	100%	100%
Eley Finance SA	Boulogne-Billancourt, France	100%	100%
Ashbury Finance SA	Boulogne-Billancourt, France	100%	100%
Ivelford Business SA	Boulogne-Billancourt, France	100%	100%

Companies	Registered office	Percentage Control	Percentage Interest
Bratton Service SA	Boulogne-Billancourt, France	100%	100%
LVMH Hotel Management SAS	Boulogne-Billancourt, France	100%	100%
Altair Holding LLC	New York, USA (*)	100%	100%
Moët Hennessy Inc	New York, USA (*)	100%	66%
One East 57th Street LLC	New York, USA (*)	100%	100%
LVMH Moët Hennessy Louis Vuitton Inc	New York, USA (*)	100%	100%
Moët Hennessy Acquisition Sub Inc	New York, USA (*)	100%	66%
Sofidiv Art Trading LLC	New York, USA (*)	100%	100%
Sofidiv Inc	New York, USA (*)	100%	100%
598 Madison Leasing Corp	New York, USA (*)	100%	100%
1896 Corp	New York, USA (*)	100%	100%
LVMH Participations BV	Naarden, Netherlands	100%	100%
LVMH Moët Hennessy Louis Vuitton BV	Naarden, Netherlands	100%	100%
LVP Holding BV	Naarden, Netherlands	100%	100%
LVMH Services BV	Baarn, Netherlands	100%	100%
LVMH Finance Belgique SA	Brussels, Belgium	100%	100%
Hannibal SA	Luxembourg, Luxembourg	100%	100%
L Real Estate SA	Luxembourg, Luxembourg (b)	49%	49%
Ufilug SA	Luxembourg, Luxembourg	100%	100%
Delphilug SA	Luxembourg, Luxembourg	100%	100%
Glacea SA	Luxembourg, Luxembourg	100%	100%
Naxara SA	Luxembourg, Luxembourg	100%	100%
Pronos SA	Luxembourg, Luxembourg	100%	100%
Hanninvest SA	Brussels, Belgium	100%	100%
LVMH Publica SA	Brussels, Belgium	100%	100%
Sofidiv UK Ltd	London, United Kingdom	100%	100%
LVMH Moët Hennessy Louis Vuitton KK	Tokyo, Japan	100%	100%
Osaka Fudosan Company Ltd	Tokyo, Japan	100%	100%
LVMH Asia Pacific Ltd	Hong Kong, China	100%	100%
LVMH Shanghai Management and Consultancy Co, Ltd	Shanghai, China	100%	100%
L Capital Asia Advisors PLC	Port Louis, Mauritius	100%	100%
LVMH South & South East Asia Pte Ltd	Singapore	100%	100%
LVMH Moët Hennessy Louis Vuitton SA	Paris, France	Parent company	

(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.
(a) Consolidated on a proportional basis.
(b) Accounted for using the equity method.
(c) Joint venture companies with Diageo: only the Moët Hennessy activity is consolidated.
(d) The Group's percentages of control and interest are not disclosed, the result of these companies being consolidated on the basis of the Group's contractual share in their business.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

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

- the audit of the accompanying consolidated financial statements of the company LVMH Moët Hennessy-Louis Vuitton;
- the justification of our assessments;
- the specific verification required by law.

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

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

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

- The valuation of brands and goodwill has been tested under the method described in Note 1.12 to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied based on certain estimates and have reviewed the data and assumptions used by the Group to perform these valuations.
- We have verified that Note 1.10 to the consolidated financial statements provides an appropriate disclosure on the accounting treatment of commitments to purchase minority interests, as such treatment is not provided for by the IFRS framework as adopted by the European Union.
- The accounting treatment related to the acquisition of controlling and minority interests of Bulgari is described in Note 2.1.2 to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied and the disclosed information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

FINANCIAL STATEMENTS

Parent company financial statements: LVMH Moët Hennessy - Louis Vuitton

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INCOME STATEMENT

Income/(Expenses) *(EUR millions)*	**Notes**	**2011**	**2010 pro forma** [a]
Income from subsidiaries and investments		2,603.1	1,983.4
Investment portfolio: impairment and provisions		52.1	712.8
gains and losses on disposal		-	-
Income from managing subsidiaries and investments	**3.1**	**2,655.2**	**2,696.2**
Cost of net financial debt	**3.2**	(158.9)	(146.3)
Foreign exchange gains and losses	**3.3**	(87.7)	(227.9)
Other financial income and expense	**3.4**	12.0	(24.9)
FINANCIAL INCOME/(EXPENSE)	**3**	**2,420.6**	**2,297.1**
Services provided and other income	**4**	180.0	188.4
Personnel costs	**5**	(122.5)	(62.5)
Other management charges	**6**	(217.7)	(210.0)
OPERATING PROFIT/(LOSS)		**(160.2)**	**(84.1)**
PROFIT FROM RECURRING OPERATIONS BEFORE TAX		**2,260.4**	**2,213.0**
EXCEPTIONAL INCOME/(EXPENSE)	**7**	**-**	**-**
Income tax income/(expense)	**8**	65.1	104.9
NET PROFIT		**2,325.5**	**2,317.9**

(a) Since the presentation of the income statement was changed in 2011, the 2010 income statement has been restated in order to make its presentation comparable with 2011; the reconciliation between the two formats is presented on the following page.

2010 INCOME STATEMENT: TABLE OF RECONCILIATION BETWEEN THE PREVIOUS AND NEW PRESENTATION FORMATS

	Previous format					New format
(EUR millions)		Financial income/ (expense)	*o/w Income from managing subsidiaries and investments*	Operating profit/(loss)	Exceptional income/ (expense)	Income tax
Income from investments	1,983.4	1,983.4	*1,983.4*	-	-	-
Services provided, other revenues	188.4	-	-	188.4	-	-
Income from investments and other revenues	**2,171.8**	**1,983.4**	***1,983.4***	**188.4**	**-**	**-**
Reversal of depreciation, amortization and provisions	37.5	-	-	37.5	-	-
Other operating income	-	-	-	-	-	-
Total operating income	**2,209.3**	**1,983.4**	***1,983.4***	**225.9**	**-**	**-**
Purchases and external charges	218.7	8.6	-	210.1	-	-
Taxes, duties and similar levies	3.3	-	-	3.3	-	-
Wages, salaries and social security expenses	75.2	-	-	75.2	-	-
Depreciation and amortization	0.2	-	-	0.2	-	-
Provisions	20.3	-	-	20.3	-	-
Other expenses	0.9	-	-	0.9	-	-
Total operating expenses	**318.6**	**8.6**	**-**	**310.0**	**-**	**-**
Reversal of provisions and expense transfers	158.5	158.5	-	-	-	-
Interest and similar income	5.0	5.0	-	-	-	-
Foreign exchange gains	363.3	363.3	-	-	-	-
Net gains on sale of short term investments	7.8	7.8	-	-	-	-
Total financial income	**534.6**	**534.6**	**-**	**-**	**-**	**-**
Provisions	207.9	207.9	-	-	-	-
Interest and similar expenses	283.5	283.5	-	-	-	-
Foreign exchange losses	432.4	432.4	-	-	-	-
Net losses on sales of short term investments	1.3	1.3	-	-	-	-
Total financial expenses	**925.1**	**925.1**	-	**-**	**-**	**-**
PROFIT FROM RECURRING OPERATIONS BEFORE TAX	**1,500.2**	**1,584.3**	***1,983.4***	**(84.1)**	**-**	**-**
Exceptional income from operations	-	-	-	-	-	-
Exceptional capital gains	-	-	-	-	-	-
Reversal of provisions and expense transfers	936.2	936.2	*936.2*	-	-	-
Total exceptional income	**936.2**	**936.2**	***936.2***	**-**	**-**	**-**
Exceptional expenses from management operations	-	-	-	-	-	-
Exceptional capital losses	-	-	-	-	-	-
Depreciation, amortization and provisions	223.4	223.4	*223.4*	-	-	-
Total exceptional expenses	**223.4**	**223.4**	***223.4***	**-**	**-**	**-**
EXCEPTIONAL INCOME/(LOSS)	**712.8**	**712.8**	***712.8***	**-**	**-**	**-**
Income tax (income)/expense	(104.9)	-	-	-	-	(104.9)
NET PROFIT	**2,317.9**	**2,297.1**	**-**	**(84.1)**	**-**	**104.9**

BALANCE SHEET

ASSETS	Notes			2011	2010
(EUR millions)		Gross	Depreciation, amortization and impairment	Net	Net
Intangible assets		-	-	-	-
Vineyards and other land		38.6	-	38.6	34.8
Other property, plant and equipment		8.7	(1.2)	7.5	7.5
Property, plant and equipment	9	**47.3**	**(1.2)**	**46.1**	**42.3**
Investments	10	18,499.9	(1,361.8)	17,138.1	12,722.8
LVMH treasury shares	11	353.4	-	353.4	459.9
Other non-current financial assets		0.3	-	0.3	0.1
Non-current financial assets		**18,853.6**	**(1,361.8)**	**17,491.8**	**13,182.8**
NON-CURRENT ASSETS		**18,900.9**	**(1,363.0)**	**17,537.9**	**13,225.1**
Receivables	12	489.8	(8.5)	481.3	393.9
LVMH treasury shares	11	128.1	-	128.1	134.7
Cash and cash equivalents		24.1	-	24.1	64.6
CURRENT ASSETS		**642.0**	**(8.5)**	**633.5**	**593.2**
Prepayments and accrued income	13	147.3	-	147.3	169.6
TOTAL ASSETS		**19,690.2**	**(1,371.5)**	**18,318.7**	**13,987.9**

LIABILITIES AND EQUITY	Notes	2011	2010
(EUR millions)		Before appropriation of net profit	Before appropriation of net profit
Share capital (fully paid up)	14.1	152.3	147.2
Share premium account	14.2	3,801.4	1,781.9
Reserves and revaluation adjustments	15	583.0	582.5
Retained earnings		3,907.9	2,595.8
Interim dividends		(398.6)	(335.2)
Profit for the year		2,325.5	2,317.9
Regulated provisions		0.1	0.1
EQUITY	14.2	**10,371.6**	**7,090.2**
PROVISIONS FOR LOSSES AND CONTINGENCIES	16	**906.5**	**790.9**
Bonds	17	4,021.9	3,544.2
Other financial debt	17	2,837.0	2,383.7
Other debt	18	181.7	178.6
OTHER LIABILITIES		**7,040.6**	**6,106.5**
Accruals and deferred income	19	-	0.3
TOTAL LIABILITIES AND EQUITY		**18,318.7**	**13,987.9**

CASH FLOW STATEMENT

(EUR millions)	2011	2010
OPERATING ACTIVITIES		
Net profit	2,325.5	2,317.9
Depreciation and amortization of fixed assets	(146.4)	(880.7)
Change in other provisions	107.4	210.1
Gains on sale of fixed assets and LVMH treasury shares	(0.8)	(33.9)
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**2,285.7**	**1,613.4**
Change in inter-company current accounts	473.1	168.4
Change in other receivables and payables	1.9	(265.0)
NET CASH FROM OPERATING ACTIVITIES	**2,760.7**	**1,516.8**
INVESTING ACTIVITIES		
Purchase of tangible and intangible fixed assets	(3.9)	(1.1)
Purchase of equity investments	(2,231.0)	-
Proceeds from sale of equity investments and similar transactions	-	-
Subscription to capital increases carried out by subsidiaries	-	(197.3)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(2,234.9)**	**(198.4)**
FINANCING ACTIVITIES		
Capital increase	94.0	120.0
Change in LVMH treasury shares	2.1	155.7
Dividends and interim dividends paid during the year	(1,069.2)	(953.5)
Proceeds from insuance of financial debt	1,246.7	119.8
Repayments in respect of financial debt	(839.9)	(720.8)
(Acquisition)/disposal of listed securities	-	-
NET CASH USED IN FINANCING ACTIVITIES	**(566.3)**	**(1,278.8)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(40.5)**	**39.6**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64.6**	**25.0**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**24.1**	**64.6**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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1. BUSINESS ACTIVITY AND KEY EVENTS DURING THE FISCAL YEAR

1.1. Business activity

In addition to managing its portfolio of investments in its capacity as the Group's holding company, LVMH Moët Hennessy - Louis Vuitton SA ("LVMH", "the Company") manages and coordinates the operational activities of all of its subsidiaries, and offers them various management support services, for which they are invoiced, particularly in legal, financial, tax and insurance matters.

1.2. Key events during the fiscal year

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

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

As of June 30, 2011, the acquisition date of the controlling interest, the ownership stake held by LVMH amounted to 69.6% of the share capital (60.4% on a fully-diluted basis) of Bulgari, i.e. 210.6 million shares, resulting on the one hand from the abovementioned contribution transaction, and on the other hand from prior acquisitions on the stock market: 44.2 million shares acquired in the first quarter of 2011.

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

Bulgari shares acquired in 2011 break down as follows:

	Total value *(EUR millions)*	Number of shares *(millions)*	Value per share *(EUR)*
Shares acquired in connection with the exchange of shares with the Bulgari family	2,038.2	166.4	
Shares acquired through the public tender offer	1,337.5	109.2	
Shares acquired through the squeeze-out procedure	81.7	6.7	
Shares acquired on the stock market	571.3	46.7	
Shares reclassified from other LVMH group companies	240.0	19.6	
Bulgari shares acquired in 2011 [(a)]	**4,268.7**	**348.6**	**12.25**

(a) Number of shares before the capital reduction of Bulgari through the incorporation of reserves in November 2011.

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

2. ACCOUNTING POLICIES AND METHODS

2.1. General framework; changes in accounting policies

The balance sheet and income statement of LVMH have been prepared in accordance with French legal provisions, particularly Regulation 99-03 of the CRC (*Comité de la Réglementation Comptable*) and accounting principles generally accepted in France subject to the presentation of the income statement, modified in 2011.

The purpose of the change in the presentation of the income statement is to facilitate a better understanding of the components of profit or loss, in particular by more clearly distinguishing the Group's two categories of activities: its activities in asset management, related to its equity investments, and its activities in the management and coordination of the operational activities of all the entities within the LVMH group, as stated in Note 1.1.

The income statement new presentation format includes three main components of profit or loss: net financial income (expense), net operating profit (loss) and net exceptional income (expense). The total of net financial income (expense) and net operating profit (loss) corresponds to profit from recurring operations before tax.

Net financial income (expense) includes net income from the management of subsidiaries and other investments, the cost of net financial debt relating, in essence, to the holding of these investments, as well as other items resulting from the management of subsidiaries or of financial debt, particularly gains or losses on foreign exchange or on hedging instruments. Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of investments.

Operating profit (loss) includes costs related to the management of the Company and to the Group's operational management and coordination costs, personnel costs or other administrative costs, less the amount recharged to the subsidiaries, either via the invoicing of management support services or via the recharging of expenses paid by the Group on behalf of these entities.

Net financial income (expense) and net operating profit (loss) include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. Net exceptional income (expense) thus comprises only those transactions that, due to their nature, may not be included in net financial income (expense) or operating profit (loss).

2.2. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost (purchase price and incidental costs, excluding acquisition expenses) or at contribution value, with the exception of property, plant and equipment acquired prior to December 31, 1976 which was revalued in 1978 (revaluation pursuant to the French law of 1976).

2.3. Non-current financial assets

Non-current financial assets, excluding receivables, loans and deposits, are stated at acquisition cost (excluding incidental costs) or at contribution value.

When net realizable value as of the year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. The net realizable value is measured with reference to the value in use or the net selling price. Value in use is based on the entities' forecast cash flows; the net selling price is calculated with reference to ratios or share prices of similar entities, on the basis of valuations performed by independent experts or by comparison with recent similar transactions.

Changes in the amount of provisions for impairment of the equity investment portfolio are classified under net income from the management of subsidiaries and other investments.

Portfolio investments held as of December 31, 1976 were revalued in 1978 (revaluation pursuant to the French law of 1976).

2.4. Accounts receivable

Accounts receivable are recorded at their nominal amount. Impairment for doubtful accounts is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

2.5. Short term investments

Short term investments, including money market investments on which interest is rolled up, are stated at acquisition cost (excluding transaction costs); when their market value is lower than their acquisition cost, an impairment expense is recorded in financial income/(expense) for the amount of the difference.

The market value of listed investments is calculated based on average listed share prices during the last month of the year and translated, where applicable, at year-end exchange rates. The market value of non-listed securities is calculated based on their estimated realizable value.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

2.6. LVMH treasury shares and LVMH-share settled derivatives; stock option and bonus share plans

2.6.1. LVMH treasury shares

Treasury shares are recorded, on their date of delivery, at their acquisition cost excluding transaction costs.

Treasury shares acquired under share repurchase programs or under the terms of the liquidity contract are recorded as short term investments with the exception of shares held on a long term basis, or intended to be cancelled or exchanged at a later date, which are recorded as Non-current financial assets.

Treasury shares held for share purchase option and bonus shares plans are allocated to these plans.

The cost of disposals is determined by allocation category using the FIFO method, with the exception of shares held in connection with share purchase option plans for which the calculation is performed for each plan individually using the weighted average cost method.

2.6.2. Impairment of LVMH treasury shares

If the market value of LVMH shares recorded in short term investments, calculated in accordance with the method described in Note 2.5 above, falls below their acquisition cost, impairment is recognized and charged to other financial income and expense, in the amount of the difference.

With respect to LVMH shares allocated to share purchase option plans:

- if the plan is non-exercisable (market value of the LVMH share lower than the exercise price of the option), the calculation of the impairment, charged to operating profit under the heading “Personnel costs”, is made in relation to the average price of all non-exercisable plans involved;
- if the plan is exercisable (market value of the LVMH share greater than the exercise price of the option), a provision for losses is recognized and calculated as described in §2.6.3 below.

No impairment is recognized for LVMH shares allocated to bonus share plans or shares recorded in long term investments.

2.6.3. Expense relating to stock option and bonus share plans based on LVMH treasury shares

The expense relating to stock option and bonus share plans based on LVMH shares is calculated as follows:

- for share purchase option plans, as the difference between the portfolio value of shares allocated to these plans and the corresponding exercise price, if lower;
- for bonus share plans, as the portfolio value of shares allocated to these plans.

Share subscription option plans do not give rise to the recognition of an expense.

The expense relating to stock option and bonus share plans based on LVMH shares is allocated on a straight-line basis over the vesting periods for the plans. It is recognized in the income statement under the heading “Personnel costs”, offset by a provision for losses recorded in the balance sheet.

2.6.4. LVMH-share settled derivatives

Under the terms of share purchase option plans, as an alternative to holding shares allocated to these plans, LVMH may acquire derivatives settled in shares. These derivatives consist of LVMH share purchase options (“calls”), acquired when the plan was set up or after that date until the end of the vesting period. The premiums paid in respect of these options are recognized as assets in “Other receivables”. These premiums give rise where applicable to the recognition of impairment charged to the heading Other financial income and expense; this impairment is determined according to the same rules as those defined above for LVMH shares allocated to the share option plans, with the value of LVMH shares held in the portfolio being replaced for these purposes by the amount of the premium paid supplemented by the exercise price of the calls.

2.7. Income from investments

Amounts distributed by subsidiaries and other investments, in addition to the share in income from partnerships subject to statutory clauses providing for the allocation of income to partners, are recognized as of the date that they accrue to the shareholders or partners.

2.8. Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the dates of transactions.

Foreign currency receivables and payables are revalued at year-end exchange rates and any resulting unrealized gains and losses are recorded in the cumulative translation adjustment. Provisions are recorded for unrealized foreign exchange losses at the year-end, except for losses offset by potential gains in the same currency.

Year-end foreign exchange gains and losses on foreign currency cash and cash equivalents are recorded in the income statement.

2.9. Hedging instruments

Gains and losses arising from derivatives are recognized under net financial income (expense), under foreign exchange gains and losses in the case of foreign exchange derivatives, and under other financial income and expense for interest rate derivatives.

Foreign exchange derivatives are remeasured at year-end exchange rates:

- In the case of derivatives designated as hedging instruments, any unrealized gains or losses resulting from this remeasurement are:
  - recorded in the income statement as an offset against unrealized gains and losses on the assets and liabilities hedged by these instruments;
  - deferred, if these instruments have been allocated to future transactions.
- In the case of derivatives not designated as hedging instruments:
  - any unrealized gains resulting from their remeasurement at year-end exchange rates are deferred, while only gains realized on the maturity of the instrument are taken to the income statement;
  - any unrealized losses give rise to a provision for losses.

Interest rate derivatives designated as hedging instruments are recognized on a *pro rata* basis over the term of the contracts, without any impact on the face value of the debt whose rate is hedged.

Interest rate derivatives not designated as hedging instruments are remeasured at market value as of the balance sheet date. Any unrealized gains resulting from this remeasurement are deferred; any unrealized losses give rise to a provision for losses.

2.10. Bond issue premiums

Bond issue premiums are amortized over the life of bonds. Issue costs are expensed upon issuance.

3. FINANCIAL INCOME (EXPENSE)

3.1. Income from managing subsidiaries and investments

The income from managing subsidiaries and investments breaks down as follows:

(EUR millions)	2011	2010
Dividends received from French companies	2,333.3	1,754.0
Share of income from French partnerships	269.8	229.4
Financial income from subsidiaries and other investments	**2,603.1**	**1,983.4**
Changes in impairment	146.6	880.9
Changes in provisions for losses and contigencies	(94.5)	(168.1)
Impairment and provisions related to subsidiaries and other investments	**52.1**	**712.8**
Income from managing subsidiaries and investments	**2,655.2**	**2,696.2**

The change in income from investments received from French subsidiaries and investments is primarily attributable to the increase in the dividend paid by LVMH Fashion Group SA (1,234.7 million euros), and the fact that no dividend was paid by Sofidiv SAS in 2011 (752.6 million euros in 2010).

The change in impairment of investments of 146.6 million euros, corresponds, for a limited amount, to the impact of the change in the value of the US dollar on the valuation of US subsidiaries and, more generally, to the increase in the value of investments resulting from the level of business activity in 2011.

See also Note 16 concerning the change in impairment and provisions.

3.2. Cost of net financial debt

The cost of net financial debt, including the impact of interest rate hedging instruments, breaks down as follows:

(EUR millions)	2011	2010
Interest and premiums on bonds	(128.4)	(106.9)
Interest on other debt	(2.9)	(2.5)
Financial income and revenue	4.7	1.5
Cost of non-Group net financial debt	**(126.6)**	**(107.9)**
Intra-group interest expense	(35.1)	(39.4)
Intra-group interest income	2.8	1.0
Cost of intra-group net financial debt	**(32.3)**	**(38.4)**
Cost of net financial debt	**(158.9)**	**(146.3)**

3.3. Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

(EUR millions)	2011	2010
Foreign exchange gains	242.0	363.3
Foreign exchange losses	(332.3)	(432.4)
Provisions for unrealized foreign exchange losses	2.6	(158.8)
Foreign exchange gains and losses	**(87.7)**	**(227.9)**

Regarding the change in provisions, please also refer to Note 16.

Foreign exchange gains and losses correspond to those arising on the outstanding borrowings denominated in foreign currency and foreign exchange derivatives entered into for the purposes described in Note 17.4 and 20 (Foreign currency net investment hedges of subsidiaries).

3.4. Other financial income and expense

The amount of Other financial income and expense breaks down as follows:

(EUR millions)	2011	2010
Income and expenses from LVMH shares and LVMH share-based calls	2.3	13.9
Other financial income	32.2	-
Other financial expense	(22.7)	(38.5)
Changes in provisions	0.2	(0.3)
Other financial income and expense	**12.0**	**(24.9)**

See also Note 16 on changes in provisions.

4. SERVICES PROVIDED AND OTHER INCOME

Services provided and other income break down as follows:

(EUR millions)	2011	2010
Services provided	111.6	106.2
Recharged expenses	61.7	75.7
Real estate revenue	6.7	6.5
Total	**180.0**	**188.4**

Services provided and other income relates exclusively to subsidiaries:

- services provided consist of support services (See Note 1.1 Business activity);
- recharged expenses refer to expenses incurred by LVMH on account of related companies;
- real estate revenue is attributable to the lease of Champagne vineyards owned by LVMH.

5. PERSONNEL COSTS

Personnel costs include gross remuneration and employers' social charges, post-employment benefits, other long term benefits and the cost of stock option and similar plans.

The increase in personnel costs was mainly due to the payment in 2011 of a contribution in relation to post-employment benefits (see Note 5.2) whereas no contribution was made in 2010, and to the fact that there was no charge for stock option plans in 2010, since a capital gain was recorded when beneficiaries exercised options.

5.1. Gross compensation

Due to the nature of the Company's business, as described under Note 1.1 Business activity, a significant portion of this compensation is reinvoiced to Group companies in connection with management support services.

The total gross compensation paid to company officers and members of the Company's Executive Committee for 2011 amounted to 33.4 million euros, including 1.0 million euros in directors' fees.

5.2. Commitments given in respect of post-employment benefits: supplementary pensions and retirement benefits

Most of these commitments relate to members of the Executive Committee who, after a certain length of service in their office, benefit from a supplementary pension plan, the amount of which is linked to their last remunerations.

As of December 31, 2011, the commitment that has not been recognized, net of financial assets covering this commitment, determined according to the same principles as those used for the Group's consolidated financial statements, amounts to 37.6 million euros.

Commitments are estimated on the basis of the following actuarial assumptions:

- Discount rate: 4.65%
- Long term expected rate of return on investments: 4%

The payments made to cover this commitment, 12.3 million euros in 2011 (nil in 2010), are recognized under the heading Personnel costs.

5.3. Average headcount

In 2011, the Company had an average headcount of 23 (2010: 22; 2009: 23).

6. OTHER MANAGEMENT CHARGES

Management charges comprise in particular rent, fees, insurance premiums and communication expenses.

Due to the nature of the Company's business, as described under Note 1.1 Business activity, a significant portion of Other management charges are re-invoiced to Group companies, either in connection with management support services or with the rebilling of expenses incurred on their behalf.

Also, in 1994, at the time when Diageo acquired a stake in the Moët Hennessy group, an agreement was concluded between Diageo and LVMH for the apportionment of common holding company expenses between Moët Hennessy SNC and the other holding companies of the LVMH group. Pursuant to this agreement, the proportion of common holding company expenses reinvoiced by Moët Hennessy to LVMH amounted to 92 million euros in 2011.

Taxes, duties and similar levies recognized in Other management charges amounted to 3.6 million euros for fiscal year 2011 (3.3 million euros in 2010).

7. EXCEPTIONAL INCOME (EXPENSE)

Nil.

8. INCOME TAXES

8.1. Tax consolidation agreement

LVMH is the parent company of a tax group comprising certain of its French subsidiaries (Article 223-A *et seq.* of the French General Tax Code). In the majority of cases, the tax consolidation agreement does not alter the tax expense or the right to the benefit from the tax losses carried forward of the subsidiaries concerned: their tax position with respect to LVMH, insofar as they remain part of the tax group, remains identical to that which would have been reported had the subsidiaries been taxed individually. Any additional tax savings or tax expense, i.e. the sum of any difference between the tax recorded by each consolidated company and the tax resulting from the calculation of taxable income for the tax group, is recorded by LVMH.

As of December 31, 2011, under this tax consolidation agreement, the amount of tax losses that may be reclaimed from LVMH by subsidiaries totaled 3,494 million euros.

8.2. Breakdown of corporate income tax

Corporate income tax breaks down as follows:

(EUR millions)	Profit before tax	Tax (expense)/ income	Net profit
Profit from recurring operations	2,260.4	(54.1)	2,206.3
Exceptional income/(expense)	-	-	-
	2,260.4	(54.1)	2,206.3
Tax in respect of prior years	-	(0.4)	(0.4)
Impact of tax consolidation	-	119.6	119.6
	2,260.4	**65.1**	**2,325.5**

The tax expense for the fiscal year includes a charge of 26.5 million euros relating to the exceptional contribution of 5% in 2011 for the whole of the tax group.

8.3. Deferred tax

Deferred taxes arising from timing differences amount to a net debit balance of 38 million euros as of December 31, 2011, including 19 million euros relating to timing differences that are expected to reverse in 2012.

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2011
Net amount of fixed assets as of December 31, 2010	**42.3**
Additions	3.8
Disposals and retirements	(0.1)
Net change in depreciation/amortization	0.1
Net amount of fixed assets as of December 31, 2011	**46.1**

10. INVESTMENTS

(EUR millions)	2011	2010
Gross amount of investments	18,499.9	14,231.2
Provision for impairment	(1,361.8)	(1,508.4)
Net amount of investments	**17,138.1**	**12,722.8**

The investment portfolio is presented in the "Subsidiaries and investments" and "Investment portfolio" tables.

The change in the gross amount of the investments, i.e. 4,268.7 million euros, is solely due to the acquisition of all of the share capital of Bulgari during the 2011 fiscal year (see Note 1.2).

Methods used for calculating impairment of equity investments are described in Note 2.3. In most cases, impairment is calculated in reference to the value in use of the investment in question, which is determined on the basis of forecast cash flows generated by the entity in question.

The change in impairment of investment portfolio is analyzed in Note 16.

11. TREASURY SHARES AND RELATED DERIVATIVES

11.1. LVMH treasury shares

The value of the treasury shares held is allocated as follows as of December 31, 2011:

(EUR millions)			2011	2010
	Gross	Impairment	Net	Net
Share subscription option plans	318.6	-	318.6	429.1
Other allocations	34.8	-	34.8	30.8
Pending retirement	-	-	-	-
Long term investments	**353.4**	**-**	**353.4**	**459.9**
Share purchase option plans	22.2	-	22.2	41.2
Bonus share plans	64.3	-	64.3	41.8
Future plans	28.6	-	28.6	39.3
Liquidity contract	13.0	-	13.0	12.4
Short term investments	**128.1**	**-**	**128.1**	**134.7**

Portfolio movements over the period were as follows:

Long-term investments

(EUR millions)	Share subscription option plans		Other		Pending retirement		Total	
	Number	Gross value	Number	Gross value	Number	Gross value	Number	Gross value
As of January 1	**9,093,593**	**429.1**	**662,874**	**30.8**	**-**	**-**	**9,756,467**	**459.9**
Purchases	-	-	-	-	-	-	-	-
Transfers	(84,463)	(4.0)	84,463	4.0	-	-	-	-
Shares retired	(2,259,454)	(106.5)	-	-	-	-	(2,259,454)	(106.5)
As of December 31	**6,749,676**	**318.6**	**747,337**	**34.8**	**-**	**-**	**7,497,013**	**353.4**

Short-term investments

(EUR millions)	Share purchase option plans		Other plans		Liquidity contract		Total	
	Number	Gross value	Number	Gross value	Number	Gross value	Number	Gross value
As of January 1	**615,482**	**41.2**	**1,468,024**	**81.1**	**100,000**	**12.4**	**2,183,506**	**134.7**
Purchases	200,000	16.2	-	-	2,697,370	308.6	2,897,370	324.8
Sales	-	-	-	-	(2,678,370)	(308.0)	(2,678,370)	(308.0)
Transfers	(311,550)	(19.2)	311,550	19.2	-	-	-	-
Options exercised	(218,862)	(16.0)	-	-	-	-	(218,862)	(16.0)
Share allocations	-	-	(143,979)	(7.4)	-	-	(143,979)	(7.4)
As of December 31	**285,070**	**22.2**	**1,635,595**	**92.9**	**119,000**	**13.0**	**2,039,665**	**128.1**

The gain recognized on disposals under the liquidity contract amounted to 0.3 million euros. As of December 31, 2011, based on stock market quote at that date, the stock market value of shares held under this contract is 13 million euros.

11.2. Derivatives settled in shares

During the fiscal year, the only derivatives used were LVMH calls; the movements were as follows:

	Number	Premiums paid *(EUR millions)*
As of December 31, 2010	**300,000**	**12.2**
Purchased	-	-
Exercised	(200,000)	(8.2)
As of December 31, 2011	**100,000**	**4.0**

See also Note 12.

Calls in force as of December 31, 2011 may be exercised at any time in accordance with the following schedule:

(EUR millions)	Total exercise price
May be exercised at latest in 2012	-
2013	3.7
Total	**3.7**

11.3. Stock option and similar plans

11.3.1. Plan characteristics

Share subscription and purchase option plans

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

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

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

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

Bonus share plans

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

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

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

Cash-settled compensation plans indexed to the change in the LVMH share price

As a replacement for its stock option and bonus share plans, the Group has established plans equivalent to share purchase option plans or to bonus share plans in terms of the gains received by the beneficiary, but which are settled in cash rather than in shares. The vesting period for these plans is four years.

Performance conditions

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

11.3.2. Movements during the year relating to stock option and similar plans

Movements during the year relating to rights allocated under the various plans based on LVMH shares were as follows:

(number)	Share subscription option plans	Share purchase option plans	Bonus share plans	Cash-settled plans
Rights not exercised as of January 1, 2011	**8,084,215**	**915,482**	**770,611**	**115,298**
Allocations	-	-	557,052	-
Expired options and allocations	(84,463)	(311,550)	(23,243)	-
Options exercised/Definitive allocation of shares	(1,395,835)	(218,862)	(143,979)	(44,884)
Rights not exercised as of December 31, 2011	**6,603,917**	**385,070**	**1,160,441**	**70,414**

The bonus share plans launched in 2010 and 2011 are subject to performance conditions to a variable extent depending on beneficiaries. Bonus shares may only be definitively granted if, in fiscal years 2011 and 2012 (2010 and 2011 for the plan launched in 2010), either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin shows a positive change compared to 2010 (2009 for the plan launched in 2010). The performance condition, which was met for fiscal years 2010 and 2011, was considered to have been met for fiscal year 2012, for the purpose of determining the expense for 2011.

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

The total expense recognized in 2011 for stock option and similar plans was 25.1 million euros (2010: 24.4 million euros; 2009: 16.1 million euros). See also Note 16.

The average value which served as the basis for the calculation of the mandatory 14% social security contribution for the plans opened in 2011 is 104.62 euros per share allocated.

12. RECEIVABLES

Receivables break down as follows:

(EUR millions)			2011	2010
	Gross	Impairment	Net	Net
Receivables from related companies	391.3	-	391.3	342.8
o/w: tax consolidation current accounts	*103.7*	-	*103.7*	*83.4*
share of profit from flow-through subsidiaries to be received	*271.3*	-	*271.3*	*229.3*
Receivables from the state	34.8	-	34.8	29.3
Other receivables	63.7	(8.5)	55.2	21.8
o/w: swap residual balance receivable	*32.0*	-	*32.0*	-
premiums paid for LVMH calls	*4.0*	*(4.0)*	-	-
premiums paid for foreign exchange options	-	-	-	-
Total	**489.8**	**(8.5)**	**481.3**	**393.9**

All these receivables mature within one year, with the exception of a portion of the premiums paid for call options. (See Note 11.2 Derivatives settled in LVMH shares).

13. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income break down as follows:

(EUR millions)			2011	2010
	Gross	Impairment	Net	Net
Cumulative translation adjustments	141.4	-	141.4	162.5
Bond redemption premiums	4.9	-	4.9	6.9
Prepaid expenses	1.0	-	1.0	0.2
Total	**147.3**	**-**	**147.3**	**169.6**

Cumulative translation adjustments recorded as assets relate to the revaluation as of December 31, 2011 of receivables, payables and bonds denominated in foreign currencies.

14. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

14.1. Share capital

The Company's share capital comprises 507,815,624 fully paid-up shares, each with a par value of 0.30 euros.

All the shares comprising the Company's share capital have the same voting and dividend rights, except for registered shares held for at least three years which have double voting rights. Treasury shares do not have voting or dividend rights.

During the fiscal year, 19,432,846 shares were issued, out of which 18,037,011 in connection with the capital increase carried out on June 30, 2011 as consideration for the contribution of Bulgari shares by the Bulgari family shareholders (see Note 1.2) and 1,395,835 shares in connection with the exercise of share subscription options; moreover, 2,259,454 shares were retired.

As of December 31, 2011, the Company's share capital can be broken down as follows:

	Number	%
Shares with double voting rights	224,575,071	44.22
Shares with single voting rights	273,703,875	53.90
	498,278,946	98.12
LVMH treasury shares	9,536,678	1.88
Total number of shares	**507,815,624**	**100.00**

14.2. Change in equity

The change in equity during the period may be analyzed as follows:

(EUR millions)	Number of shares	Share capital	Share premium account	Other reserves and regulated prov.	Retained earnings	Interim dividend	Net profit	Total equity
As of December 31, 2010 before appropriation of net profit	**490,642,232**	**147.2**	**1,781.9**	**582.6**	**2,595.8**	**(335.2)**	**2,317.9**	**7,090.2**
Appropriation of net profit for 2010	-	-	-	-	2,317.9	-	(2,317.9)	-
2010 dividends	-	-	-	-	(1,028.1)	335.2	-	(692.9)
of which treasury shares	-	-	-	-	*22.3*	-	-	*22.3*
As of December 31, 2010 after appropriation of net profit	**490,642,232**	**147.2**	**1,781.9**	**582.6**	**3,907.9**	**-**	**-**	**6,419.6**
Exercise of subscription options	1,395,835	0.4	93.5	-	-	-	-	93.9
Retirement of shares	(2,259,454)	(0.7)	(105.8)	-	-	-	-	(106.5)
Contribution of Bulgari shares	18,037,011	5.4	2,031.8	0.5	-	-	-	2,037.7
2011 interim dividend	-	-	-	-	-	(406.1)	-	(406.1)
of which treasury shares	-	-	-	-	-	*7.5*	-	*7.5*
Net profit for 2011	-	-	-	-	-	-	2,325.5	2,325.5
As of December 31, 2011 before appropriation of net profit	**507,815,624**	**152.3**	**3,801.4**	**583.1**	**3,907.9**	**(398.6)**	**2,325.5**	**10,371.6**

The appropriation of net profit for 2010 resulted from the resolutions of the Combined Shareholders' Meeting of March 31, 2011.

15. RESERVES AND REVALUATION ADJUSTMENTS

Reserves and revaluation reserves break down as follows:

(EUR millions)	2011	2010
Legal reserve	15.2	14.7
Regulated reserves	331.3	331.3
Other reserves	195.0	195.0
Revaluation adjustements	41.5	41.5
Total	**583.0**	**582.5**

15.1. Regulated reserves

Regulated reserves comprise the special reserve for long term capital gains and restricted reserves, in the amount of 2.2 million euros, which were created as a result of the reduction of capital performed at the same time as the conversion of the Company's share capital into euros. The special reserve for long term capital gains may only be distributed after tax has been levied.

15.2. Other reserves

Following changes in the law relating to long term capital gains introduced by the amended French Finance Act for 2004 (Article 39) and by decision of the Shareholders' Meeting of May 12, 2005, an amount of 200 million euros was transferred, in 2005, from the special reserve for long term capital gains to an ordinary reserve account, less a 2.5% tax deduction of 5 million euros. The amount of these reserves of 195 million euros may be distributed without tax being deducted.

15.3. Revaluation adjustments

Revaluation adjustments are the result of revaluations carried out in 1978 pursuant to the French law of 1976. The adjustments concern the following non-amortizable fixed assets:

(EUR millions)	2011	2010
Vineyards and other land	17.9	17.9
Equity investments (Parfums Christian Dior)	23.6	23.6
Total	**41.5**	**41.5**

16. MOVEMENTS IN IMPAIRMENT AND PROVISIONS

Movements in asset impairment and provisions break down as follows:

(EUR millions)	December 31, 2010	Increases	Amounts used	Amounts released	December 31, 2011
Investments	1,508.4	121.9	-	(268.5)	1,361.8
LVMH shares: premium paid for LVMH calls	12.2	-	(8.2)	-	4.0
Other assets	4.4	-	-	-	4.4
Asset impairment	**1,525.0**	**121.9**	**(8.2)**	**(268.5)**	**1,370.2**
Share purchase option and related plans	38.3	21.1	(11.8)	-	47.6
General contingencies	452.9	118.3	(23.0)	-	548.2
Unrealized forex losses	269.8	125.8	-	(128.4)	267.2
Other losses	29.9	21.4	(3.7)	(4.1)	43.5
Provisions for contingencies and losses	**790.9**	**286.6**	**(38.5)**	**(132.5)**	**906.5**
Total	**2,315.9**	**408.5**	**(46.7)**	**(401.0)**	**2,276.7**
o/w: financial income (expense)		349.8	(15.1)	(401.0)	
operating profit (loss):		58.7	(31.6)	-	
of which personnel costs		*41.8*	*(15.5)*	-	
exceptional income (expense)		-	-	-	
		408.5	**(46.7)**	**(401.0)**	

Provisions for general contingencies correspond to an estimate of the impact on assets and liabilities of risks, disputes, actual or probable litigation arising from the Company's activities or those of its subsidiaries; 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.

See also Notes 3, 10 and 11.

17. GROSS BORROWINGS

Gross borrowings break down as follows:

(EUR millions)	2011	2010
Bonds	4,021.9	3,544.2
Bank loans and borrowings	152.7	172.5
Intra-group financial debt	2,684.3	2,211.2
Other financial debt	2,837.0	2,383.7
Gross borrowings	**6,858.9**	**5,927.9**

17.1. Bonds

Bonds consist of public issues and private placements, which have been made since May 2000 as part of an EMTN (Euro Medium Term Notes) issue program of 10 billion euros, and total 4.0 billion euros as of December 31, 2011.

(EUR millions)	Nominal interest rate	Floating-rate swap	Issuance price *(in % of the par value)*	Maturity	Nominal value as of December 31, 2011	Accrued interest after swap	Total
Public issues:							
CHF 300,000,000; 2007	3.375%	-	99.840%	2013	246.8	0.9	247.7
EUR 760,000,000; 2005 and 2008 [a]	3.375%	total	98.598%	2012	760.0	12.9	772.9
CHF 200,000,000; 2008	4.00%	-	100.090%	2015	164.5	3.8	168.3
EUR 1,000,000,000; 2009	4.375%	total	99.648%	2014	1,000.0	3.8	1,003.8
EUR 500,000,000; 2011	3.375%	total	99.842%	2015	500.0	2.4	502.4
EUR 500,000,000; 2011	4.000%	-	99.784%	2018	500.0	14.7	514.7
Private placements:							
JPY 15,000,000,000; 2008	floating	-	100%	2013	116.1	0.6	116.7
JPY 5,000,000,000; 2009	1.229%	-	100%	2013	49.9	0.1	50.0
EUR 250,000,000; 2009	4.50%	total	99.732%	2015	250.0	0.3	250.3
EUR 150,000,000; 2009	4.775%	total	100%	2017	150.0	-	150.0
USD 125,000,000; 2011	floating	-	100%	2013	86.9	-	86.9
USD 125,000,000; 2011	floating	-	100%	2013	86.9	-	86.9
USD 100,000,000; 2011	floating	-	100%	2013	71.0	0.3	71.3
Total					**3,982.1**	**39.8**	**4,021.9**

(a) The par value corresponds to the cumulative total of a 600 million euro bond issued in 2005 at a price of 99.828% and a supplement to this bond in the amount of 160 million euros issued in 2008 at a price of 93.986%.

Unless otherwise indicated, bonds are redeemable at par upon maturity.

The interest rate swaps presented in the table above were entered into on the issue date of the bonds. Subsequent optimization transactions may also have been performed.

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

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

LVMH repaid the following bonds during the fiscal year: in June 2011, bonds totaling 5 billion Japanese yen issued in 2008; in July 2011, bonds issued in 2004 totaling 600 million euros; in December 2011, bonds totaling 200 million Swiss francs issued in 2008.

17.2. Intra-group financial debt

The intra-group financial debt corresponds to an outstanding debt due to the company that centralizes the Group's cash; at December 31, 2011 this comprised a loan of 1,860.3 million euros due within one year, and a current account balance of 824 million euros.

Accrued interest as of December 31, 2011 included in this balance amounted to 11.5 million euros.

17.3. Analysis of borrowings by payment date

The breakdown of gross borrowings by type and payment date, and the related accrued expenses, are shown in the table below:

Borrowings (EUR millions)	Total	Amount			Of which accrued expenses	Of which related companies
		Less than 1 year	From 1 to 5 years	More than 5 years		
Bonds	4,021.9	799.9	2,572.0	650.0	39.8	-
Bank loans and borrowings	152.7	0.7	152.0	-	0.7	-
Intra-group financial debt	2,684.3	2,684.3	-	-	11.5	2,684.3
Other financial debt	2,837.0	2,685.0	152.0	-	12.2	2,684.3
Gross borrowings	**6,858.9**	**3,484.9**	**2,724.0**	**650.0**	**52.0**	**2,684.3**

17.4. Analysis of borrowings by currency

As of December 31, 2011, the breakdown by currency of the Company's gross borrowings taking into account any hedging arrangements contracted at the time of recognition of debts or subsequently, is as follows:

Currency	Equivalent stated *(EUR millions)*	
	On issue	After taking into account hedging instruments
Euro	3,346	3,151
Swiss franc	416	973
Pound sterling	-	-
Other currency	412	50
Non-Group financial debt	4,174	4,174
Intra-group financial debt		2,684
Total financial debt		**6,859**

The purpose of foreign currency borrowings is, in general, to hedge net foreign currency-denominated assets of acquired companies located outside the eurozone.

17.5. Covenants

In connection with certain credit lines, LVMH is in a position to comply with a net financial debt to equity ratio calculated based on consolidated data. As of December 31, 2011, no drawn or undrawn credit lines are concerned by this provision.

17.6. Guarantees and collateral

As of December 31, 2011, financial debt was not subject to any guarantees or collateral.

18. OTHER DEBT

The breakdown of other debt by type and payment date and the related accrued expenses is shown in the table below:

(EUR millions)	Total	Amount			Of which accrued expenses	Of which related companies
		Less than 1 year	From 1 to 5 years	More than 5 years		
Trade payables	94.3	94.3	-	-	88.4	72.9
Tax and social liabilities	63.5	63.5	-	-	42.2	-
Other debt	23.9	23.9	-	-	1.0	20.3
o/w tax consolidation current accounts	*20.3*	*20.3*	-	-	-	*20.3*
Other debt	**181.7**	**181.7**	**-**	**-**	**131.6**	**93.2**

19. ACCRUALS AND DEFERRED INCOME

Nil.

20. MARKET RISK EXPOSURE

LVMH regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the financial balances or hedged transactions.

Given the role of LVMH within the Group, financial instruments designed to hedge net assets denominated in foreign currency may be used in the consolidated financial statements but not matched in the parent company financial statements, or are allocated to underlying amounts maintained at historical exchange rates, such as equity investments.

Counterparties for hedging contracts are selected on the basis of their international rating as well as for reasons of diversification.

20.1. Interest rate instruments

Interest rate instruments are generally allocated to borrowings falling due either at the same time as, or after, the instruments.

The types of instruments outstanding as of December 31, 2011, the underlying amounts broken down by expiration period and their fair value are as follows:

(EUR millions)	Nominal amount	Expiration period			Market value [a]
		Within 1 year	Between 1 and 5 years	More than 5 years	
Fixed-rate payer swap	268.6	-	268.6	-	(7.4)
Floating-rate payer swap	3,264.9	760.0	2,354.9	150.0	192.7

(a) Gain/(loss).

20.2. Foreign exchange derivatives

The nominal values of derivatives outstanding as of December 31, 2011 for all currencies, revalued at the year-end exchange rates, are as follows:

Type *(EUR millions)*	Currency	Nominal amounts	Market value[a]
Foreign exchange swaps	USD	1,588.3	(63.0)
	HKD	822.7	(48.2)
	CHF	557.5	(9.5)
	JPY	56.9	(2.8)
	GBP	0.1	(0.5)

(a) Gain/(loss).

All of the contracts presented in the table above mature within one year.

21. OTHER INFORMATION

21.1. Share purchase commitments

Share purchase commitments amount to 4,284 million euros and represent the contractual commitments entered into by the Group to purchase minority interests' shares in consolidated companies, shareholdings or additional shareholdings in unconsolidated companies, or for additional payments in connection with transactions already entered into. This amount includes the impact of the memorandum of understanding entered into on January 20, 1994 between LVMH and Diageo, according to which LVMH agreed to repurchase Diageo's 34% interest in Moët Hennessy SNC and Moët Hennessy International SAS, with six months' advance notice, for an amount equal to 80% of its market value at the exercise date of the commitment.

21.2. Other commitments given

(EUR millions)	December 31, 2011
Guarantees and comfort letters granted to subsidiaries or other Group companies	6,671.5

21.3. Other commitments given in favor of LVMH

(EUR millions)	December 31, 2011
Undrawn confirmed long term lines of credit	2,290.0
Undrawn confirmed short term lines of credit	570.0
	2,860.0
LVMH-share based calls[a]	7.2

(a) Amount corresponding to the difference between the exercise price of the calls and the LVMH share price as of the balance sheet date.

21.4. Related party transactions

No new related party agreements, within the meaning of Article R. 123-198 of the French Commercial Code, were entered into during the fiscal year in significant amounts and under conditions other than normal market conditions.

21.5. Identity of the consolidating parent company

The financial statements of LVMH Moët Hennessy - Louis Vuitton SA are fully consolidated by Christian Dior SA - 30, avenue Montaigne - 75008 Paris, France.

INVESTMENT PORTFOLIO

Equity investments *(EUR millions)*	**% of direct ownership**	**Carrying amount**
508,493,000 shares in Sofidiv SAS with a par value of EUR 16.57 each	100.00	10,116.4
245,000 shares in Bulgari SpA (Italy) with a par value of EUR 100 each	100.00	4,268.7
35,931,661 shares in Moët Hennessy SNC with a par value of EUR 7 each	58.67	1,018.9
23,743,079 shares in LVMH Fashion Group SA with a par value of EUR 1.50 each	99.95	822.2
35,666,394 shares in LVMH Finance SA with a par value of EUR 15 each	99.99	283.6
1,961,048 shares in Le Bon Marché SA with a par value of EUR 15 each	99.99	259.2
164,999,994 shares in ELEY Finance SA with a par value of EUR 1 each	99.99	165.0
68,958 shares in Parfums Christian Dior SA with a par value of EUR 38 each	99.98	76.5
31,482,978 shares in Moët Hennessy International SA with a par value of EUR 2.82 each	58.67	74.4
34,414,870 shares in LVMH Services Ltd (UK) with a par value of GBP 1 each	100.00	28.9
7,000 shares in the GIE LVMH Services with a par value of EUR 1,265 each	20.00	8.9
23,000 shares in LVMH KK (Japan) with a par value of JPY 50,000 each	100.00	7.6
9,660 shares in Loewe SA (Spain) with a par value of EUR 30 each	5.44	6.7
37,000 shares in Creare SA (Luxembourg) with a par value of EUR 15.24 each	32.17	1.1
614 shares in LVMH International SA (Belgium) with a par value of EUR 100 each	99.99	-
Total		**17,138.1**

See also Note 11 - Treasury shares.

SUBSIDIARIES AND INVESTMENTS

Company (all amounts in millions)	Head office	Currency	Share capital[a]	Equity other than share capital[a][b]	Percentage of share capital held	Carrying amount of shares held[c] Gross	Carrying amount of shares held[c] Net	Loans and advances provided[c]	Deposits and sureties granted[c]	Revenue excluding taxes[a]	Net profit (loss) from the previous year[a]	Dividends received in 2011[c]
1. Subsidiaries (>50%)												
Bulgari SpA	Rome	EUR	24.5	369.6	100.00	4,268.7	4,268.7	-	-	128.3	8.9	5.2
Moët Hennessy SNC	Boulogne-Billancourt	EUR	428.7	2,307.9	58.67	1,018.9	1,018.9	-	-	687.3	462.4	-
Moët Hennessy Inter. SAS	"	EUR	151.6	304.5	58.67	74.4	74.4	-	-	66.0	66.0	26.8
Sofidiv SAS	"	EUR	8,427.4	2,588.0	100.00	10,116.4	10,116.4	-	-	1,011.8	1,167.5	-
LVMH Finance SA	"	EUR	535.0	(151.8)	99.99	1,630.5	283.6	-	-	4.2	(121.9)	-
Eley Finance SA	"	EUR	165.0	1.3	99.99	165.0	165.0	-	-	-	-	-
LVMH Fashion Group SA	Paris	EUR	35.6	2,759.4	99.95	822.2	822.2	-	-	1,899.3	1,814.6	2,101.3
Parfums Christian Dior SA	Paris	EUR	2.6	400.7	99.98	76.5	76.5	-	5.4	1,041.8	215.4	180.0
Le Bon Marché SA	Paris	EUR	29.4	104.3	99.99	259.2	259.2	-	-	280.0	21.1	20.0
LVMH KK	Tokyo	JPY	1,150.0	743.6	100.00	7.6	7.6	-	446.2	996.6	160.3	-
LVMH Services Ltd	London	GBP	34.4	(10.2)	100.00	43.8	28.9	-	6.0	1.4	(1.0)	-
2. Other shareholdings (>10% and <50%)												
GIE LVMH Services	Boulogne-Billancourt	EUR	44.3	(0.9)	20.0	8.9	8.9	-	-	2.2	(0.9)	-
3. Other investments (<10%)												
Loewe SA	Madrid	EUR	5.3	25.5	5.44	6.7	6.7	-	-	112.6	14.5	-
4. Other						1.1	1.1					
Total						**18,499.9**	**17,138.1**	**-**	**457.6**			**2,333.3**

(a) In local currency for foreign subsidiaries.
(b) Prior to the appropriation of earnings for the year.
(c) EUR millions.

COMPANY RESULTS OVER THE LAST FIVE YEARS

(EUR millions, except earnings per share, expressed in euros)	2007	2008	2009	2010	2011
1. Share capital at year-end					
Share capital	147.0	147.0	147.1	147.2	152.3
Number of ordinary shares outstanding	489,937,410	489,937,410	490,405,654	490,642,232	507,815,624
Maximum number of future shares to be created:					
- through conversion of bonds	-	-	-	-	-
- through exercise of equity warrants	-	-	-	-	-
- through exercise of share subscription options	8,015,393	9,569,660	10,214,500	8,084,215	6,603,917
2. Operations and profit for the year					
Income from investments and other revenues	917.1	1,369.0	1,261.8	2,171.8	2,783.1
Profit before taxes, depreciation, amortization and movements in provisions	962.8	904.5	915.3	1,532.6	2,221.2
Income tax (income)/expense [a]	-	-	-	-	-
Profit after taxes, depreciation, amortization and movements in provisions [b]	783.4	898.9	436.1	2,317.9	2,325.5
Profit distributed as dividends [c]	783.9	783.9	809.2	1,030.3	1,320.3
3. Earnings per share					
Profit after taxes but before depreciation, amortization and movements in provisions	1.95	1.64	1.90	3.34	4.50
Profit after taxes, depreciation, amortization and movements in provisions [b]	1.60	1.83	0.89	4.72	4.58
Gross dividend distributed per share [d]	1.60	1.60	1.65	2.10	2.60
4. Employees					
Average number of employees	25	26	23	22	23
Total payroll	33.8	59.8	64.5	61.4	104.8
Amounts paid in respect of social security	10.7	18.2	15.9	13.8	17.7

(a) Excluding the impact of the tax consolidation agreement.
(b) Including the impact of the tax consolidation agreement.
(c) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of LVMH treasury shares held as of the distribution date. For fiscal year 2011, amount proposed to the Shareholders' Meeting of April 5, 2012.
(d) Excluding the impact of tax regulations applicable to the beneficiary.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying financial statements of LVMH Moët Hennessy - Louis Vuitton;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional practice standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2011 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the opinion expressed above, we draw your attention to Note 2.1. "General framework, change in accounting methods" to the notes of the financial statements that describes the change in presentation of the income statement.

II. Justification of our assessments

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

Note 2.3. to the financial statements describes the accounting principles and methods applicable to long-term investments. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the Notes to the financial statements, and have ascertained that they were properly applied.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed the other specific procedures required by law, in accordance with professional practice standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and the documents addressed to the shareholders in respect of the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company, from companies controlling your Company or controlled by it. Based on this work, we attest that such information is accurate and fair. It being specified that, as indicated in the management report, this information relates to the remuneration and benefits in-kind paid or borne by your Company and the companies which it controls as well as the remuneration and benefits paid or borne by the companies Financière Jean Goujon and Christian Dior.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of and percentage interests and votes held by shareholders.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on regulated related party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments that have been indicated to us or that we would have identified performing our role. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any other agreements or commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

However, we are required, if any, to inform you in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*) of the implementation during the year of related party agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AUTHORIZED AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of the following related party agreements and commitments previously authorized by your Board of Directors.

1. Agreement entered into with Groupe Arnault SAS

Directors involved: Messrs. Bernard Arnault, Nicolas Bazire, Albert Frère and Pierre Godé.

Nature, purpose, terms and conditions: Amendment to the service agreement entered into with Groupe Arnault SAS on July 31, 1998.

On February 3, 2011, the Board of Directors authorized the signature of an amendment to the service agreement entered into between your Company and Groupe Arnault SAS. The amendment modifies the annual fees set by this agreement to 5,100,000 euros per year (exclusive of VAT) as from January 1, 2011.

Pursuant to this agreement, your Company paid 5,100,000 euros to Groupe Arnault SAS in 2011.

2. Agreement entered into with Christian Dior Couture SA

Directors involved: Messrs. Bernard Arnault, Antoine Bernheim and Pierre Godé.

Nature, purpose, terms and conditions: Renewal of the Joint-venture agreement Les Ateliers Horlogers SA between Christian Dior Couture SA and LVMH.

On March 31, 2011, the Board of Directors authorized the prorogation of the joint-venture Les Ateliers Horlogers Dior SA, established in 2008 to manage the license of Montres Dior for a renewable one year period.

The prorogation led to the signature of amendments and adjustments to the contracts signed in 2008.

3. Agreement entered into With Mr. Francesco Trapani, director

Nature, purpose, terms and conditions : Implementation of a long term profit-sharing plan

On June 30, 2011, the Board of Directors authorized the implementation of a long term profit-sharing plan in favor of Mr. Francesco Trapani.

This agreement grants an exceptional bonus in 2015 (i) based on both the consolidated operating profit of Bulgari for years 2011 to 2014 included, and the evolution of the consolidated operating profit of the Watches and Jewelry business group for years 2012 to 2014 included (ii) with a targeted amount of 4 million euros.

AUTHORIZED AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Authorized agreements and commitments approved in prior years that remained current during the year

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

1. LVMH group holding company cost-sharing agreement

Nature, purpose, terms and conditions

The LVMH group holding company cost-sharing agreement with Diageo Plc (formerly Guinness Plc) dated January 20, 1994, based on the annual revenue generated by the « Wines and Spirits » business group on one side and other activities on the other side, was continued in 2011.

The portion borne by Moët Hennessy SNC during the year totaled 20 million euros.

2. Legal services agreement

Nature, purpose, terms and conditions

This service agreement entered into with Christian Dior for the provision of legal services, particularly for corporate law issues and management of Christian Dior's securities department, was continued in 2011. Pursuant to this service agreement, your Company has received 45,750 euros (excluding VAT) for the year 2011.

3. Funding of the supplemental pension scheme

Nature, purpose, terms and conditions

The supplemental pension scheme set up in 1999 (and managed by an insurance company) for the benefit of the Executive Committee members, some of whom are also Directors, was continued in 2011.

The resulting expense for your Company in 2011 is included in the amount under Note 30.3 to the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

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OTHER INFORMATION
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1. PRINCIPAL POSITIONS AND OFFICES OF MEMBERS OF THE BOARD OF DIRECTORS

1.1. Currently serving Directors

Mr. Bernard ARNAULT, Chairman and Chief Executive Officer

Date of birth: March 5, 1949. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: September 26, 1988.
Expiration of term: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 6,990 shares.

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

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

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

Current positions and offices

LVMH group/Arnault group:

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

Other

France	Carrefour SA [a]	Director
	Lagardère SCA [a]	Member of the Supervisory Board

Positions and offices that have terminated after January 1, 2007

France	Métropole Télévision "M6" SA	Member of the Supervisory Board
	Raspail Investissements SA	Director

Mrs. Delphine ARNAULT

Date of birth: April 4, 1975. French.
Business address: Christian Dior – 30, avenue Montaigne – 75008 Paris (France).
Date of first appointment: September 10, 2003.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 158,844 shares.

Mrs. Delphine Arnault began her career with the international management consulting firm McKinsey & Co, where she worked as a consultant for two years.

In 2000, she moved to designer John Galliano's company, where she helped in development, thereby acquiring concrete experience of the fashion industry. In 2001, she joined the Executive Committee of Christian Dior Couture where she currently serves as Deputy Managing Director. She also is a member of Loewe's Board of Directors, where she is Senior Vice-President for product strategy.

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Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director
	Céline SA	Director
	Les Echos SAS	Member of the Supervisory Board
	Société Civile du Cheval Blanc	Director
International	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Loewe SA (Spain)	Director

Other

France	Établissement Public de Sèvres - Cité de la Céramique	Director
	Métropole Télévision "M6" SA [a]	Member of the Supervisory Board

Positions and offices that have terminated after January 1, 2007

International	Calto Srl (Italy)	Chairman of the Board of Directors
	Manifatturauno Srl (Italy)	Chairman of the Board of Directors

Mr. Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions

Date of birth: July 13, 1957. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: May 12, 1999.
Expiration of term: Annual Meeting convened in 2014.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Nicolas Bazire became Chief of Staff of Prime Minister Edouard Balladur in 1993. He was Managing Partner at Rothschild & Cie Banque between 1995 and 1999 and has served as Managing Director of Groupe Arnault SAS since 1999.

Current positions and offices

LVMH group/Arnault group

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

Other

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

Positions and offices that have terminated after January 1, 2007

France	Ipsos SA [a]	Director
	Lyparis SAS	Member of the Supervisory Committee
	Société Financière Saint-Nivard SAS	Chairman
	Tajan SA	Director
International	Go Invest SA (Belgium)	Director

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Mr. Antonio BELLONI, Group Managing Director

Date of birth: June 22, 1954. Italian.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: May 15, 2002.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 7,000 shares.

Mr. Antonio Belloni joined LVMH Group in June 2001, following 22 years with Procter & Gamble. He was appointed head of Procter & Gamble's European division in 1999, having previously served as Chairman and Chief Executive Officer for the group's Italian operations. He began his career at Procter & Gamble in Italy in 1978 and subsequently held a number of positions in Switzerland, Greece, Belgium and the United States. He has been Group managing Director of LVMH since September 2001.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA[a]	Group Managing Director and Director
	Givenchy SA	Director
	Le Bon Marché, maison Aristide Boucicaut SA	Permanent Representative of LVMH, Director
	LVMH Fragrance Brands SA	Permanent Representative of LVMH Fashion Group, Director
	Sephora SA	Group Managing Director and Director
	Louis Vuitton pour la Création, Fondation d'Entreprise	Director
International	Benefit Cosmetics LLC (United States)	Manager
	Bulgari SpA (Italy)	Director
	De Beers Diamond Jewellers Limited (United Kingdom)	Director
	De Beers Diamond Jewellers Trademark Ltd (United Kingdom)	Director
	DFS Group Limited (Bermuda)	Director
	DFS Holdings Limited (Bermuda)	Director
	Donna Karan International Inc. (United States)	Director
	Edun Americas Inc. (United States)	Director
	Edun Apparel Limited (United Kingdom)	Director
	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Fendi SA (Luxembourg)	Director
	Fendi Srl (Italy)	Director
	Fendi Adele Srl (Italy)	Director
	Fresh Inc. (United States)	Director
	LVMH (Shanghai) Management & Consultancy Co. Ltd (China)	Chairman of the Board of Directors
	Moët Hennessy Whitehall Rus LLC (Russia)	Chairman of the Board of Directors
	Nude Brands Limited (United Kingdom)	Director
	RVL Holding BV (Netherlands)	Member of the Supervisory Board
	Sephora Marinopoulos (Greece)	Director
	Thomas Pink Holdings Limited (United Kingdom)	Director
	Ufip (Ireland)	Director

Positions and offices that have terminated after January 1, 2007

France	LVMH Fragrance Brands GIE	Member of the College of Directors
	Parfums Luxe International – PLI SA	Chairman and Chief Executive Officer
International	DFS Group LP (United States)	Director
	DFS Guam LP (Guam)	Director

Mrs. Bernadette CHIRAC

Date of birth: May 18, 1933. French.
Mailing address: BP 70316 – F-75007 – Paris Cedex 07 (France).
Date of first appointment: April 15, 2010.
Expiration of term: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 500 shares.

Married to Mr. Jacques Chirac, President of France from 1995 to 2007, Mrs. Bernadette Chirac was elected to the local council of the town of Sarran in 1971 and was named as deputy mayor in 1977. She was elected as a member of the departmental council of Corrèze in 1979 and was reelected continuously

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until 2011. In 1990, she founded the association Le Pont Neuf, and serves as its President to this day. In 1994, she was named president of Fondation Hôpitaux de Paris – Hôpitaux de France and took an active role in its "*Pièces Jaunes*" and "*Plus de vie*" operations which, thanks to her support and involvement, have become widely recognized charity events in France. Since 2007, she has also served as president of Fondation Claude Pompidou.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Departmental Councillor of Corrèze	
	Fondation-Hôpitaux de Paris-Hôpitaux de France	Chairman
	Fondation Claude Pompidou	Chairman

Mr. Nicholas CLIVE WORMS

Date of birth: November 14, 1942. French.
Business address: Worms 1848 SAS-48, rue Notre-Dame des Victoires-75002 Paris (France)
Date of first appointment: September 22, 1988.
Expiration of term: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 3,330 shares.

Mr. Nicholas Clive Worms was General Partner and later Managing Partner of Maison Worms & Cie between 1970 and 1996, Managing Partner and subsequently Chairman of the Supervisory Board of Worms & Cie between 1991 and 2004. He also served as Chairman and Chief Executive Officer and then Managing Partner of Pechelbronn between 1976 and 1991. He is currently Chairman of Worms 1848 SAS.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Financière de Services Maritimes SA	Director
	Worms 1848 SAS	Chairman
International	Permal UK Ltd (United Kingdom)	Chairman of the Board of Directors
	Worms (Luxembourg)	Chairman

Mr. Charles de CROISSET

Date of birth: September 28, 1943. French.
Business address: Goldman Sachs International – Peterborough Court, 133 Fleet Street – EC4A 2BB London (United Kingdom).
Date of first appointment: May 15, 2008.
Expiration of term: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 1,000 shares.

Mr. Charles de Croisset entered the *Inspection des Finances* in 1968. After a career in the administration, he joined Credit Commercial de France (CCF) in 1980 as Corporate Secretary before being appointed Deputy Chief Executive and then Chief Executive. In 1993, he was named Chairman and Chief Executive Officer of CCF, then Executive Director of HSBC Holdings Plc in 2000. In March 2004, he joined Goldman Sachs Europe as its Vice- Chairman and was named as International Advisor to Goldman Sachs International in 2006.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Euler Hermès SA [a]	Member of the Supervisory Board
	Galeries Lafayette SA [a]	Member of the Advisory Board
	Renault SA [a]	Director
	Renault SAS	Director
	Fondation du Patrimoine	Chairman
International	Goldman Sachs International (United Kingdom)	International Advisor

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Positions and offices that have terminated after January 1, 2007

France	Bouygues SA	Director
	Thales SA	Director
International	Thales Holdings Plc (United Kingdom)	Advisor

Mr. Diego DELLA VALLE

Date of birth: December 30, 1953. Italian.
Business address: Tod's Spa – Corso Venisia 30 – 20121 Milan (Italy).
Date of first appointment: May 15, 2002.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Diego Della Valle joined the family business in 1975. He played a fundamental role in the definition of the Company's development strategy and the creation of the brands that have shaped its image. He developed an innovative marketing plan, which has since served as a model to other companies around the world in the luxury goods industry. Since October 2000, he has been Chairman and Managing Director of Tod's SpA, which today is a world leader in the luxury accessories sector.

Current positions and offices

Tod's SpA group

International	DDV partecipazioni SRL (Italy)	Sole director
	DI.VI. Finanziaria SAPA (Italy)	Active partner and Director
	Diego Della Valle & C. SAPA (Italy)	Active partner and Director
	Tod's SpA (Italy)	Chairman of the Board of Directors and Director delegate
	Fondazione Della Valle Onlus (Italy)	Chairman of the Board of Directors

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Le Monde Europe SA	Director
International	ACF Fiorentina SpA (Italy)	Honorary Chairman
	Assicurazioni Generali SpA (Italy)	Director
	Compagnia Immobiliare Azionaria (Italy)	Director
	Ferrari SpA (Italy)	Director
	Marcolin SpA (Italy)	Director
	RCS Mediagroup SpA (Italy)	Director

Mr. Pierre GODÉ, Vice-Chairman

Date of birth: December 4, 1944. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: January 13, 1989.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 110,708 shares.

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

He has been Managing Director of Groupe Arnault since 1986.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy-Louis Vuitton SA [a]	Vice-Chairman and Director
	Christian Dior SA [a]	Director
	Christian Dior Couture SA	Director
	Financière Agache SA	Chairman and Chief Executive Officer
	Financière Jean Goujon SAS	Chairman
	Groupe Arnault SAS	Chief Executive Officer
	Les Echos SAS	Member of the Supervisory Board
	Louis Vuitton Malletier SA	Director

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France	Raspail Investissements SAS	Chairman
	SA du Château d'Yquem	Director
	Semyrhamis SAS	Member of the Supervisory Committee
	Sevrilux SNC	Legal representative of Financière Agache, Manager
	Sofidiv SAS	Member of the Management Committee
	Société Civile du Cheval Blanc	Director
International	LVMH International SA (Belgium)	Director
	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Director
	LVMH Publica SA (Belgium)	Director
	Sofidiv UK Limited (United Kingdom)	Director

Other

France	Havas SA [a]	Director
	Redeg SARL	Manager
	Fondation Maeght	Director

Positions and offices that have terminated after January 1, 2007

International	LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan)	Director

Mrs. Marie-Josée KRAVIS

Date of birth: September 11, 1949. American.
Business address: The Museum of Modern Art – 11 West 53 Street – New York, NY 10019 (United States).
Date of first appointment: March 31, 2011.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 500 shares.

Mrs. Marie-Josée Kravis is an economist specializing in the fields of public policy and strategic planning. She started her career as financial analyst with Power Corporation of Canada and went on to work with the General Solicitor of Canada and the Canadian minister for Supply and Services. She is a member of the Board of Trustees and a senior fellow of Hudson Institute, and since 2005 has been President of the Museum of Modern Art (MoMA) of New York.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy-Louis Vuitton SA [a]	Director

Other

France	Publicis Groupe SA [a]	Member of the Supervisory Board
International	Federal Reserve Bank of New York (United States)	Member of the International Advisory Board
	Memorial Sloan-Kettering Cancer Center (United States)	Director and member of the Executive Committee
	Qatar Museum Authority (Qatar)	Director
	The Museum of Modern Art of New York (United States)	Chairman

Positions and offices that have terminated after January 1, 2007

International	Ford Motor Co. (United States)	Director
	Interactive Data Corporation (United States)	Director

Mr. Hubert VÉDRINE

Date of birth: July 31, 1947. French.
Business address: Hubert Védrine (HV) Conseil – 21, rue Jean Goujon – 75008 Paris (France).
Date of first appointment: May 13, 2004.
Expiration of term: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Hubert Védrine has held a number of French government and administrative posts, notably as Diplomatic Advisor to the Presidency from 1981 to 1986, Spokesperson for the Presidency from 1988 to 1991, General Secretary for the Presidency from 1991 to 1995 and Minister for Foreign Affairs from 1997 to 2002. In early 2003, he founded a geopolitical management consulting firm, "Hubert Védrine (HV) Conseil".

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Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Audiovisuel Extérieur de la France SA	Director
	Hubert Védrine (HV) Conseil SARL	Managing Partner
	Ipsos SA [a]	Director

1.2. Appointments as Directors

Mr. Antoine ARNAULT

Date of birth: June 4, 1977. French.
Business address: Berluti – 31, rue Marbeuf – 75008 Paris (France).
Date of first appointment: May 11, 2006.
Number of LVMH shares held in a personal capacity: 110,964 shares.

Mr. Antoine Arnault graduated from HEC Montreal and INSEAD. In 2000 he created an internet company, Domainoo.com. In 2002, he sold his holding in Domainoo.com and joined Louis Vuitton Malletier initially as marketing manager for the brand, where he took some significant initiatives, notably with respect to advertising and then as Director of the provincial operations of Louis Vuitton France. In 2007, he became Director of Communication at Louis Vuitton. In 2010, he was appointed Chairman of the Executive Board of Berluti. He initiated the "*Journées Particulières*" open-day event that allowed some 100,000 visitors to take a look behind the scenes free of charge at 25 Group companies in mid-October 2011.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director
	Berluti SA	Chairman of the Executive Board
	Les Echos SAS	Member of the Supervisory Board
International	Berluti LLC (United States)	Manager
	Berluti Hong Kong Company Limited (Hong Kong)	Director
	Berluti (Shangai) Company Limited (China)	Director
	Manifattura Berluti SRL (Italy)	Director

Positions and offices that have terminated after January 1, 2007

France	S.D.R.E Société de Distribution Robert Estienne SNC	Legal representative of Berluti, Managing Partner
International	Spot Runner, Inc. (United States)	Member of the Supervisory Board

Mr. Albert FRÈRE

Date of birth: February 4, 1926. Belgian.
Business address: Frère-Bourgeois – 12, rue de la Blanche Borne – 6280 Loverval (Belgium).
Date of first appointment: May 29, 1997.
Number of LVMH shares held in a personal capacity: 500 shares.

Having begun his career within the family metal products business, Mr. Albert Frère turned his focus to industrial acquisitions and gained control, with his partners, of virtually all the steel industry around Charleroi. In 1981, he founded Pargesa Holding SA jointly with several partners. The following year, this company acquired interests in Groupe Bruxelles Lambert. In 1987 he was appointed Chairman of its Board of Directors, a position he still holds today. He has also served as Chairman of the Board of Directors of Frère-Bourgeois SA since 1970.

(a) French listed company.

Current positions and offices

Frère-Bourgeois group

International	Erbé SA (Belgium)	Chairman of the Board of Directors
	Financière de la Sambre SA (Belgium)	Chairman of the Board of Directors
	Frère-Bourgeois SA (Belgium)	Chairman of the Board of Directors
	Stichting Administratie Kantoor Frère-Bourgeois (Netherlands)	Chairman of the Board of Directors

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director
	Groupe Arnault SAS	Permanent Representative of Belholding Belgium SA, Member of the Management Committee
	Société Civile du Cheval Blanc	Director

Other

France	GDF-Suez SA [a]	Vice-Chairman of the Board of Directors and Director
	Métropole Télévision "M6" SA [a]	Chairman of the Supervisory Board
International	GBL Energy (Luxembourg)	Permanent Representative of Frère-Bourgeois SA, Director
	GBL Vervaltung SARL (Luxembourg)	Permanent Representative of Frère-Bourgeois SA, Director
	Pargesa Holding SA (Switzerland)	Vice-Chairman, Managing Director and Member of the Management Committee
	Banque Nationale de Belgique (Belgium)	Honorary Chairman

Positions and offices that have terminated after January 1, 2007

France	Raspail Investissements SA	Director
	Suez SA	Vice-Chairman of the Board of Directors and Director
International	Assicurazioni Generali SpA (Italy)	Member of the International Committee
	Fingen SA (Belgium)	Chairman of the Board of Directors
	GBL Finance (Luxembourg)	Director
	Groupe Bruxelles Lambert SA (Belgium)	Chairman and Chief Executive Officer
	Gruppo Banca Leonardo (Italy)	Director

Mr. Gilles HENNESSY

Date of birth: May 14, 1949. French.
Business address: Moët Hennessy – 65, avenue de la Grande Armée – 75016 Paris (France).
Date of first appointment: June 6, 1990.
Number of LVMH shares held in a personal capacity: 111,145 shares.

Mr. Gilles Hennessy joined Jas Hennessy & Co in 1971 as head of marketing and sales and participated in Hennessy's expansion into the Japanese market in 1977, followed by the cognac producer's introduction into China, South Korea and Vietnam. He has served as Vice-Chairman of Moët Hennessy since September 1, 2002.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director
	Jas Hennessy & Co. SCS	Member of the Board of Limited Partners
	MHD Moët Hennessy Diageo SAS	Director
	Moët Hennessy SNC	Vice-Chairman
	Moët Hennessy Investissements SA	Permanent Representative of Moët Hennessy SNC, Director
International	Innovacion en Marcas de Prestigio SA de CV (Mexico)	Director
	Moët Hennessy Asia Pacific Pte Ltd (Singapore)	Director
	Moët Hennessy Belux SA (Belgium)	Director
	Moët Hennessy Danmark A/S (Denmark)	Chairman of the Board of Directors
	Moët Hennessy de Mexico SA (Mexico)	Director
	Moët Hennessy Inc. (United States)	Director
	Moët Hennessy UK Ltd (United Kingdom)	Director
	Moët Hennessy USA Inc. (United States)	Director

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International	Polmos Zyrardow (Poland)	Member of the Management Committee
	The Glenmorangie Company Ltd (United Kingdom)	Director

Other

France	Groupe Alain Crenn	Director
	K. Hennessy SARL	Manager

Positions and offices that have terminated after January 1, 2007

France	Champagne Moët & Chandon SCS	Permanent Representative of Jas Hennessy & Co, Member of the Board of Partners
	France Champagne SA	Director
	Krug, Vins Fins de Champagne SA	Chairman and Chief Executive Officer
	Veuve Clicquot Ponsardin SCS	Member of the Board of Partners
International	Jas Hennessy & Co. Ltd (Ireland)	Chairman of the Board of Directors
	Millennium Brands Limited (Ireland)	Director
	Moët Hennessy Do Brasil (Brazil)	Director
	Schieffelin & Somerset (United States)	Member of the Supervisory Board

Lord POWELL of BAYSWATER

Date of birth: July 6, 1941. British.
Business address: LVMH House 15 St George Street – W1S 1FH London (United Kingdom).
Date of first appointment: May 29, 1997.
Number of LVMH shares held in a personal capacity: 550 shares.

Lord Powell was Private Secretary and Advisor on Foreign Affairs and Defense to Prime Ministers Margaret Thatcher and John Major from 1983 to 1991. He sits as a cross-bench member of the House of Lords, the British Parliament's upper chamber.

Current positions and offices

LVMH group/Arnault group

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

Other

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

Mr. Yves-Thibault de SILGUY

Date of birth: July 22, 1948. French.
Business address: YTSeuropa Consultants – 13bis avenue de la Motte Picquet – 75007 Paris (France).
Date of first appointment: May 14, 2009.
Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Yves-Thibault de Silguy has held various positions within French Government as well as within the European Community.

In 1988, he joined Usinor-Sacilor, where he was the Director of International Affairs until 1993. From 2000 to 2006, he successively became member of the Management Board, Chief Executive and Group Managing Director of Suez. In June 2006, he was appointed as Chairman of the Board of Directors of Vinci and, in May 2010, as Vice-Chairman and Senior Director. Since May 2010, he has been Chairman of YTSeuropa Consultants.

(a) French listed company.

Current positions and offices

Vinci group

France	Société des Autoroutes du Sud de la France	Director
	Vinci [a]	Vice-Chairman of the Board of Directors and Senior Director

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director

Other

France	Sofisport SA	Chairman of the Supervisory Board
	VTB Bank (France) SA	Member of the Supervisory Board
	Ysilop Consulting SARL	Manager
	YTSeuropaconsultants SARL	Manager
International	Solvay (Belgium)	Director
	International Financial Reporting Standards Fondation (IFRS/IASB)	Trustee

Positions and offices that have terminated after January 1, 2007

International	Suez-Tractebel (Belgium)	Director
	VTB (Russia)	Director

Mr. Francesco TRAPANI, President of the Watches and Jewelry business group

Date of birth: March 10, 1957. Italian.
Business address: Bulgari – Lungotevere Marzio, 11 – 00187 Rome (Italy).
Date of first appointment as Advisory Board Member: March 31, 2011.
Date of cooptation as Director: June 30, 2011.
Expiration of term as Director: Annual Meeting convened in 2013.
Number of LVMH shares held in a personal capacity: 1,561,592 shares.

Over the past 28 years during which he has served as Chief Executive of Bulgari, Francesco Trapani has significantly expanded the company, giving it an international dimension, with a rich and diverse portfolio, which now includes, jewelry, watches, fragrances, accessories, and more recently, hotels. Since Bulgari's tie-up with LVMH, in June 2011, Francesco Trapani has been President of the Watches and Jewelry business group.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Director
	Fred Paris SA	Permanent Representative of Ufipar, Director
International	Bulgari SpA (Italy)	Director delegate
	Bulgari Hotels and Resorts Milano Srl (Italy)	Chief Executive Officer
	Bulgari Hotels and Resorts BV (Netherlands)	Director
	De Beers Diamond Jewellers Limited (United Kingdom)	Chairman of the Board of Directors
	Les Ateliers Horlogers Dior SA (Switzerland)	Director
	LVMH Swiss Manufactures SA (Switzerland)	Director

Other

International	Elystone Capital (Switzerland)	Chairman of the Board of Directors
	Esprit Holding (Hong-Kong)	Independent Director
	UIR – Confindustria Committee (Italy)	Member
	Rome 2012 Olympic Games Support Committee (Italy)	Member

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Positions and offices that have terminated after January 1, 2007

France	Bulgari France SAS	Director
International	BootB (Italy)	Director
	Bulgari Asia Pacific Ltd (Hong-Kong)	Director
	Bulgari Australia Pty Ltd (Australia)	Director
	Bulgari Belgium SA (Belgium)	Director
	Bulgari Corporation of America (United States)	Director
	Bulgari Espana SA (Spain)	Director
	Bulgari Hotels and Resorts BV (Netherlands)	Director
	Bulgari Malaysia Sdn Bhd (Malaysia)	Director
	Bulgari Montecarlo (Principality of Monaco)	Director
	Bulgari South Asian Operations SA (Switzerland)	Director

1.3. Advisory Board members

1.3.1. Currently serving members

Mr. Paolo BULGARI

Date of birth: October 8, 1937. Italian.
Business address: Bulgari – Lungotevere Marzio, 11 – 00187 Rome (Italy).
Date of first appointment: March 31, 2011.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 8,340,549 shares.

The nephew of Mr. Sotirio Bulgari, founder of the House of Bulgari, Mr. Paolo Bulgari began his career as a specialist in precious stones within the family business in 1960. He has been Chairman of Bulgari since 1984. Recognized as one of the leading experts in precious stones, he embodies the spirit of the company and the inspiration of its creative team.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Advisory Board member
International	Bulgari SpA (Italy)	Chairman of the Board of Directors

Mr. Patrick HOUËL

Date of birth: July 25, 1942. French.
Business address: 10, avenue Frederic Le Play – 75007 Paris (France).
Date of first appointment on the Board of Directors: May 13, 2004.
Expiration of term: Annual Meeting convened in 2014.
Number of LVMH shares held in a personal capacity: 5,500 shares.

Mr. Patrick Houël worked at Credit Lyonnais for seven years before being named as Chief Financial Officer of Jas Hennessy & Co in 1978. In 1983, he became Deputy Chief Financial Officer of Moët Hennessy Group and took over the post of Chief Financial Officer of Moët Hennessy in 1985. In 1987, when Moët Hennessy merged with Louis Vuitton, he served as Chief Financial Officer of the LVMH group until 2004. He was subsequently Advisor to the Chairman until January 2008.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Advisory Board member
	Guerlain SA	Permanent Representative of LVMH, Director
	L Capital FCPR	Member of the Supervisory Committee
	L Capital 2 FCPR	Member of the Consultation Committee
	Le Bon Marché, maison Aristide Boucicaut SA	Permanent Representative of LVMH Finance, Director
	LVMH Fashion Group SA	Permanent Representative of UFIPAR, Director
	Parfums Christian Dior SA	Permanent Representative of LVMH, Director

(a) French listed company.

France	SA du Château d'Yquem	Director
	Wine & Co. SA	Permanent Representative of LVMH Fashion Group, Director
International	L Development & Management Limited Hong-Kong (Hong-Kong)	Director
	L Real Estate SA (Luxembourg)	Director
	Sociedad Textil Lonia (Spain)	Director
Other		
France	LCL Obligations euro Sicav	Director
	Mongoual SA	Permanent Representative of Société Montaigne Jean Goujon, Director
	Objectif Small Caps euro Sicav	Director
	PGH Consultant SARL	Manager
	Tikehau Investment Management SAS	Member of the Supervisory Board

1.3.2. Nomination

Mr. Felix G. ROHATYN

Date of birth: May 29, 1928. American.
Business address: Lazard Frères & Co. LLC – 30 Rockefeller Plaza – 62nd Floor – NY 10020, New York (United States).
Date of first appointment as Director: May 14, 2001.
Date of co-optation as Advisory Board Member: June 30, 2011.
Expiration of term as Advisory Board Member: Annual Meeting convened in 2014.

Number of LVMH shares held in a personal capacity: 1,000 shares.

Mr. Felix G. Rohatyn was United States Ambassador to France from 1997 to 2000. He previously was Managing Partner of Lazard Frères & Co LLC. He also served on the Board of the New York Stock Exchange from 1968 to 1972. He has been a Special Advisor of the President of Lazard Ltd since January 2010.

Current positions and offices

LVMH group/Arnault group

France	LVMH Moët Hennessy - Louis Vuitton SA [a]	Advisory Board member
Other		
France	Publicis Groupe SA [a]	Member of the Supervisory Board
International	Carnegie Hall (United States)	Vice-Chairman emeritus of the Board of Directors
	Center for Strategic and International Studies (CSIS) (United States)	Director
	Council on Foreign Relations (United States)	Advisor
	Lazard Ltd (United States)	Special Advisor to the Chairman

(a) French listed company.

2. STATUTORY AUDITORS

2.1. Principal Statutory Auditors

	Start date of first term	Current term: Date appointed	Current term: End of term
ERNST & YOUNG et Autres 1, place des Saisons – 92400 Courbevoie – Paris La Défense 1 Represented by Olivier Breillot and Gilles Cohen	June 6, 1998	April 15, 2010	Annual Meeting convened to approve the financial statements for the 2015 fiscal year
DELOITTE & ASSOCIÉS 185 avenue Charles de Gaulle – 92524 Neuilly-sur-Seine Cedex Represented by Thierry Benoit	May 13, 2004	April 15, 2010	Annual Meeting convened to approve the financial statements for the 2015 fiscal year

2.2. Alternate Statutory Auditors

	Start date of first term	Current term: Date appointed	Current term: End of term
AUDITEX 1, place des Saisons – 92400 Courbevoie – Paris La Défense 1	April 15, 2010	April 15, 2010	Annual Meeting convened to approve the financial statements for the 2015 fiscal year
Mr. Denis GRISON 61, rue Henri Regnault – 92075 Paris La Défense	June 6, 1986	April 15, 2010	Annual Meeting convened to approve the financial statements for the 2015 fiscal year

2.3. Fees paid in 2011

(in thousands of euros, excluding VAT)	ERNST & YOUNG Audit				DELOITTE & ASSOCIÉS			
	2011		2010		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory Audit, certification, audit of the individual company and consolidated financial statements:								
- LVMH Moët Hennessy - Louis Vuitton	1,054	8	1,080	10	713	11	645	12
- Consolidated subsidiaries	7,299	54	6,769	59	3,783	61	3,850	75
Other services relating directly to the Statutory Audit assignment								
- LVMH Moët Hennessy - Louis Vuitton	1,436 [a]	11	242	2	256	4	55	1
- Consolidated subsidiaries	165	1	164	2	288	5	145	3
	9,954	**74**	**8,255**	**73**	**5,040**	**81**	**4,695**	**91**
Other services provided by the firms to consolidated subsidiaries								
Legal, tax, employee-related [b]	2,750	20	2,729	24	366	6	383	7
Other	738	6	277	3	810 [c]	13	91	2
	3,488	**26**	**3,006**	**27**	**1,176**	**19**	**474**	**9**
Total	**13,442**	**100**	**11,261**	**100**	**6,216**	**100**	**5,169**	**100**

(a) The increase in 2011 results from the post-acquisition audits of Bulgari.
(b) This mainly relates to tax advisory services performed outside France, to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.
(c) The increase in 2011 is related to residual IT assistance services rendered to Bulgari.

3. CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors is the strategy body of LVMH Moët Hennessy - Louis Vuitton SA. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by LVMH's Board of Directors are enterprise value creation and the defense of the Company's interests.

LVMH's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to preserving the level of enterprise performance and transparency required to retain the confidence of shareholders and partners in the Group.

3.1. Structure of the Board of Directors

The Board of Directors shall have a maximum of 18 members, a third of whom at least are appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered as independent, the Board of Directors refers among others to the criteria set forth in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors or permanent representatives of legal entities from outside companies, in which the Chairman of the LVMH Board of Directors or any LVMH Director serving as LVMH Chief Executive Officer or Managing Director holds an office, shall be limited to four.

3.2. Missions of the Board of Directors

Apart from the selection of the Company's management structure and the appointment of the Chairman of the Board of Directors, Chief Executive Officer and Group Managing Director(s), the principal missions of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the broad strategic orientations of the Company and the Group and ensure that their implementation is monitored;
- approve the Company's annual and half-yearly financial statements;
- review the essential characteristics of the internal control and risk management systems adopted and implemented by the Company;
- ensure that major risks to which the Company is exposed are in keeping with its strategies and its objectives, and that they are taken into account in the management of the Company;
- verify the quality, reliability and fairness of the information provided to shareholders concerning the Company and the Group, in particular to ensure that the management structure and the internal control and risk management systems are able to guarantee the quality and reliability of financial information published by the Company and to give a true and fair view of the results and the financial position of the Company and the Group;
- set out the organization principles and procedures for the Performance Audit Committee;
- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

3.3. Operations of the Board of Directors

The Board of Directors shall hold at least four meetings a year.

Any individual who accepts the position of Director or permanent representative of a legal entity appointed as Director of the Company shall agree to attend Board of Directors' and Shareholders' Meetings regularly.

On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absenteeism by a Director may cause the Board of Directors to reconsider his appointment.

So that members of the Board of Directors can fully serve the function entrusted to them, the Chief Executive Officer provides members with any and all information necessary for the performance of their duties.

Decisions by the Board of Directors shall be made by simple majority vote and are adopted as a board.

If they deem appropriate, independent Directors may meet without requiring the presence of the other members of the Board of Directors.

For special or important issues, the Board of Directors may establish one or more ad hoc committees.

Each member of the Board of Directors shall act in the interests and on behalf of all shareholders.

Once each year, the Board of Directors evaluates its procedures and informs shareholders as to its conclusions in a report presented to the Shareholders' Meeting. In addition, at least once every three years, a fully documented review of the work of the Board, its organization and its procedures is conducted.

3.4. Responsibilities

The members of the Board of Directors shall be required to familiarize themselves with the general and specific obligations of their office, and with all applicable laws and regulations.

The members of the Board of Directors shall be required to respect the confidentiality of any information of which they may become aware in the course of their duties concerning the Company or the Group, until such information is made public by the Company.

The members of the Board of Directors agree not to trade in the Company's shares, either directly or indirectly, for their own account or on behalf of any third parties, based on information disclosed to them in the course of their duties that is not known to the public. Moreover, members of the Board of Directors shall refrain from engaging in any stock market transactions involving the Company's shares and from any exercise of options for the duration of a period:

- beginning on the 30th calendar day preceding the publication of the Company's annual or interim consolidated financial statements and ending the day after said publication;
- beginning on the 15th calendar day preceding the Company's quarterly consolidated revenue announcement and ending the day after said announcement.

The Directors agree to:

- warn the Chairman of the Board of Directors of any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities;
- abstain from voting on any issue that concerns them directly or indirectly;
- inform the Chairman of the Board of Directors of any operation or agreement entered into with any LVMH group company to which they are a party;
- provide details to the Chairman of the Board of Directors of any formal investigation, conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative, management or supervisory body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party.

The Chairman of the Board of Directors shall apprize the Performance Audit Committee upon receiving any information of this type.

3.5. Compensation

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

This amount shall be distributed among all members of the Board of Directors and the Advisors, if any, on the recommendation of the members of the Directors' Nominations and Compensation Committee, taking into account their specific responsibilities on the Board (e.g. chairman, vice-chairman, participation on committees created within the Board).

The settlement of a portion of these fees shall be contingent upon attendance by Directors at the meetings of the Board of Directors and, where applicable, the Committee(s) of which they are members, calculated according to a formula to be determined by the Board of Directors, acting upon a proposal submitted by the Nominations and Compensation Committee.

Exceptional compensation may be paid to some Directors for any special assignment they assume. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

3.6. Scope of application

This Charter shall apply to all members of the Board of Directors and the Advisory Board. It must be given to each candidate for the position of Director and to each permanent representative of a legal entity before they take office.

4. INTERNAL RULES OF THE PERFORMANCE AUDIT COMMITTEE

A specialized committee responsible for auditing performance operates within the Board of Directors, acting under the responsibility of the Board of Directors.

4.1. Structure of the Committee

The Performance Audit Committee shall be made up of at least three Directors appointed by the Board of Directors. At least two-thirds of the members shall be independent Directors. The majority of the Committee's members must have held a position as a Managing Director or a position involving equivalent responsibilities or possess specific expertise in financial and accounting matters.

The Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term of the Chairman of the Committee is five years.

Neither the Chairman of the Board of Directors nor any Director performing the duties of Chief Executive Officer or Group Managing Director of LVMH may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

4.2. Role of the Committee

The principal missions of the Committee are to:

- monitor the process for preparing financial information, particularly the individual company and consolidated financial statements, and verify the quality of this information;
- monitor the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors, whose conclusions and recommendations it examines;
- ensure the existence, pertinence, application and effectiveness of internal control and risk management systems, monitor the ongoing effectiveness of these systems, and make recommendations to the Chief Executive Officer concerning the priorities and general guidelines for the work of the Internal Audit team;
- examine risks to the Statutory Auditors' independence and, if necessary, identify safeguards to be put in place in order to minimize the potential of risks to compromise their independence, issue an opinion on the fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and the companies it controls or is controlled by, whether in relation to their statutory audit responsibilities or other related assignments, oversee the procedure for the selection of the Company's Statutory Auditors, and make a recommendation on the appointments to be submitted to the Shareholders' Meeting in consideration of the results of this procedure;
- analyze the exposure of the Company and the Group to risks, and in particular to those identified by the internal control and risk management systems, as well as material off–balance sheet commitments of the Company and the Group;
- review major agreements entered into by Group companies and agreements entered into by any Group company with a third-party company in which a Director of the LVMH parent company is also a senior executive or principal shareholder. Significant operations within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed upon the proposal of the Performance Audit Committee;
- assess any instances of conflict of interest that may affect a Director and recommend suitable measures to prevent or correct them.

4.3. Operating procedures of the Committee

A Director's agreement to serve on the Committee shall imply that he will devote the necessary time and attention to his duties on the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s), before the Board of Directors' meetings in which the agenda includes a review of the annual and half-yearly parent company and consolidated financial statements.

If necessary, the Committee may be required to hold special meetings, when an event occurs that may have a significant effect on the parent company or consolidated financial statements.

Before each meeting, all pertinent documents and analyses relating to the different items on the agenda for the meeting are sent to each member of the Committee.

Any document submitted to the Committee in connection with its responsibilities shall be considered confidential as long as it has not been made public by the Company.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions of the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

The proceedings of each Committee meeting shall be recorded in minutes of the meeting.

4.4. Prerogatives of Committee members

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

The Committee may request any and all accounting, legal or financial documents it deems necessary to carry out its responsibilities.

The Committee may call upon the Company's staff members responsible for preparing the financial statements, carrying out internal control procedures, conducting internal audits, applying risk management or cash management procedures, investigating tax or legal matters, as well as the Statutory Auditors, to appear before it on any number of occasions to address issues in detail, without requiring the presence of the Chairman of the Board, the Chief Executive Officer, or Group Managing Director(s) of LVMH. These meetings may also take place in the absence of those responsible for the accounting and financial functions.

After having duly notified the Chairman of the Board of Directors, the Committee may seek assistance from external experts if circumstances require.

4.5. Compensation of Committee members

The Committee members and its Chairman may receive a special Director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

5. INTERNAL RULES OF THE NOMINATIONS AND COMPENSATION COMMITTEE

A specialized committee responsible for the nomination and compensation of Directors operates within the Board of Directors, acting under the authority of the Board of Directors.

5.1. Structure of the Committee

The Board's Nominations and Compensation Committee shall be made up of at least three Directors and/or Advisors. The majority of its members shall be independent. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members.

Neither the Chairman of the Board of Directors, nor any Director serving as Chief Executive Officer or Group Managing Director of LVMH, or who are compensated by any LVMH subsidiary, may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

5.2. Role of the Committee

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisor, making certain that the Company's Board of Directors includes prominent independent persons outside the Company. In particular, it discusses the independence of Board members with respect to applicable criteria.

The Committee's opinion may also be sought by the Chairman of the Board of Directors or by any Directors serving as Chief Executive Officer or Managing Director, on potential members of the Group's Executive Committee or candidates for senior management positions at the Group's major subsidiaries. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee shall make recommendations on the distribution of directors' fees paid by the Company and prepares a summary table of directors' fees effectively paid to each Director.

It makes proposals to the Board on the fixed and variable portions of compensation and the benefits in kind to be received (i) by the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) by Directors and Advisors who are employees of the Company or any of its subsidiaries by virtue of an employment contract; it also issues an opinion on any consultancy agreements entered into, either directly or indirectly, with these same individuals. The Committee issues recommendations regarding the qualitative and quantitative criteria on the basis of which the variable portion of compensation for senior executive officers is to be determined as well as the performance conditions applicable to the exercise of options and the definitive allocation of bonus shares.

The Committee expresses its opinion on the general policy for the allocation of options and bonus shares within the Group, also making proposals on the granting of options and bonus shares to senior executive officers and to Directors and Advisors who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

It adopts positions on any supplemental pension schemes established by the Company in favor of its senior executives and issues recommendations on any retirement benefits that might be paid to a particular executive officer upon leaving the Company.

The Committee issues an opinion relating to the fixed and variable portions of compensation, whether immediate or deferred, and benefits in kind to be received by members of the Group's Executive Committee and by other senior executive officers of the Group's main subsidiaries, and on the allocation of options and bonus shares to these same individuals. To this end, the Committee may request copies of any agreements concluded with these individuals and of any accounting information relating to payments made.

The Committee is also entitled to receive information on procedures relating to the payment of external contractors' fees and the reimbursement of their expenses, issuing any recommendations deemed necessary on this subject.

The Committee shall prepare a draft report every year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of Company officers, any bonus shares granted to them during the year as well as any stock options granted or exercised by said officers in the same period. The report shall also list the ten employees of the Company that received and exercised the most options.

5.3. Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he will devote the necessary time and energy to his duties on the Committee.

The Committee shall meet whenever necessary, either at the initiative of the Chairman of the Board of Directors, or the Director serving as Chief Executive Officer, or of two Committee members.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions by the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

5.4. Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

Members of the Committee may request any and all available information that they deem necessary for the purposes of carrying out their responsibilities.

Any unfavorable opinion issued by the Committee on any proposal must be substantiated.

5.5. Compensation of Committee members

The members and Chairman of the Committee may receive a special director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

6. BYLAWS

The Bylaws presented below reflect the amendments proposed to the Shareholders' Meeting of April 5, 2012.

Article 1 - Legal Form

The Company, which was formed on April 19, 1962 by way of transformation of a "*Société à responsabilité limitée*" into a "*Société anonyme*", is governed by the provisions of the French Commercial Code as well as by the present Bylaws.

Article 2 - Corporate purpose

1. Any taking of interests, through a direct or indirect equity investment, a contribution, merger, spin-off, or joint-venture with any company or group existing or to be formed, operating any commercial, industrial, agricultural, personal property, real estate or financial operations, and among others:

- trade in champagne and other wines, cognac and other spirits and, more generally, any food or beverage product;
- trade in all pharmaceutical products, perfumes and cosmetics and, more generally, products related to hygiene, beauty and skincare;
- the manufacture, sale and promotion of travel articles, luggage, bags, leather goods, clothing articles, accessories, as well as any high quality and branded articles or products;
- the operation of vineyards, horticultural and arboricultural estates, as well as the development of any related biotechnological process;
- the operation of any real estate;
- the development of any trademark, signature, model, design and, more generally, any industrial, literary or artistic property right.

2. More generally, to undertake directly any commercial, industrial, agricultural, viticultural operations, or any operation relating to personal or real property, movable or immovable property or financial, management or service operation in any of the fields of activities described in paragraph 1 above.

Article 3 - Corporate name

The name of the Company is:
LVMH Moët Hennessy - Louis Vuitton

All deeds and documents originating from the Company and addressed to third parties, in particular letters, invoices, advertisements and publications of all kinds, must indicate this name immediately preceded or followed by the words "*Société Anonyme*" or the initials "SA" which should appear legibly and the disclosure of the amount of the share capital, together with the name of the Register of Commerce and Companies with which the Company is registered and the number under which it is registered.

Article 4 - Registered office

The registered office of the Company is at: Paris - 75008, 22, avenue Montaigne.
It may be transferred to any other place within the same district ("*département*") or any adjacent district pursuant to a decision of the Board of Directors subject to the approval of said decision by the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution of the Extraordinary Shareholders' Meeting.

Article 5 – Duration

The Company, which came into existence on January 1, 1923, shall end on December 31, 2021, except in the event of early dissolution or extension as provided by these Bylaws.

Article 6 – Capital

1. The share capital is set to the sum of EUR 152,300,959.50 (one hundred and fifty-two million, three hundred thousand, nine hundred and fifty-nine euros and fifty cents) divided into 507,669,865 (five hundred and seven million, six hundred and sixty-nine thousand, eight hundred and sixty-five) fully-paid shares with a nominal amount of EUR 0.30 per share.

287,232 shares of FRF 50 were issued further to the contribution in kind, valued at FRF 34,676,410, completed upon the merger with Champagne Mercier.

772,877 shares of FRF 50 were issued further to the contribution by the shareholders of Jas Hennessy & Co. of 772,877 shares of said company, valued at FRF 407,306,179.

2,989,110 shares of FRF 50 were issued further to the contribution in kind, valued at FRF 1,670,164,511, completed upon the merger with Louis Vuitton.

1,343,150 shares were issued further to the contribution made by BM Holding, of 1,961,048 shares of Le Bon Marché, Maison Aristide Boucicaut, valued at FRF 1,700,000,000.

18,037,011 shares with a nominal value of EUR 0.30 were issued further to the contribution made by Messrs. Paolo Bulgari, Nicola Bulgari and Francesco Trapani of 166,382,348 Bulgari shares, valued at EUR 2,038,183,763.

2. The share capital may be increased by a resolution of the Extraordinary Shareholders' Meeting. However, when the increase of the capital is completed by way of capitalization of reserves, profits or issue premium, the Shareholders' Meeting shall vote subject to the quorum and majority conditions of the Ordinary Shareholders' Meetings.

3. The share capital may, by resolution of the Extraordinary Shareholders' Meeting, be amortized by means of equal repayment for each share by use of profits or reserves other than the legal reserve, without such amortization causing the reduction of the capital.

4. The share capital may also be reduced by resolution of the Extraordinary Shareholders' Meeting either by reducing the nominal value or the number of the shares.

Article 7 - Payment for the shares

The amounts to be paid for the shares to be subscribed in cash pursuant to an increase of the capital are payable as provided by the Extraordinary Shareholders' Meeting.

Upon subscription the initial payment is of at least one fourth of the nominal value of the shares. The issue premium, if any, must be paid in full on subscription.

The balance of the nominal value of the shares shall be paid, as provided by the Board of Directors, in one or several stages, not later than five years from the date at which the increase in capital was completed.

Calls for funds shall be notified to the shareholders eight days before the time fixed for each payment, either by registered letter with acknowledgement of receipt or by a notice inserted in a legal gazette published where the registered office is located.

The sums payable for the unpaid part of the shares are subject to a daily interest charge at a rate of 5% per annum, without need of Court action, as from the date at which they fell due.

When the shares are not fully paid up, upon issuance, they must be in the registered form and so remain until they are fully paid up.

Article 8 - Rights and obligations attached to the shares

The rights and obligations attached to a share follow the share to any transferee to whom it may be transferred and the transfer includes all the payable and unpaid dividends and dividends payable, as well as, as the case may be, the corresponding share in reserves and provisions.

The ownership of a share shall imply ipso facto the acceptance of the present Bylaws and of the decisions of the Shareholders' Meetings.

In addition to the right to vote which is attached by law to the shares, each of them carries a right to a share of corporate assets, of profits, and of any liquidation surplus, proportional to the number and nominal value of the existing shares.

As the case may be, and subject to any statutory provision, all tax exemptions or charges as well as all taxation which may be borne by the Company shall be taken into account prior to any reimbursement either within the course of the life of the Company or upon its liquidation so that, according to their nominal value, all the existing shares of the same class shall receive the same net amount irrespective of their origin or their date of issuance.

The shareholders shall be responsible for any negative equity of the Company up to the nominal value of the shares they hold.

Each time it shall be necessary to hold a certain number of shares in order to exercise a right, it will be the responsibility of the shareholder(s) having less than the required number to take the necessary actions to form a group with a sufficient number of shares.

Article 9 - Form and transfer of the shares

Fully paid up shares are either in the registered or in the bearer form, as the shareholder may decide, subject however to the statutory provisions relating to the shares held by certain persons.

The shares are registered in the accounts as provided by law and regulations in force.

However, certificates, or any other document, representing the shares may be issued when and as provided by law.

The ownership of the shares in the registered form is evidenced by their registration in registered accounts.

When the owner of the shares is not a French resident within the meaning applied Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.

At the time such account is opened through either the issuing Company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare his capacity as intermediary holding shares on behalf of another party.

The shares registered in accounts are freely transferable by transfer from one account to another.

Prior approval of the transferee is required only for partly paid up shares.

All costs resulting from the transfer shall be borne by the transferee. Shares with payments in arrears may not be transferred.

Article 10 – Securities

The Company may issue any security authorized by law.

Certificates, or any other document, representing securities may be issued as and when provided by law.

Article 11 - Board of Directors

1. Subject to the exceptions provided by law, the Board of Directors is composed of three to eighteen members, who may be individuals or legal entities appointed by the Ordinary Shareholders' Meeting.

A legal entity must, at the time of its appointment, designate an individual, who will be its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as the legal entity that he represents.

When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement. The same applies in case of death or resignation of the permanent representative.

2. Each member of the Board of Directors must during its term of office own at least five hundred (500) shares of the Company.

If, at the time of its appointment, a member of the Board of Directors does not own the required number of shares or if, during its term of office, it ceases to be the owner thereof, it shall dispose of a period of six months to purchase such number of shares, in default of which it shall be automatically deemed to have resigned.

3. Nobody being more than seventy years old shall be appointed Director if, as a result of his appointment, the number of Directors who are more than seventy years old would exceed one-third of the members of the Board. The number of members of the Board of Directors who are more than seventy years old may not exceed one- third, rounded to the next higher number if this total is not a whole number, of the Directors in office. Whenever this limit is exceeded, the term in office of the oldest appointed member shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was exceeded.

4. Directors are appointed for a term of three years. The duties of a Director shall terminate at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which the term of office of said Director comes to an end.

However, in order to allow a renewal of the terms which is as egalitarian as possible and in any case complete for each period of three years, the Board of Directors will have the option to determine the order of retirement of the Directors by the impartial selection in a Board Meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

The Directors may always be re-elected; they may be revoked at any time by decision of the Shareholders' Meeting.

In the event of the death or resignation of one or several Directors, the Board of Directors may make provisional appointments between two Shareholders' Meetings.

Appointments made by the Board of Directors pursuant to the above paragraph are submitted to the ratification of the next Ordinary Shareholders' Meeting. Should the Meeting of the shareholders fail to ratify these provisional appointments, this shall not affect the validity of prior resolutions and acts of the Board of Directors.

When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene an Ordinary Shareholders' Meeting in order to supplement the membership of the Board of Directors.

The Director appointed to replace another Director shall remain in office for the remaining term of office of its predecessor only.

5. A salaried employee of the Company may be appointed as a Director provided that his employment contract antedates his appointment and corresponds to a position actually held. In such case, he shall not lose the benefit of his employment contract. The number of Directors bound to the Company by an employment contract may not exceed one-third of the Directors in office.

Article 12 - Organization and operation of the Board of Directors

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his term of office, which cannot exceed that of his office as Director and may dismiss him at any time.

The Board shall also determine the compensation to be paid to the Chairman.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

The Board may always elect one or several Vice-Chairman(men). It shall determine their term of office which cannot exceed that of their respective office as Director.

The officers of the meeting are the Chairman, the Vice-Chairman(men) and the Secretary.

The Secretary may be chosen from outside the Directors or the shareholders. The Board determines its term of office. The Secretary may always be re-elected.

Article 13 - Meetings of the Board of Directors

1. The Board, convened by its Chairman, meets as often as required by the interests of the Company.

Notice is served in the form of a letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person(s) convening the meeting.

However, the Board may meet without notice upon verbal notice and the agenda may be set at the opening of the meeting:

- all Directors in office are present or represented; or
- when it is convened by the Chairman during a Shareholders' Meeting.

Moreover a meeting of the Board of Directors may also be convened by any group of Directors, representing at least one-third of the members of the Board, if the Board has not met for more than two months. In such case, they shall indicate the agenda of the meeting.

The meetings of the Board are held at the registered office or at any place, in France or abroad.

2. Any Director may give to another Director, by letter, cable, telex, or fax, a proxy to another Director to be represented at a meeting of the Board. However, each Director may only dispose of one proxy during the meeting.

The Board may validly act only if at least one-half of its members are present.

Directors who participate in Board meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules and regulations of the Board of Directors shall be deemed to be present for the purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the preparation of the annual financial statements and consolidated financial statements, and to the drafting of the Management report and the report on the Group's Management.

Decisions are made by a majority of votes of the members present or represented, each Director being entitled to one vote for himself and one for the Director he represents. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. An attendance register shall be kept and signed by all the Directors attending each meeting of the Board of Directors.

4. To be valid, copies or abstracts of the minutes of the meetings of the Board of Directors shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, the Director temporarily delegated to perform the duties of Chairman or by a representative duly authorized to that effect.

Article 14 - Powers of the Board of Directors

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.

In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient proof thereof.

The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his assignment and may request any documents he deems useful.

Article 15 - Powers of the Chairman of the Board of Directors

1. The Chairman of the Board of Directors chairs the meetings of the Board, and organizes and directs its work, for which he reports to the Shareholders' Meeting. He ensures the proper operation of the corporate bodies and verifies, in particular, that the Directors are capable of fulfilling their assignments.

2. In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director to perform the duties of the Chairman.

In case of temporary disability this delegation is granted for a limited duration; it is renewable. In case of death it is granted until the election of the new Chairman.

Article 16 - General Management

1. Choice between the two methods of General Management

Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer, depending upon the decision of the Board of Directors choosing between the two methods of exercising the General Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him.

2. Chief Executive Officer

The Chief Executive Officer may or may not be chosen among the Directors. The Board sets his term of office as well as his compensation. The age limit for eligibility to perform the duties of Chief Executive Officer is seventy-five years. Should the Chief Executive Officer reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Chief Executive Officer assumes the duties of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

The provisions of the Bylaws or decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not binding on third parties.

3. Group Managing Directors

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Group Managing Director, for whom it shall set the compensation.

The number of Group Managing Directors may not exceed five.

Group Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the dismissal is decided without just cause, it may give rise to damages.

When the Chief Executive Officer ceases to exercise his duties or is prevented from doing so, the Group Managing Directors remain in office with the same powers until the appointment of the new Chief Executive Officer, unless resolved otherwise by the Board.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Group Managing Directors. With regard to third parties, they shall have the same powers as the Chief Executive Officer.

The age limit for eligibility to perform the duties of Managing Director is sixty-five years. Should a Group Managing Director reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

Article 17 - Delegation of powers

The Board of Directors may grant one or more Directors, or third parties, whether shareholders or not, with the ability to replace it, any authority, assignments and special offices for one or more specific purposes.

It may resolve to create committees responsible for studying such issues as it or the Chief Executive Officer submit thereto for examination. Such committees shall perform their duties at the discretion of the Board, which sets their composition and responsibilities, as well as the compensation of their members, if any.

The Chief Executive Officer and the Group Managing Directors may, at their discretion, consent to partial delegations of authority to third parties.

Article 18 - Agreements subject to authorization

Any sureties, endorsements and guarantees granted by the Company must be authorized by the Board of Directors as provided by law.

Any agreement to be entered into between the Company and one of its Directors or its Chief Executive Officer or one of its Managing Directors, whether directly or indirectly or through an intermediary must be submitted to the prior authorization of the Board of Directors under the conditions provided by law.

Such prior authorization is also required for agreements between the Company and another enterprise, should one of the Directors or the Chief Executive Officer or one of the Group Managing Directors of the Company be the or an owner, partner with unlimited liability, company manager, director, chief executive officer, member of the Executive Board or Supervisory Board, or in a general sense top-ranking executive of this other enterprise.

The same shall hold for any agreement entered into with a shareholder holding a proportion of voting rights greater than 10% or with any company which controls a company holding more than 10% of the Company's share capital.

The above provisions shall not apply to agreements relating to current operations entered into under normal terms. Such agreements are nevertheless made known to the Chairman of the Board of Directors by the interested party unless they are of no significance to any party, given their subject matter or their financial implications. A list of such agreements and their respective subjects is sent by the Chairman to the members of the Board of Directors and to the Statutory Auditors.

Article 19 - Prohibited agreements

Directors, other than legal entities, are forbidden to contract loans from the Company in any form whatsoever, to secure an overdraft from it, on current account or otherwise, or to have the Company guarantee or secure their undertakings toward third parties.

The same prohibition applies to the Chief Executive Officer, the Group Managing Directors and to permanent representatives of legal entities which are Directors. It also applies to spouses, ascendants and descendants of the persons referred to in this article as well as to all persons acting as intermediaries.

Article 20 - Remuneration of the Directors

1. The Ordinary Shareholders' Meeting may allow to the Directors in remuneration for their services a fixed sum as attendance fees, the amount of which is to be included in the operating expenses of the Company.

The Board shall divide the amount of these attendance fees among its members as it deems fit.

2. The Board may also authorize the reimbursement of the travel fares and expenses and of the expenses incurred by the Directors in the interest of the Company.

3. The Board may allow special payments to Directors for projects assigned or delegated to them pursuant to the provisions of Article 17 of these Bylaws. These payments, to be included in the operating expenses of the Company, shall be subject to the provisions of Article 18 of these Bylaws.

4. Apart from the amounts provided for under the three paragraphs above as well as from the salaries of the Directors being employees of the Company, and from the compensation, whether fixed or proportional, to be paid to the Chairman, or the Director temporarily delegated in the duties of Chairman, the Chief Executive Officer and, as applicable, the Group Managing Directors, no other consideration, whether permanent or not, may be paid to the Directors.

Article 21 - Advisory Board

The Shareholders' Meeting may, upon proposal of the Board of Directors, appoint Advisors the number of whom shall not exceed nine.

In case of death or resignation of one or more Advisors, the Board of Directors may make provisional appointments subject to their ratification by the next Ordinary Shareholders' Meeting.

The Advisors, who are chosen among the shareholders on the strength of their skills, shall constitute an Advisory Board.

The Advisors are appointed for a term of three years ending at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which their term of office comes to an end.

The Advisors are convened to the meetings of the Board of Directors and take part to the deliberations with a consultative vote. Their absence cannot however affect the validity of such deliberations.

The Board of Directors may allocate fees to the Advisors the amount of which will be set off from the attendance fees allocated by the Shareholders' Meeting to the members of the Board of Directors.

Article 22 - Statutory Auditors

The Company shall be audited, as provided by law, by one or more Statutory Auditors legally entitled to be elected as such. When the conditions provided by law are met, the Company must appoint at least two Statutory Auditors.

Each Statutory Auditor is appointed by the Ordinary Shareholders' Meeting.

One or more supplementary deputy Statutory Auditors, who may be called to replace the regular Statutory Auditors in the event of death, disability, resignation or refusal to perform their duties, are appointed by the Ordinary Shareholders' Meeting.

Article 23 - Shareholders' Meetings

1. Shareholders' Meetings shall be convened and held as provided by law. The agenda of the Meeting shall be mentioned on the convening notice and letters; it is set by the corporate body convening the Meeting.

When the Shareholders' Meeting has not been able to transact business validly due to a lack of quorum, a second Meeting or, as the case may be, a prorogated second Meeting, is convened in the same way at least ten days prior to the Meeting. Notice and convening letters relating to such second Meeting reproduce the date and agenda of the first Meeting.

The Meetings are held at the registered office or at any other place mentioned in the convening notice.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder is entitled to attend and vote at any Meeting provided that the shares held are registered in the name of the shareholder or intermediary authorized to act on his or her behalf as of the fourth business day preceding the Meeting at midnight, Paris time, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorized financial intermediary. The recording or registration of bearer shares is certified by a statement delivered by the financial intermediary authorized as account holder.

A shareholder can always be represented in a valid manner at a Shareholders' Meeting by another shareholder, his or her spouse, the partner with whom he or she has entered into a pacte civil de solidarité (PACS, the French civil union contract), or any other private individual or legal entity of his or her choice. Written notice must be sent to the Company of the appointment of any proxy, and where applicable the rescindment of this appointment.

Shareholders may vote by mail at any Meeting in accordance with applicable laws and regulations. To be taken into account, the voting form must have been received by the Company at least three days prior to the date of the Meeting.

Shareholders may address their proxy form and/or their voting form for any Meeting, in accordance with applicable laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission. Pursuant to the provisions of Article 1316-4, paragraph 2 of the French Civil Code, in the event of the use of an electronically submitted form, the shareholder's signature shall make use of a reliable identification process that ensures the link with the document to which it is attached.

A shareholder having voted either by mail or by electronic transmission, having sent a proxy or having requested an admittance card or certificate stating the ownership of shares may not select another means of taking part in the Meeting.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held by means of video conference or through the use of any telecommunications media allowing the identification of shareholders.

Any intermediary who meets the requirements set forth in paragraphs 7 and 8 of Article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a Shareholders' Meeting the vote or proxy of a shareholder, as defined in paragraph 7 of that same article.

Before transmitting any proxies or votes to a Shareholders' Meeting, the intermediary shall be required, at the request of the issuing corporation or its proxy, to provide a list of the non-resident owners of the shares to which such voting rights are attached. Such list shall be supplied as provided by applicable regulations.

A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareholders, may not be counted.

When a Works Council exists within the Company, two of its members, appointed by the Council, may attend Shareholders' Meetings. At their request, their opinions must be heard on the occasion of any vote requiring the unanimous approval of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of the latter, by a Member of the Board of Directors appointed by the

Board for that purpose. If no chairman has been appointed, the Meeting elects its Chairman.

The two Members of the Meeting present, having the greatest number of votes, and accepting that role, are appointed as Scrutinizers. The Officers of the Meeting appoint a Secretary, who may but need not be a shareholder.

An attendance sheet is drawn up, in accordance with the law.

2. The voting right attached to a share is proportional to the share of the capital it represents. When having the same nominal value, each share, either in capital or redeemed ("de jouissance"), gives right to one vote.

However a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted:

- to all fully paid up registered shares for which evidence of registration under the name of the same shareholder during at least three years will be brought;
- to registered shares allocated to a shareholder in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issue premiums due to existing shares for which it was entitled to benefit from this right.

This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift *inter vivos* to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. This is also the case for any transfer due to a merger or spin-off of a shareholding company.

Votes shall be expressed either by raised hands or by standing up or by a roll-call as decided by the officers of the Meeting.

However a secret ballot may be decided:

- either by the Board of Directors;
- or by the shareholders representing at least one-fourth of the capital if their request was made in writing and addressed to the Board of Directors or the corporate body having convened the Meeting, two days at least prior to the Meeting.

3. The Ordinary Shareholders' Meeting makes decisions which do not amend the Bylaws.

It is convened at least once a year, within six months from the end of each fiscal year to vote on the accounts of that fiscal year.

In order to pass valid resolutions, the Ordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fifth of total voting shares. The deliberations of an Ordinary Shareholders' Meeting, convened upon second notice, shall be valid regardless of the number of shareholders present or represented.

The resolutions of the Ordinary Shareholders' Meeting are approved by a majority of the votes of the shareholders present or represented.

4. Only the Extraordinary Shareholders' Meeting may amend the Bylaws. However, in no event can it increase the duties of the shareholders except in the case of transactions resulting from a duly completed regrouping of shares.

As to the Extraordinary Shareholders' Meeting, the quorum necessary, upon first convening notice, is one-fourth of the voting shares, and one-fifth upon second convening notice or in the case of prorogation of the second meeting.

The resolutions of the Extraordinary Shareholders' Meeting shall be carried out at a two-third majority of the votes of the shareholders present or represented.

5. The copies or abstracts of the minutes of the Meetings shall be validly certified by the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the Meeting.

Ordinary and Extraordinary Shareholders' Meetings shall exercise their respective powers as provided by law.

6. During constitutive Extraordinary Shareholders' Meetings, which are those called to approve contributions in kind or benefits in kind, the contributor or the beneficiary cannot vote either for himself or as a proxy.

7. When there are several classes of shares, the rights attached to the shares of one class cannot be modified without a proper vote of an Extraordinary Shareholders' Meeting open to all shareholders and without a proper vote of a Special Shareholders' Meeting exclusively comprising owners of the shares of the class concerned.

As to the Special Shareholders' Meeting, the quorum necessary, upon first convening notice, is one-third of the voting shares, and one-fifth upon second convening notice or in the case of prorogation of the second Meeting.

The resolutions of the Special Shareholders' Meeting shall be carried by a two-thirds majority vote of the shareholders present or represented.

Article 24 - Information on shareholdings

Any individual or legal entity who becomes the owner of a fraction of capital of at least one per cent shall notify the total number of shares it holds to the Company. Such notice should be given within fifteen days from the date at which this percentage is reached

The same obligation applies whenever the portion of capital held increases by at least one per cent. However, it shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the share capital.

In case of non-compliance with the above obligation and upon the request of one or several shareholders holding at least 5% of the capital and recorded in the minutes of the Shareholders' Meeting, the shares in excess of the percentage to be declared shall be deprived of their right to vote at any Meeting held until the expiration of a period of three months as from the date at which proper notification pursuant to the above paragraph is eventually made.

Article 25 - Identification of the holders of securities

The Company may, at any time, in accordance with the applicable laws and regulations, request the central depositary of financial instruments to give it the name, nationality and address of natural persons or legal entities holding securities conferring an immediate or deferred right to vote at its own Shareholders' Meetings, as well as the number of securities held by such natural persons or legal entities and the restrictions, if any, which may exist upon the securities.

In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, to the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.

When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary holding the account, who shall, in turn, be responsible for communicating it to the issuing Company or the aforementioned body, as applicable.

Article 26 - Fiscal year

Each fiscal year has a duration of one year beginning on January 1 and ending on December 31.

Article 27 - Annual accounts

The Board of Directors shall keep regular accounts of the corporate operations and shall draw up the annual accounts in conformity with the law and the commercial practice.

Article 28 - Appropriation of results and allocation of profits

From the profit for a fiscal year, minus prior losses, if any, an amount equal to at least 5% must be deducted and allocated to the formation of a "legal reserve" fund. This deduction is no longer required when the amount of the legal reserve has reached one- tenth of the share capital of the Company.

Distributable earnings consist of the net profit of the fiscal year, minus prior losses and the deduction described in the previous paragraph, plus profits carried forward.

From these earnings, and subject to the decisions of the Shareholders' Meeting, an initial deduction is made of the amount required to distribute to shareholders a preliminary dividend, equal to five percent (5%) of the amount paid up on the shares that has not been repaid to shareholders by the Company.

Dividends do not accumulate from one fiscal year to the next.

From the remaining amount, the Shareholders' Meeting may deduct the amounts it deems appropriate to allocate to all optional, ordinary or special reserve funds, or retain, in the proportions it shall determine.

The balance, if any, shall be divided among shareholders as a superdividend.

In addition, the Shareholders' Meeting may decide to distribute sums taken from the reserves, either to provide or supplement a dividend, or as an exceptional distribution. In this case, the resolution shall expressly indicate the reserve items against which these amounts are charged. However, dividends shall be paid first from the distributable earnings for the fiscal year.

When a balance sheet, drawn up during, or at the end of the fiscal year, and certified by the Statutory Auditor, shows that the Company, since the close of the preceding fiscal year, after having made the necessary depreciations and provisions and after deduction of the prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by the Bylaws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve the distribution of interim dividends prior to the approval of the accounts of the fiscal year, and may determine the amount thereof and the date of such distribution. The amount of such interim dividends cannot exceed the amount of the profits as defined in this paragraph.

Any dividend distributed in violation of the foregoing rules is a fictitious dividend.

If the result for the year is a loss, after the approval of the annual financial statements by the Ordinary Shareholders' Meeting, such loss is either set off against retained earnings or added to the losses carried forward. If the balance is negative, it is carried forward again to be charged against the profits of subsequent fiscal years until it is extinguished.

Article 29 - Payment of dividends

The dividend payment terms are defined by the Shareholders' Meeting or, if the Meeting fails to do so, by the Board of Directors.

However, dividends must be paid within a maximum period of nine months after the fiscal year-end, unless such period is extended by Court order.

No repayment of the dividend may be demanded from shareholders, unless the following two conditions are met:

- the distribution was made in violation of legal requirements;
- the Company has established that the beneficiaries were aware of the irregularity of the distribution at the time it was made, or could not ignore it given the circumstances.

Any recovery of dividends meeting the above conditions must be carried out within the time period provided by law.

Dividends not claimed within five years after the date at which they became payable shall be void.

Article 30 - Premature dissolution

An Extraordinary Shareholders' Meeting may at any time declare the premature dissolution of the Company.

Article 31 - Loss of one-half of the share capital of the Company

If, as a consequence of losses showed by the Company's accounts, the equity of the Company is reduced to below one-half of the share capital of the Company, the Board of Directors must, within four months from the approval of the accounts showing such loss, convene an Extraordinary Shareholders' Meeting in order to decide whether the Company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the share capital must, at the latest by the end of the second fiscal year following the fiscal year during which the losses were established and subject to the legal provisions concerning the minimum share capital of "*Sociétés anonymes*", be reduced by an amount at least equal to the losses which could not be charged to reserves, if during that period the net assets have not been replenished to an amount at least equal to one half of the share capital.

In the absence of Shareholders' Meeting or in the case where the Meeting has not been able to act in a valid manner, any interested party may institute legal proceedings to dissolve the Company.

Article 32 - Effect of dissolution

The Company is deemed to be in liquidation as soon as it is dissolved for any reason whatsoever. It continues to exist as a legal entity for the needs of this liquidation until the completion thereof.

During the period of the liquidation, the Shareholders' Meeting shall retain the same powers as it did exercise during the life of the Company.

The shares shall remain transferable until the completion of the liquidation proceedings.

The dissolution of the Company is only valid vis-à-vis third parties as from the date at which it has been published at the Register of Commerce and Companies.

Article 33 - Appointment of liquidators – Powers

Upon the expiration of the term of existence of the Company or in the case of its premature dissolution, the Shareholders' Meeting shall decide the methods of liquidation and appoint one or several liquidators whose powers it will determine, and who will exercise their duties according to the law. The appointment of the liquidator(s) terminates the office of the Directors, as well as that of the Advisors, if any.

Article 34 - Liquidation – Termination

After payment of the liabilities, the remaining assets shall be used first for the payment to the shareholders of the amount paid for their shares and not amortized.

The balance, if any, shall be divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to formally acknowledge the termination of the liquidation process.

The termination of the liquidation process shall be published as provided by law.

Article 35 - Litigation

Any dispute between the Company and any of its shareholders arising directly and/or indirectly from the present Bylaws shall be settled by the Commercial Court of Paris.

OTHER INFORMATION

General information regarding the parent company; stock market information

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1. INFORMATION REGARDING THE PARENT COMPANY

1.1. Role of the parent company within the Group

LVMH manages and coordinates the operational activities of all its subsidiaries, and offers them various management assistance services, particularly in legal, financial, tax and insurance matters.

All these services are invoiced to the subsidiaries in question, based on the real cost price or normal market conditions, depending on the type of service. For fiscal year 2011, LVMH billed its subsidiaries 61.7 million euros for management assistance.

LVMH also manages the Group's long term financial debt and the associated interest rate risk, in addition to foreign exchange transactions for proprietary foreign exchange transactions.

Since Group brands belong to the various operating subsidiaries, LVMH does not collect any royalties in connection with these brands.

1.2. General information

The complete text of the Bylaws is presented in the "*Other information* - Corporate Governance" section of the reference document.

Corporate name (Article 3 of the Bylaws): LVMH Moët Hennessy - Louis Vuitton.

Registered office (Article 4 of the Bylaws): 22, avenue Montaigne, F-75008 Paris. Telephone: +33 (0)1.44.13.22.22.

Legal form (Article 1 of the Bylaws): *Société anonyme* (limited liability company).

Jurisdiction (Article 1 of the Bylaws): the Company is governed by French law.

Register of Commerce and Companies: the Company is identified in the Paris Register of Commerce and Companies under number 775 670 417. APE code (Company activity code): 6420Z.

Date of incorporation - Term (Article 5 of the Bylaws): LVMH was incorporated on January 1, 1923 for a term of 99 years, which expires on December 31, 2021, unless the Company is dissolved early or extended by a resolution of the Extraordinary Shareholders' Meeting.

Location where documents concerning the Company may be consulted: the Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

1.3. Additional information

The complete text of the Bylaws is presented in the "*Other information* - Corporate Governance" section of the reference document.

Corporate purpose (Article 2 of the Bylaws): any taking of interest within any company or grouping of entities primarily engaged in trade in champagne and other wines, cognac and other spirits or in any perfume and cosmetic products; in the manufacture, sale and promotion of leather goods, clothing, accessories as well as any other high-quality and branded articles or products; in the operation of vineyards; or in the use of any intellectual property right.

Fiscal year (Article 26 of the Bylaws): from January 1 until December 31.

Distribution of profits (Article 28 of the Bylaws): an initial deduction is made from distributable earnings in the amount required to distribute to shareholders a preliminary dividend, equal to 5% of the amount paid up on the shares that has not been repaid to shareholders by the Company. From the remaining amount, the Shareholders' Meeting may deduct the amounts it deems appropriate to allocate to all optional, ordinary or special reserve funds, or retain. The balance, if any, shall be divided among shareholders as a super-dividend.

In addition, the Shareholders' Meeting may decide to distribute amounts taken from the reserves, either to provide or supplement a dividend, or as an exceptional distribution.

Shareholders' Meetings (Article 23 of the Bylaws): Shareholders' Meetings are convened and held under the conditions provided by the laws and decrees in effect.

Rights, preferences and restrictions attached to shares (Articles 6, 8, 23 and 28 of the Bylaws): all shares belong to the same category, whether issued in registered or bearer form.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus. Each time it shall be necessary to hold a certain number of shares in order to exercise a right, it will be the responsibility of the shareholder(s) having less than the required number to take the necessary actions to form a group with a sufficient number of shares.

A voting right equal to twice the voting right attached to the other shares is granted to all fully paid-up registered shares for which evidence of registration for at least three years under the name of the same shareholder may be demonstrated, as well as to shares issued in the event of a capital increase through the incorporation of reserves, unappropriated retained earnings, or issue premiums, on the basis of existing shares giving the holder such right. This right may be removed by a decision of the Extraordinary Shareholders' Meeting after ratification by a Special Meeting of beneficiaries of this right.

Declaration of thresholds (Article 24 of the Bylaws): independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% shall notify the total number of shares held to the Company. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Necessary action to modify the rights of shareholders: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

Provisions governing changes in the share capital: the Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

2. INFORMATION REGARDING THE CAPITAL

2.1. Share capital

As of December 31, 2011, the Company's share capital was 152,344,687.20 euros, consisting of 507,815,624 fully paid-up shares with a par value of 0.30 euros each.

The Board of Directors, in its meeting of February 2, 2012, noted the increase in the share capital resulting from the exercise of options to subscribe to shares, then decided to reduce the share capital by a number equivalent to that of the shares issued. As of February 2, 2012, the share capital amounted to 152,300,959.50 euros divided into 507,669,865 fully paid-up shares with a par value of 0.30 euros each. Of these 507,669,865 shares, 224,594,325 shares conferred double voting rights.

2.2. Authorized share capital

As of December 31, 2011, the Company's authorized share was 202,776,668.70 euros, divided into 675,922,229 shares of authorized share capital with a par value of 0.30 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors use all of the authorizations and delegations of authority granted by the Shareholders' Meeting that permit the Company to increase its amount.

2.3. Status of delegations and authorizations granted to the Board of Directors

This statement is included under paragraph 4.1 "Status of current delegations and authorizations" in the "*Management Report of the Board of Directors* - Parent company: LVMH Moët Hennessy Louis Vuitton" of the reference document.

2.4. Shareholders' identification

Article 25 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

2.5. Non-capital shares

The Company has not issued any non-capital shares.

2.6. Securities giving access to the Company's capital

No securities giving access to the Company's capital, other than share subscription options described in Section 3.4.2 of the "*Management report of the Board of Directors* - Parent Company LVMH Moët Hennessy - Louis Vuitton" of the reference document, are outstanding as of December 31, 2011.

2.7. Three-year summary of changes in the parent company's share capital

(in thousands of euros)			Change in capital		Capital after transaction	
	Type of transaction	Number of shares	Par value	Premium	Amount	Accumulated number of shares
As of December 31, 2008					**146,981**	**489,937,410**
Fiscal year 2009	Issue of shares [a]	88,960	27	4,796	147,008	490,026,370
"	Retirement of shares	88,960	(27)	(4,166)	146,981	489,937,410
"	Issue of shares [a]	468,244	140	25,331	147,122	490,405,654
Fiscal year 2010	Issue of shares [a]	1,003,100	300	60,947	147,422	491,408,754
"	Retirement of shares	1,775,900	(532)	(100,522)	146,889	489,632,854
"	Issue of shares [a]	1,009,378	302	58,434	147,192	490,642,232
Fiscal year 2011	Issue of shares [a]	1,250,076	375	82,908	147,567	491,892,308
"	Issue of shares [b]	18,037,011	5,411	2,032,773	152,978	509,929,319
"	Retirement of shares	2,259,454	(678)	(105,816)	152,300	507,669,865
"	Issue of shares [a]	145,759	44	10,623	152,344	507,815,624
As of December 31, 2011					**152,344**	**507,815,624**

(a) In connection with the exercise of share subscription options.
(b) In connection with the contribution of Bulgari SpA securities.

3. ANALYSIS OF SHARE CAPITAL AND VOTING RIGHTS

3.1. Share ownership of the Company

As of December 31, 2011, the Company's share capital comprised 507,815,624 shares:

- 231,571,046 pure registered shares;
- 22,622,892 administered registered shares;
- 253,621,686 bearer shares.

Taking into account treasury shares, 498,278,946 shares carried voting rights, including 224,575,071 shares with double voting rights.

Shareholders	Number of shares	Number of voting rights [b]	% of capital	% of voting rights
Arnault family group [a]	236,018,646	450,909,333	46.48	62.38
Other shareholders	271,796,978	271,944,684	53.52	37.62
Total as of December 31, 2011	**507,815,624**	**722,854,017**	**100.00**	**100.00**

(a) Not including the 6,300,000 share purchase options equivalent to shares held by virtue of Article L 233-9-1 4° of the French Commercial Code.
(b) Voting rights exercisable in Shareholders' Meetings.

On the basis of registered shareholders and information as of December 2011 provided by a Euroclear survey of depositaries for a minimum of 100,000 shares in the Company and limited to shareholders who hold at least 1,000 shares, the Company has about 4,735 shareholders. Resident and non-resident shareholders respectively represent 69.2% and 30.8% of the Company's share capital (see 2011 Annual Report, "Ownership structure").

Subject to the provisions of paragraph 3.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2011;
- no shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;

- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2011, members of the Executive Committee and of the Board of Directors directly and personally held less than 2% of the Company's share capital and voting rights as registered shares.

As of December 31, 2011, the Company held 9,536,678 shares as treasury shares. Of these shares, 2,039,665 were recognized as short term investments, with the main objective of covering commitments for share purchase option plans and bonus share plans, while the remaining 7,497,013 shares were recognized as long term investments, with the main objective of covering commitments for existing share subscription option plans. In accordance with legal requirements, these shares are stripped of their voting rights. As of December 31, 2011, the Company also held 100,000 American call options, to cover commitments for share purchase option plans.

As of December 31, 2011, the employees of the Company and of affiliated companies, as defined under Article L. 225-180 of the Commercial Code, held LVMH shares in employee savings plans equivalent to less than 0.5% of the Company's share capital.

During the 2011 fiscal year, Messrs. Paolo and Nicola Bulgari as well as the companies BNP Paribas SA, BNP Paribas Asset Management, and Qatar Holding, the Amundi group, and the MFS group informed the Company that on several occasions, they had exceeded or fallen below statutory shareholding thresholds in the range between 1% and 3% of the share capital. According to the latest notices received in 2011, Messrs. Paolo and Nicola Bulgari respectively held 1.64% and 1.60% of the share capital as well as 1.15% and 1.13% of the voting rights; the Amundi group held 2.53% of the share capital and 1.78% of the voting rights. The MFS group held 2.01% of the share capital and 1.07% of the voting rights, Qatar Holding held 1.03% of the share capital and less than 1% of the voting rights, and BNP Paribas SA and BNP Paribas Asset Management held less than 1% of the share capital and voting rights.

During the fiscal year ended December 31, 2011 and as of February 16, 2012, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

The Company's main shareholders have voting rights identical to those of other shareholders.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations and Compensation Committee must also be Independent Directors.

3.2. Changes in share ownership during the last three fiscal years

Shareholders	As of December 31, 2011			As of December 31, 2010			As of December 31, 2009		
	Number of shares	% of capital	% of voting rights [a]	Number of shares	% of capital	% of voting rights [a]	Number of shares	% of capital	% of voting rights [a]
Arnault family group including:	236,018,646 [b]	46.48	62.38	235,840,311	48.07	63.95	234,464,920	47.81	63.94
Financière Jean Goujon	*207,821,325*	*40.92*	*57.50*	*207,821,325*	*42.36*	*59.01*	*207,821,325*	*42.38*	*59.32*
Arnault family and other controlled entities	*28,197,321*	*5.56*	*4.88*	*28,018,986*	*5.71*	*4.94*	*26,643,595*	*5.43*	*4.63*
Treasury shares	9,536,678	1.88	-	11,939,973	2.43	-	16,080,093	3.28	-
Public registered	20,394,824	4.02	3.04	3,334,178	0.68	0.88	4,883,770	0.99	1.36
Public bearer	241,865,476	47.62	34.58	239,527,770	48.82	35.17	234,976,871	47.92	34.70
Total	**507,815,624**	**100.00**	**100.00**	**490,642,232**	**100.00**	**100.00**	**490,405,654**	**100.00**	**100.00**

(a) Voting rights exercisable in Shareholders' Meetings.
(b) Not including the 6,300,000 share purchase options deemed equivalent to shares held by virtue of Article L 233-9-1 4 of the French Commercial Code.

The Arnault family group's holding was diluted in 2011, mainly due to the capital increase carried out on June 30, 2011 in order to remunerate the contribution of Bulgari SpA shares held by the Bulgari family.

3.3. Pledges of pure registered shares by main shareholders

The Company is not aware of any pledge of pure registered shares by the main shareholders.

3.4. Natural persons or legal entities that may exercise control over the Company

According to the declarations published by the Autorité des Marchés Financiers on December 9, 2011, the persons comprising the Arnault family group, together with Groupe Arnault SAS, of which they control 93.2% of the share capital (excluding shares without voting rights) held directly or indirectly as of that date 47.72% of the company's capital and 63.55% of the voting rights, including share equivalents as defined in Article L. 233-9 of the French Commercial Code.

As of December 31, 2011, Financière Jean Goujon held 207,821,325 shares in the Company representing 40.92% of the share capital and 57.50% of the voting rights. The principal activity of Financière Jean Goujon is to hold LVMH shares.

Financière Jean Goujon is 100% held by Christian Dior SA, itself controlled by the Arnault family group through direct and indirect holdings totaling 70.35% of its share capital. Christian Dior SA, a company listed on Euronext Paris (NYSE Euronext), is the parent company of Christian Dior Couture SA.

4. MARKET FOR FINANCIAL INSTRUMENTS ISSUED BY LVMH

4.1. Market for LVMH shares

The Company's shares are listed on Euronext Paris (ISIN code FR0000121014) and are eligible for the deferred settlement service of Euronext Paris. LVMH shares are used as underlying assets for negotiable options on NYSE Liffe.

LVMH is included in the principal French and European indices used by fund managers: CAC 40, DJ EuroStoXX 50, MSCI Europe, FTSE Eurotop 100.

LVMH's market capitalization was 56 billion euros at year-end 2011, making it the third largest on the Paris stock exchange.

298,145,831 LVMH shares were traded in 2011 for a total amount of 34 billion euros. This corresponds to an average daily volume of 1,160,101 shares.

Since September 23, 2005, LVMH Moët Hennessy - Louis Vuitton SA has entrusted a provider of financial services with the implementation of a liquidity contract in conformity with the Ethical Charter of AFEI ("*Charte de déontologie de l'AFEI*") approved by the Autorité des Marchés Financiers in its decision of March 22, 2005, as published in *Bulletin des annonces légales obligatoires* dated April 1, 2005.

Trading volumes and amounts on Euronext Paris and price trend over the last twelve months

	Opening price first day (EUR)	Closing price last day (EUR)	Highest [a] (EUR)	Lowest [a] (EUR)	Number of shares traded	Value of shares traded (EUR billions)
2011 January	124.50	114.05	125.35	110.90	21,538,619	2.5
February	114.70	114.25	121.20	110.90	20,232,014	2.3
March	115.20	111.70	117.80	97.67	35,245,385	3.8
April	112.85	121.25	121.65	109.00	16,352,442	1.9
May	122.30	120.90	124.25	115.65	18,989,370	2.3
June	120.95	124.10	124.20	110.80	20,308,106	2.4
July	123.00	127.95	132.65	119.40	20,144,885	2.5
August	129.00	117.95	131.65	102.50	37,373,606	4.2
September	118.90	99.65	119.95	98.05	33,925,361	3.7
October	97.93	120.25	125.40	94.16	27,209,436	3.0
November	118.00	116.60	121.05	105.05	25,933,037	2.9
December	116.50	109.40	118.60	103.20	20,893,570	2.3

Source Euronext.

(a) Prices recorded during market trading hours.

4.2. Share repurchase program

LVMH has implemented a share repurchase program that allows it to buy back up to 10% of its share capital. This program was approved by the Shareholders' Meeting of April 15, 2010 and March 30, 2011. Within this framework, between January 1 and December 31, 2011, stock market purchases of its own shares by LVMH SA amounted to 2,697,370 shares, or 0.5% of its share capital. LVMH also exercised 200,000 calls on its own shares in 2011. Disposals of shares, options exercised, bonus share allocations and share cancellations related to the equivalent of 5,300,665 LVMH shares.

4.3. LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy - Louis Vuitton outstanding on December 31, 2011, the bonds presented below are listed for trading.

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issue	Year of maturity	Coupon
USD	125,000,000	2011	2013	floating
USD	125,000,000	2011	2013	floating
EUR	500,000,000	2011	2018	4%
EUR	500,000,000	2011	2015	3.375%
EUR	250,000,000	2009	2015	4.5%
EUR	1,000,000,000	2009	2014	4.375%
EUR	760,000,000	2005	2012	3.375%

Bonds listed in Zurich

Currency	Amount outstanding *(in currency)*	Year of issue	Year of maturity	Coupon
CHF	200,000,000	2008	2015	4.0%
CHF	300,000,000	2007	2013	3.375%

4.4. Dividend

A dividend of 2.60 euros per share is being proposed for fiscal year 2011, representing an increase of 0.50 euros compared to the dividend paid for fiscal year 2010.

Based on the number of shares of 507,815,624 making up the share capital as of December 31, 2011, the total LVMH Moët Hennessy - Louis Vuitton distribution will amount to 1,320 million euros for fiscal year 2011, before the effect of treasury shares.

Dividend distribution in respect of fiscal years 2007 to 2011

Year	Gross dividend per share [(a)] *(EUR)*	Dividend distribution *(EUR millions)*
2011 [(b)]	2.60	1,320
2010	2.10	1,030
2009	1.65	809
2008	1.60	784
2007	1.60	784

(a) Excludes the impact of tax credits applicable to the beneficiary.
(b) Proposed to the Shareholders' Meeting of April 5, 2012.

The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

Pursuant to current laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.

4.5. Change in share capital

19,432,846 shares were issued during the fiscal year, out of which 18,037,011 were issued in the framework of the capital increase carried out on June 30, 2011 as consideration paid for the contribution of Bulgari shares by the Bulgari family shareholders; 1,395,835 shares were issued in connection with the exercise of share subscription options. 2,259,454 shares were retired, bringing the share capital of the company to 507,815,624 shares as of December 31, 2011.

4.6. Performance per share

(EUR)	2011	2010	2009
Diluted Group share of net profit	6.23	6.32	3.70
Gross dividend	2.60	2.10	1.65
Change compared to previous year	23.8%	27.3%	3.1%
Highest share price	132.65	129.05	79.27
Lowest share price	94.16	74.19	39.08
Share price as of December 31	109.40	123.10	78.38
Change compared to previous year	-11.1%	57.1%	64.1%

RESOLUTIONS FOR THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF APRIL 5, 2012

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1. ORDINARY RESOLUTIONS

First resolution
Approval of the financial statements of the parent company

The Shareholders' Meeting, after examining the reports of the Board of Directors, the Chairman of the Board, and the Statutory Auditors, hereby approves the financial statements of the parent company for the fiscal year ended December 31, 2011, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Second resolution
Approval of the consolidated financial statements

The Shareholders' Meeting, after examining the reports of the Board of Directors and of the Statutory Auditors, hereby approves the consolidated financial statements for the fiscal year ended December 31, 2011, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Third resolution
Approval of related party agreements

The Shareholders' Meeting, after examining the special report of the Statutory Auditors on the related party agreements described in Article L. 225-38 of the French Commercial Code, hereby declares that it approves said agreements.

Fourth resolution
Allocation of net profit – determination of dividend

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2011 as follows:

(EUR)	
Net profit for the year ended December 31, 2011	2,325,509,520.49
Allocation to the legal reserve	(4,372.77)
Retained earnings	3,907,924,154,54
Amount available for distribution	**6,233,429,302.26**
Proposed appropriation:	
Statutory dividend of 5% or EUR 0.015 per share	7,617,234.36
Additional dividend of EUR 2.585 per share	1,312,703,388.04
Retained earnings	4,913,108,679.86
	6,233,429,302.26

For information, as of December 2011, the Company held 9,536,678 of its own shares, corresponding to an amount not available for distribution of 481.5 million euros, equivalent to the acquisition cost of the shares.

Should this appropriation be approved, the total dividend would be 2.60 euros per share. As an interim dividend of 0.80 euros per share was paid on December 2, 2011, the final dividend per share is 1.80 euros; this will be paid as of April 25, 2012.

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

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, the Shareholders' Meeting observes that the gross dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year *(EUR)*	Type	Payment date	Gross dividend	Tax deduction [(a)]
2010	Interim	December 2, 2010	0.70	0.28
	Final	May 25, 2011	1.40	0.56
	Total		**2.10**	**0.84**
2009	Interim	December 2, 2009	0.35	0.14
	Final	May 25, 2010	1.30	0.52
	Total		**1.65**	**0.66**
2008	Interim	December 2, 2008	0.35	0.14
	Final	May 25, 2009	1.25	0.50
	Total		**1.60**	**0.64**

(a) For individuals with tax residence in France.

Fifth resolution
Ratification of the co-optation of Mr. Francesco Trapani as Director

The Shareholders' Meeting ratifies the co-optation of Mr. Francesco Trapani as Director to replace Mr. Felix G. Rohatyn, who resigns, for the remaining term of office of his predecessor, namely until the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

Sixth resolution
Ratification of the co-optation of Mr. Felix G. Rohatyn as Advisory Board Member

The Shareholders' Meeting ratifies the co-optation of Mr. Felix G. Rohatyn as Advisory Board Member to replace Mr. Francesco Trapani, who resigns, for the remaining term of office of his predecessor, namely until the end of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the previous fiscal year.

Seventh Resolution
Appointment of Mr. Antoine Arnault as Director

The Shareholders' Meeting decides to appoint Mr. Antoine Arnault as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Eighth resolution
Appointment of Mr. Albert Frère as Director

The Shareholders' Meeting decides to appoint Mr. Albert Frère as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Ninth resolution
Appointment of Mr. Gilles Hennessy as Director

The Shareholders' Meeting decides to appoint Mr. Gilles Hennessy as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Tenth resolution
Appointment of Lord Powell of Bayswater as Director

The Shareholders' Meeting decides to appoint Lord Powell of Bayswater as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Eleventh resolution
Appointment of Mr. Yves-Thibault de Silguy as Director

The Shareholders' Meeting decides to appoint Mr. Yves-Thibault de Silguy as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2015 to approve the financial statements for the previous fiscal year.

Twelfth resolution
Determination of the amount of directors' fees

The Shareholders' Meeting, upon a proposal submitted by the Board of Directors, sets the total amount of directors' fees to be allocated to the members of Board of Directors for the current fiscal year and for each subsequent fiscal year to the amount of 1,260,000 euros until otherwise determined.

Thirteenth resolution
Authorization to be granted to the Board of Directors to trade in the Company's shares

The Shareholders' Meeting, having examined the report of the Board of Directors, authorizes the latter to acquire Company shares, pursuant to the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and of Commission Regulation (EC) 2273/2003 of December 22, 2003.

In particular, the shares may be acquired in order (i) to provide market liquidity services (purchases/sales) under a liquidity contract set up by the Company, (ii) to cover stock option plans, the allotment of bonus shares or any other form of share allocation or share-based payment, in favor of employees or company officers either of the Company or of an affiliated company pursuant to the French Commercial Code, in particular as provided for in its Articles L. 225-180 and L. 225-197-2, (iii) to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange, (iv) to be retired subject to the approval of the fourteenth resolution, or (v) to be held so as to be exchanged or presented as consideration at a later date for external growth operations.

The purchase price at which the Company may buy its own shares may not exceed 200 euros. In the event of a capital increase through the capitalization of reserves and the allotment of bonus shares as well as in cases of a stock split or reverse stock split, the purchase price indicated above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before and after the operation.

The maximum number of shares that may be purchased shall not exceed 10% of the share capital, adjusted to reflect operations affecting the share capital occurring after this Meeting, with the understanding that (i) if this authorization is used, the number of treasury shares in the Company's possession will need to be taken into consideration so that the Company remains at all times within the limit for the number of treasury shares held, which must not exceed 10% of the share capital and that (ii) the number of treasury shares provided as consideration or exchanged in the context of a merger, spin-off or contribution operation may not exceed 5% of the share capital as of the date of the operation.

As of December 31, 2011, this limit of 10% of the share capital corresponded to 50,781,562 shares. The maximum total amount dedicated to these purchases may not exceed 10.1 billion euros.

The share acquisition transactions described above, as well as any sale or transfer of these shares, may be carried out by any method in compliance with applicable laws and regulations, including through the use of derivatives and through block purchases or sales.

All powers are granted to the Board of Directors to implement this authorization. The Board may delegate to the Chief Executive Officer, or with the latter's consent, to a Group Managing Director, such powers in order to place any and all stock market orders, enter into any and all agreements, sign any document, file all declarations, carry out all formalities and generally take any and all other actions required in the implementation of this authorization.

This authorization, which replaces the authorization granted by the Combined Shareholders' Meeting of March 31, 2011, is hereby granted for a term of eighteen months as of the date of this Meeting.

2. EXTRAORDINARY RESOLUTIONS

Fourteenth resolution
Authorization to be granted to the Board of Directors to reduce the share capital through the retirement of shares

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby:

1. authorizes the Board of Directors to reduce the share capital of the Company, on one or more occasions, by retiring the shares acquired pursuant to the provisions of Article L. 225-209 of the French Commercial Code;

2. grants this authorization for a period of eighteen months as of the date of this Meeting;

3. sets the maximum amount of the capital reduction that may be performed under this authorization over a twenty-four month period to 10% of Company's current capital;

4. grants all powers to the Board of Directors to perform and record the capital reduction transactions, carry out all required acts and formalities, amend the Bylaws accordingly, and generally take any and all other actions required in the implementation of this authorization;

5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of March 31, 2011.

Fifteenth resolution
Authorization to be granted to the Board of Directors to grant share purchase or share subscription options to employees and senior executive officers of the Group

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, hereby:

1. authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-117 *et seq.* of the French Commercial Code, to grant share subscription or purchase options giving access either to newly issued shares of the Company to be issued in the framework of a capital increase or to existing shares from share repurchases by the Company, on one or more occasions, to employees or senior executive officers of the Company or of any affiliated entities within the meaning of Article L. 225-180 of the French Commercial Code, or to certain categories of employees or senior executive officers, with the understanding that the total amount of options granted in accordance with this authorization may not give access to a number of shares exceeding 1% of the Company's share capital as of the date of this Meeting, with the understanding that the amount of such a share capital increase shall be applied against the overall ceiling of 50 million euros set forth in the twenty-fifth resolution approved by the Shareholders' Meeting of March 31, 2011;

2. takes note that this authorization entails, in favor of the beneficiaries of share subscription options, the explicit waiver by the shareholders of their preferential right to subscribe to the shares to be issued as these options are exercised and will be executed in accordance with the legal and regulatory provisions applicable as of the day on which the options are made available;

3. takes note that the granting of options to the Chairman of the Company's Board of Directors, its Chief Executive Officer, or its Group Managing Director(s) to purchase or subscribe to shares may only occur subject to the conditions set forth in Article L. 225-186-1 of the French Commercial Code;

4. decides that the subscription or purchase price of shares shall be determined by the Board of Directors on the date when the option is granted in accordance with the provisions in force on such date with the understanding that in any event, this price may not be lower than the average share price during the twenty trading days prior to this date. In addition, it shall be understood that, in the case of options to purchase shares, this price may not be lower than the average purchase price of the shares to be allocated upon the exercise of these options.

The subscription or purchase price of shares under option may not be modified except under the circumstances set forth by law, on the occasion of securities transactions or other financial operations, in which case the Board of Directors shall apply an adjustment, pursuant to regulations, to the number and price of shares under option in order to take into account the impact of these operations;

5. decides that, subject to the provisions of Article L. 225-185 of the French Commercial Code with respect to senior executive officers, options must be exercised within a maximum period of ten years following their grant date;

6. grants full powers to the Board of Directors under the limits set forth above in order to:

- determine the terms of the plan(s) and the conditions under which options shall be granted, conditions which may include clauses prohibiting the immediate resale of all or a portion of the shares, although the compulsory holding period may not exceed three years from the exercise of options, with the understanding that, in any event, the Board of Directors shall be responsible, with respect to options granted to senior executive officers as set forth in Article

L. 225-185, paragraph 4 of the French Commercial Code, either to decide that the options may not be exercised by the parties concerned prior to the conclusion of their term in office or to set the proportion of shares issued as a result of the exercise of options that they shall be required to hold in registered form until the conclusion of their term in office,

- decide upon the grant date or dates,
- where applicable, make the exercise of any portion or all of the options subject to one or more performance conditions that it shall determine,
- draw up the list of option beneficiaries,
- complete, either directly or through an intermediary, all acts and formalities required to finalize any capital increase that may be decided under this resolution,
- amend the Bylaws accordingly and generally take any and all necessary steps in the implementation of this authorization;

7. takes note that the Board of Directors shall inform the Ordinary Shareholders' Meeting of any operations carried out under this resolution, indicating the number and price of options granted and their beneficiaries, as well as the number of shares subscribed to or purchased;

8. grants this authorization for a period of thirty-eight months as of the date of this Meeting;

9. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

Sixteenth resolution
Delegation of authority to be granted to the Board of Directors to carry out capital increases reserved for Group employees

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and acting pursuant to the provisions of Articles L. 225-129-2, L. 225-138 and L. 225138-1 of the French Commercial Code and to the provisions of Articles L. 3332-1 *et seq.* of the French Labor Code, while also satisfying the requirements of Article L. 225-129-6 of the French Commercial Code, hereby:

1. delegates its authority to the Board of Directors (i) to increase the Company's share capital through the issue of shares or more generally of any other securities, on one or more occasions, as provided by Articles L. 3332-18 *et seq.* of the French Labor Code, that would be reserved for employees of the Company and of any other affiliated companies within the meaning of Article L. 3344-1 of the French Labor Code, who have enrolled in a company savings plan and (ii) to allot, where applicable, bonus shares subject to performance conditions or securities giving access to the Company's share capital as a replacement, in full or in part, for the discount set forth in point 4 below, under the conditions and within the limits provided by Article L. 3332-21 of the French Labor Code, with the understanding that, as necessary, the Board of Directors may substitute for all or a portion of this capital increase, the transfer, under the same conditions, of securities held by the Company;

2. grants this delegation for a period of twenty-six months as of the date of this Meeting;

3. decides that the total number of shares that may result from issuances under this delegation, including those resulting from shares or securities giving access to the Company's share capital that may be allotted as bonus shares as a full or partial replacement for the discount as provided by Articles L. 3332-18 *et seq.* of the French Labor Code may not exceed 1% of the Company's share capital as of the date of this Meeting, with the understanding that the amount of this capital increase shall be applied against the overall ceiling of 50 million euros for capital increases set forth in the twenty-fifth resolution approved by the Shareholders' Meeting of March 31, 2011. To this total number shall be added, where applicable, the additional number of shares to be issued, as provided by law, to protect the rights of holders of securities giving access to the Company's share capital;

4. decides that (i) the subscription price of newly issued shares may neither be greater than the average of the opening price for existing shares on the regulated market of Euronext Paris during the twenty trading sessions preceding the day of the decision by the Board of Directors or the Chief Executive Officer setting the opening date for the subscription period nor more than 20% lower than this average, with the understanding that the Board of Directors or the Chief Executive Officer may, where applicable, reduce or eliminate the discount which might otherwise apply, in order to take into account, in particular, legal frameworks or tax regimes applicable outside France or decide to fully or partially replace this maximum discount of 20% with the allotment of bonus shares and/or of securities giving access to the Company's share capital and that (ii) the issue price for securities giving access to the Company's share capital shall be determined as provided by Article L. 3332-21 of the French Labor Code;

5. decides to exclude the preferential right of shareholders to subscribe to any shares or to any securities giving access to the Company's share capital that may be issued under this delegation and reserved for employees as set forth above and to require the waiver of any rights to receive shares or securities giving access to the Company's share capital that might be allotted free of charge under the terms of this resolution;

6. grants full powers to the Board of Directors, including the option to sub-delegate its authority as provided by law, to implement this delegation and in particular to:

- determine the length of service requirements that must be met in order to participate in the operation, within any limits set forth by law, and, where applicable, the maximum number of shares that may be subscribed by each employee,
- decide whether shares must be subscribed to directly by employees enrolled in one of the Group's company savings plans (PEEs) or whether they must be subscribed to via a corporate investment fund (FCPE) or via a unit trust available exclusively to employee shareholders (SICAVAS),
- draw up the list of companies whose employees may benefit from the subscription offer,
- determine whether a specific time limit should be granted to employees in order to pay up their securities,

- set the conditions for enrollment in the group's company savings plan(s) and draw up or amend their regulations,
- set the opening and closing dates for the subscription period and the issue price for securities,
- proceed with the allotment of bonus shares or of securities giving access to the Company's share capital, within the limits set forth by Articles L. 3332-18 *et seq.* of the French Labor Code, and set the type and amount of reserves, unappropriated retained earnings, or additional paid-in capital to be capitalized,
- approve the number of new shares to be issued and the reduction rules applicable in the event that an issued is oversubscribed,
- apply the expenses of the share capital increases and of the issue of other securities giving access to the Company's share capital against the amount of the corresponding premiums and deduct from that amount any sums necessary in order to bring the legal reserve to one-tenth of the new capital following each increase;

7. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of March 31, 2011.

Seventeenth resolution
Amendment of the Bylaws to ensure compliance with legal provisions

The Shareholders' Meeting, having examined the report presented by the Board of Directors, hereby decides to amend the Company's Bylaws to ensure compliance with the requirements enacted by Decree no. 2010-684 dated June 23, 2010 and Ministerial Order no. 2010-1512 dated December 9, 2010, specifically by amending item 1 of Article 23 to read as follows:

Article 23 - Shareholders' Meetings

2nd paragraph of item 1: Amendment to the time period for sending the notice of a reconvened Shareholders' Meeting, extending this period from six to ten days.

6th paragraph of item 1: Amendment to the provision on the right to proxy representation at Shareholders' Meetings to read as follows:

"A shareholder can always be represented in a valid manner at a Shareholders' Meeting by another shareholder, his or her spouse, the partner with whom he or she has entered into a '*pacte civil de solidarité*' (PACS, the French civil union contract), or any other private individual or legal entity of his or her choice. Written notice must be sent to the Company of the appointment of any proxy, and where applicable the rescindment of this appointment."

The rest of the article remains unchanged.

STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL

(Fourteenth resolution)

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and in accordance with the procedures provided for in Article L. 225-209 of the French Commercial Code (*Code de commerce*) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of eighteen months starting from the day of this Meeting, to cancel, on one or several occasions, up to a maximum of 10% of its share capital by 24-months period, the shares purchased by the Company pursuant to the authorization to purchase its own shares up to a maximum of 10% of its share capital, under the provisions of the above-mentioned Article.

This purchase authorization is submitted for approval to your Shareholders' Meeting (thirteenth resolution).

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, which does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation of the original French text for information purposes only.

STATUTORY AUDITORS' REPORT ON THE GRANTING OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS

(Fifteenth resolution)

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and in accordance with the procedures provided for in Articles L. 225-177 and R.225-144 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed granting of stock subscription or purchase options to employees or corporate officers of the Company and of affiliated companies as defined in Article L.225-180 of the French Commercial Code (*Code de commerce*), or to certain categories of employees and corporate officers, a transaction on which you are being asked to vote.

Based on its report, the Board of Directors recommends that you confer on it the authority for a period of thirty-eight months as from the date of this Shareholders' Meeting, to grant, on one or several occasions, stock subscription or purchase options. The total number of options granted pursuant to this authorization cannot give the right to buy or subscribe to a number of shares representing more than 1% of the share capital of the Company as of the date of this Shareholders' Meeting, it being specified that this capital increase shall be applied to the overall ceiling for capital increases set forth in the twenty-fifth resolution approved by the Shareholders' Meeting of March 31, 2011.

The Board of Directors is responsible for preparing a report on the reasons for granting stock subscription or purchase options and the proposed terms and conditions governing the determination of the subscription or purchase price. Our role is to express an opinion on the proposed terms and conditions governing the determination of the stock subscription or purchase price.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. Our work consisted in verifying more specifically that the proposed procedures and data presented in the Board of Directors' report comply with the legal provisions and regulations.

We have no comments on the proposed terms and conditions for determining the stock subscription or purchase price.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation of the original French text for information purposes only.

STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS MARKETABLE SECURITIES WITH/WITHOUT CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

(Sixteenth resolution)

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy-Louis Vuitton and in accordance with the procedures more specifically provided for in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegations to the Board of Directors to issue shares or more generally all types of marketable securities conferring entitlement to the share capital of the Company, with cancellation of preferential subscription rights, reserved for employees of the Company and of all related companies as defined in Article 3344-1 of the French Labor Code (*Code du travail*), who are members of a company savings scheme, transactions on which you are asked to vote.

This capital increase is subject to your approval pursuant to the provisions of Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labor Code.

The total number of shares likely to be issued pursuant to this delegation, including those resulting from shares or marketable securities conferring entitlement to share capital that may be granted for no consideration to substitute, in part or in whole, the discount under the conditions set forth in Article L.3332-18 *et seq.* of the French Labor Code, may not exceed 1% of the share capital of the Company as of the date of this Shareholders' Meeting, it being specified that it shall be applied to the maximum nominal amount of 50 million euros set forth in the twenty-fifth resolution approved by the Shareholders' Meeting of March 31, 2011.

Your Board of Directors recommends that, having considered its report, you confer on it, for a period of twenty six months, the authority to decide the following transactions, set the final terms and conditions of these issues and, if necessary, cancel your preferential subscription rights:

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information pertaining to these transactions, as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. Such procedures consisted in verifying the content of the Board of Directors' report as it relates to these transactions and the conditions in which the issue price of the equity securities to be issued was determined.

Subject to the subsequent review of the terms and conditions of the issues that may be decided, we have no comments on the conditions, as given in the Board of Directors' report, under which the issue price of the equity securities to be issued was determined.

As the issue price of the equity securities to be issued has not been determined, we express no opinion on the final terms and conditions under which the shares shall be issued and, consequently, on the proposed cancellation of preferential subscription rights

In accordance with Article R. 225-116 of the French Commercial Code, we shall issue a supplementary report, where necessary, when these delegations are utilized by your Board of Directors.

Neuilly-sur-Seine and Paris-La Défense, February 16, 2012

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres	
Thierry Benoit	Olivier Breillot	Gilles Cohen

This is a free translation of the original French text for information purposes only.

RESPONSIBLE COMPANY OFFICER; FINANCIAL INFORMATION

1. STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT 252

2. INFORMATION INCORPORATED BY REFERENCE 253

3. DOCUMENTS ON DISPLAY 253

1. STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this reference document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report presented on page 24 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

We have obtained a letter from the Statutory Auditors certifying that they have verified, in accordance with professional standards and doctrine applicable in France, the financial and accounting information provided in this reference document and that they have read the document as a whole.

In their report on the 2009 consolidated financial statements, incorporated by reference, the Statutory Auditors had highlighted the Group's application of IAS 38 Revised (Note 1.2 of the notes to the consolidated financial statements). In their report on the 2011 parent company financial statements, the Statutory Auditors have highlighted the change in presentation of the income statement described in Note 2.1 of the notes to the financial statements.

Paris, March 14, 2012

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

2. INFORMATION INCORPORATED BY REFERENCE

In application of Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this reference document:

- the 2010 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 116-182 and 183-184, respectively, of the 2010 reference document, filed with the AMF on March 9, 2011 under the number D. 11-0159;
- the 2009 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 110-175 and 176-177, respectively, of the 2009 reference document, filed with the AMF on March 23, 2010 under the number D. 10-0150
- the developments in the Group's financial situation and in the results of its operations between the 2010 and 2009 fiscal years, presented on pages 24-50 of the 2010 reference document, filed with the AMF on March 9, 2011 under the number D. 11-0109;
- the developments in the Group's financial situation and in the results of its operations between the 2009 and 2008 fiscal years, presented on pages 24-47 of the 2009 reference document, filed with the AMF on March 23, 2010 under the number D. 10-0150;
- the 2010 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 186-205 and 206-207, respectively, of the 2010 reference document, filed with the AMF on March 9, 2011 under the number D. 11-0109;
- the 2009 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 180-199 and 200-201, respectively, of the 2009 reference document, filed with the AMF on March 23, 2010 under the number D. 10-0150;
- the Statutory Auditors' special report on related party agreements and commitments of the 2010 fiscal year, included on pages 208-209 of the 2010 reference document, filed with the AMF on March 9, 2011 under the number D. 11-0109;
- the Statutory Auditors' special report on related party agreements and commitments of the 2009 fiscal year, included on pages 202-204 of the 2009 reference document, filed with the AMF on March 23, 2010 under the number D. 10-0150;

The sections of the 2010 and 2009 reference documents that are not incorporated are either not relevant to investors or are included in the present document.

3. DOCUMENTS ON DISPLAY

The Bylaws of the company LVMH Moët Hennessy-Louis Vuitton are incorporated within this Reference Document. Other legal documents pertaining to the Company may be consulted at its headquarters under the conditions provided by law.

The Company's reference document filed by LVMH with the Autorité des Marchés Financiers (AMF), the press releases relating to revenue and earnings, as well as the annual and interim reports and the consolidated and parent company financial statements may be consulted on the Company's web site at the following address: www.lvmh.com.

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(a) In application of Articles L. 451-1-2 of the Monetary and Financial Code (Code monétaire et financier) and 222-3 of the General Rules and Regulation of the AMF.

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The original French version of this document was submitted to the Autorité des Marchés Financiers on March 14, 2012 pursuant to Article 212-13 of its General Rules and Regulations. The original French version of this document may be used for the purposes of public capital and financial operations if it is supplemented by a transaction note approved by the Autorité des Marchés Financiers. The original French version of this document was prepared by the issuer, and its signatories are responsible for its content.

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