

Christian Dior

CONSOLIDATED FINANCIAL STATEMENTS

Christian Dior

CONSOLIDATED HIGHLIGHTS

(in millions of euros)	2005	2004 ⁽¹⁾
Key consolidated data		
• Revenue	14,556	13,060
Profit from recurring operations	2,791	2,413
Net income—Group share	618	549
• Capital	363	363
Total shareholders' equity	11,868	10,065
Non-current assets	23,146	21,706
Current assets	8,813	7,659
Non-current liabilities	12,611	12,613
Current liabilities	7,480	6,687
Net financial debt	5,706	6,646
Total assets	31,959	29,365
• Cash flow from operations before changes in working capital	3,185	2,789

(in euros)

Earnings per share

Net income, Group share	3.48	3.09
Net income, Group share after dilution	3.45	3.07

Dividend per share

Interim dividend	0.32	0.32
Final	0.84	0.65
Total dividend ⁽²⁾	1.16	0.97

(1) Following restatement under IFRS of data previously published under French GAAP.

(2) For 2005, the amount proposed at the General Meeting on May 11, 2006.

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CONSOLIDATED BALANCE SHEET

ASSETS (in millions of euros)	<i>Notes</i>	2005	2004 ⁽¹⁾
Brands and other intangible assets, net	5	11,186	10,495
Goodwill, net	4	5,058	4,634
Tangible assets, net	6	5,258	4,798
Investments in associates	7	131	117
Non-current available for sale financial assets	8-12	451	718
Other non-current assets		701	666
Deferred tax	26	361	278
Non-current assets		23,146	21,706
Inventories and work-in-progress	9	4,270	3,723
Trade receivables and related accounts	10	1,437	1,419
Corporate income tax		317	115
Other current assets	11-12	1,279	1,336
Cash and cash equivalents	15	1,510	1,066
Current assets		8,813	7,659
Total assets		31,959	29,365
LIABILITIES AND SHAREHOLDERS' EQUITY			
(in millions of euros)	<i>Notes</i>	2005	2004 ⁽¹⁾
Capital		363	363
Premiums		2,205	2,205
Dior treasury share		(157)	(155)
Revaluation reserves		292	245
Other reserves		1,021	626
Currency translation		126	(89)
Net income – Group share		618	549
Shareholders' equity, Group share	14	4,468	3,744
Minority interests	16	7,400	6,321
Shareholders' equity		11,868	10,065
Long-term financial debt	17	4,443	5,092
Provisions – over one year	18	952	886
Deferred tax	26	3,846	3,389
Other non-current liabilities	19	3,370	3 246
Non-current liabilities		12,611	12,613
Short-term financial debt	17	3,376	2,984
Trade accounts and related accounts		1,772	1,629
Corporate income tax		377	203
Provisions – under one year	18	312	265
Other current liabilities	20	1,643	1,606
Current liabilities		7,480	6,687
Total of liabilities and shareholders' equity		31,959	29,365

(1) Following restatement under IFRS of data previously published under French GAAP.

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CONSOLIDATED INCOME STATEMENT

(in millions of euros, except earnings per share)	Notes	2005	2004 ⁽¹⁾
Revenue	22-25	14,556	13,060
Cost of sales		(5,228)	(4,533)
Gross margin		9,328	8,527
Marketing and selling expenses		(5,201)	(4,832)
General and administrative expenses		(1,336)	(1,282)
Profit from recurring operations	22-25	2,791	2,413
Other operating income and expenses	24	(226)	(203)
Operating income		2,565	2,210
Cost of net financial debt		(234)	(265)
Dividends received		49	16
Other financial income and expenses		(6)	(15)
Financial income	25	(191)	(264)
Income taxes	26	(728)	(488)
Share of income from investments in associates	7	8	(15)
Net income		1,654	1,443
Minority interests		1,036	894
Net income - Group share		618	549
Net income, Group share, per share (in euros)	27	3.48	3.09
Number of shares used for the calculation		177,655,990	177,774,420
Net income, Group share, after dilution per share (in euros)	27	3.45	3.07
Number of shares used for the calculation		179,002,963	178,737,153

(1) Following restatement under IFRS of data previously published under French GAAP.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	Note	Number of shares	Capital 14.1	Premiums	Dior shares 14.2	Revaluation reserves 14.4	Income and other reserves	Currency translation 14.5	Total shareholders' equity		
									Group share	Minority interests 16	Total
At January 1, 2004 (1)		181,727,048	363	2,205	(150)	219	761	-	3,418	6,031	9,449
Currency translation								(89)	(89)	(176)	(265)
Gains and losses recorded on shareholders' equity						26			26	48	74
Net income							549		549	893	1,442
Total gains and losses for the period			-	-	-	26	549	(89)	486	765	1,251
Expenses linked to stock option plans							27		27	28	55
Change in treasury shares					(25)		(9)		(34)	(75)	(109)
Dividends paid							(162)		(162)	(340)	(502)
Changes in consolidation scope					-		9		9	(19)	(10)
Impact of securities purchase commitments for minority interests									-	(69)	(69)
At December 31, 2004 (1)		181,727,048	363	2,205	(155)	245	1,175	(89)	3,744	6,321	10,065
Currency translation								215	215	381	596
Gains and losses recorded on shareholders' equity						47			47	64	111
Net income							618		618	1,036	1,654
Total gains and losses for the period			-	-	-	47	618	215	880	1,481	2,361
Expenses linked to stock option plans							17		17	15	32
Change in treasury shares					(2)		1		(1)	27	26
Dividends paid							(172)		(172)	(371)	(543)
Changes in consolidation scope									-	(74)	(74)
Impact of securities purchase commitments for minority interests									-	1	1
At December 31, 2005		181,727,048	363	2,205	(157)	292	1,639	126	4,468	7,400	11,868

(1) Following restatement under IFRS of data previously published under French GAAP.

Shareholders' equity under IFRS presented at January 1, 2004 and December 31, 2004 rose by 233 million euros and 280 millions euros respectively from the data presented in the document "Implementation of the IFRS" part 2 of the 2004 Annual Report. This change is explained in Note 14.2 to the financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

(in millions of euros)	Notes	2005	2004 ⁽¹⁾
I - OPERATING ACTIVITIES			
Operating income		2,565	2,210
Net depreciation, amortization and provisions, excluding fiscal and financial items		671	562
Other expenses calculated, excluding financial items		(92)	(21)
Dividends received		52	26
Other restatements		(11)	12
Cash flow from operations before changes in working capital		3,185	2,789
Cost of net financial debt: interest paid		(268)	(266)
Income taxes paid		(620)	(401)
Cash flow after financial interest and taxes		2,297	2,122
Change in inventories and work in progress		(281)	(276)
Change in trade receivables and related accounts		(77)	21
Change in trade accounts payable and related accounts		18	(88)
Change in other receivables and liabilities		53	110
Change in working capital requirement		(287)	(233)
Change in cash flow from operating activities		2,010	1,889
II - INVESTING ACTIVITIES			
Acquisitions of intangible and tangible assets		(755)	(711)
Disposals of intangible and tangible assets		21	63
Guarantee deposits paid and other operational investing flows		7	(13)
Operating investments		(727)	(661)
Acquisitions of non-current available for sale financial assets		(69)	(57)
Disposals of non-current available for sale financial assets	8	469	95
Effects of acquisitions and disposals of consolidated investments	2.4.2	(604)	(401)
Other flows from financial investing activities		64	-
Financial investments		(140)	(363)
Change in cash from investing activities		(867)	(1,024)
III - TRANSACTIONS RELATED TO EQUITY			
Capital increase of subsidiaries subscribed by minority interests		3	1
Acquisitions and revenue of Christian Dior and LVMH treasury shares		30	(156)
Dividends (including dividend withholding) and interim dividends paid during the year by Christian Dior		(172)	(162)
Dividends and interim dividends paid during the year to the minority interests of consolidated subsidiaries		(371)	(340)
Change in cash flow from transactions relating to equity		(510)	(657)
IV - FINANCING ACTIVITIES			
Issues or subscriptions to borrowings and financial debt		1,267	1,662
Repayment of borrowings and financial debt		(1,621)	(1,717)
Acquisitions and revenue of financial investments		(40)	11
Change in cash flow from financing activities		(394)	(44)
V - IMPACT OF CURRENCY TRANSLATION			
		34	2
NET CHANGE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		273	166
NET CASH AT BEGINNING OF YEAR	15	715	549
NET CASH AT YEAR-END	15	988	715
Transactions included in the table above, without impact of the change in cash flow:			
- finance lease investments		9	56

(1) Following restatement under IFRS of data previously published under French GAAP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

1.1 General framework

Pursuant to European regulation 1606/2002 of July 19, 2002, the consolidated financial statements for 2005 were established in accordance with the International Accounting Standards (IAS/IFRS) adopted by the European Union and applicable on the date the accounts were closed on March 1, 2006. These standards have been consistently applied over the years presented.

The standards IAS 32, IAS 39 and IFRS 5 were applied by the Group as of January 1, 2004, including the amendment to IAS 39 concerning the hedging of future intra-Group cash flows.

The standards, amendments and interpretations issued by the IASB in August 2005 have not been applied in the attached financial statements. These texts are IFRS 7, Financial instruments – Information to be provided, and the amendment to IAS 1, Presentation of financial statements for capital information, which must be applied as of 2007 or early in 2006, and the amendments to IAS 39 and IFRS 4 on financial guarantees, applicable in 2006. These texts will not have a significant impact on the Group's financial statements.

The following texts issued by the IASB are not applicable to the Group: the amendments to IFRS 1 and IFRS 6 of June 2005, IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment of September 2005, and IFRIC 7, Interpretation concerning financial reporting in hyper-inflationary economies of November 2005.

1.2 First adoption of IFRS

The consolidated financial statements for 2005 are the first financial statements established in compliance with IFRS. The Group's implementation of IFRS, described in part 2 of the 2004 Annual Report, consists of the following items:

- a note on the Group's first application of the IFRS accounting principles, in particular the methods of application of IFRS 1, First adoption of IFRS, and the presentation formats chosen for the balance sheet and income statement;
- a note summarizing the impact of IFRS on the accounting principles followed by the Group;
- reconciliation tables between French standards and IFRS for the following statements:
 - shareholders' equity at January 1, 2004, the transition date, and at December 31, 2004;
 - balance sheets at January 1 and December 31, 2004;
 - income statement for 2004;

as well as a note with comments on these tables.

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IFRS 1 provides for exceptions to the retrospective application of IFRS to the transition date; the exceptions used by the Group are as follows:

- business combinations: the exemption for retrospective application was not used. The Christian Dior Group has retrospectively restated the acquisitions made since 1988, the date of the first consolidation of LVMH; the standards IAS 36, Impairment of assets, and IAS 38, Intangible Assets, have been applied retrospectively since that date;
- valuation of tangible and intangible assets: the option of valuing these assets at their fair value on the transition date was not used except for all buildings held by Christian Dior Couture;
- employment benefits: deferred actuarial differences under French standards at the transition date have been booked;
- conversion of foreign subsidiary accounts: the conversion reserves related to the consolidation of subsidiaries in foreign currencies were eliminated at January 1, 2004 as per contra to “Other reserves”;
- share-based payment: IFRS 2 on share-based payment is applied to all stock option plans open on the transition date, including the plans set up before November 7, 2002, the date before which application is optional.

1.3 Use of estimates

In the process of preparing the consolidated financial statements, the valuation of certain balances on the balance sheet or income statement requires the use of assumptions, estimates or assessments. This covers the valuation of intangible assets, commitments to purchase the shares of minority interests, the determination of the amount of the provisions for liabilities and charges or provisions for inventory impairment and, if applicable, deferred tax. These assumptions, estimate or assessments established on the basis of existing information or situations on the date the statements are prepared may differ from reality in the future.

1.4 Consolidation methods

The subsidiaries in which the Group has direct or indirect exclusive control, by law or in fact, are fully consolidated.

Companies under joint control are consolidated on a proportionate basis.

The retail subsidiaries jointly held with the Diageo group are consolidated at the percentage of their balance sheets and income statements that corresponds to the Group’s activities only (see Note 1.22).

The companies in which the Group exercises a significant influence are consolidated using the equity method.

1.5 Conversion of the financial statements of foreign subsidiaries

The currency of the consolidated accounts is the euro: subsidiaries’ accounts that use a different operational currency are converted into euros:

- at the closing price for balance sheet items;
- at the average price for the period for the items on the income statement.

Translation adjustments resulting from the application of these prices are recorded in shareholders’ equity as “currency translation”.

1.6 Currency transactions and exchange hedges

Foreign currency transactions carried out by the consolidated companies are converted into their operational currency at the exchange rate on the date of the transaction.

Receivables and payables expressed in foreign currencies are converted at the rate of these currencies on the closing date. Unrealized gains and losses resulting from this conversion are booked as:

- gross margin for commercial transactions;
- financial income for financial transactions.

The currency gains and losses resulting from the conversion of intra-Group transactions or receivables and payables in foreign currencies, or from their elimination, are recognized in the income statement, unless they come from long-term intra-Group financing operations that can be considered as capital operations: in this case, they are recognized under shareholders' equity as "Currency translation".

When derivatives are assigned to hedge commercial operations in currencies, they are recognized on the balance sheet at their market value on the closing date; the change in market value of these derivatives is booked as follows:

- as gross margin for the effective portion of the hedge of receivables and payables booked on the balance sheet on the closing date;
- under shareholders' equity, as revaluation reserve, for the effective portion of the hedge on future cash flows; this amount is transferred to gross margin when the receivables and payables covered by the hedge are booked;
- as financial income for the ineffective portion of the hedge; the changes in value related to the forward points of the forward contracts and the time value under option contracts are systematically considered to be the ineffective portion.

When derivatives are assigned to hedge net currency positions of consolidated subsidiaries, the change in market value is recognized in shareholders' equity as "Currency translation", for the amount of the effective portion and as financial income for the effective portion.

1.7 Brands, trade names and other intangible assets

Only the brands and trade names acquired, which can be individualized and have a recognized name, are recorded as assets, at the value determined at the time of acquisition.

Expenses incurred to create a new brand or to develop an existing one are recorded under expenses.

Brands and other intangible assets with a definite life are amortized over their useful life. Brands and other intangible assets with an indefinite life are not amortized, but are subject to an annual valuation test.

The classification of a brand or trade name as an asset with a definite or indefinite life is the result of the application of the following criteria:

- the global positioning of the brand or trade name on its market in terms of volume of activity, international presence, and reputation;
- prospects for long-term profitability;
- the degree of exposure to circumstantial risks;
- a major event occurring in the business group that might affect the future of the brand or trade name;
- the age of the brand or trade name.

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The period of amortization of the brands, which is based on the estimate of their permanence, is between 5 and 40 years.

The brand and trade name amortization charge and, if applicable, the amount of their impairment are booked in "Other operating income and expenses".

Research expenses are not capitalized. The costs to develop a new product are capitalized only if the decision to launch the product is effectively made.

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

- Leasehold acquisition rights: based on market conditions, most often 1 to 2 times the term of the lease
- set-up costs: maximum 3 years
- software: 1 to 5 years

1.8 Goodwill

When exclusive control of a company is obtained, the assets, liabilities and contingent liabilities of the company acquired are valued at fair value; the difference between the cost of the takeover and the Group's share of the fair value of these assets, liabilities and contingent liabilities is recognized as "Goodwill".

The cost of the takeover is the price that was or would be paid by the Group in the context of an acquisition.

In the absence of specific provisions in the current standards, the difference between the acquisition cost and the book value of the minority interests acquired is recognized as "Goodwill".

Goodwill is booked in the operational currency of the entity acquired.

Goodwill is not amortized, but is subject to an annual valuation test. The impairment expense, if any, is included in "Other operating income and expenses".

1.9 Commitments to purchase minority interests

The minority shareholders of certain fully consolidated subsidiaries benefit from commitments to buy their shares granted by the Group.

Pending clarification on IAS 32, the Christian Dior Group has recorded these commitments as follows:

- the commitment, in the amount on the closing date, appears as "Other non-current liabilities";
- the corresponding minority interests are reclassified in the above amount;
- the difference between the amount of the commitment and the reclassified minority interests is recognized as "Goodwill".

This accounting method has no impact on the presentation of minority interests in the income statement.

However, the accounting treatment described above calls for the following comment: some interpretations of the texts result in accounting for goodwill in full as a deduction from shareholders' equity; under other interpretations, goodwill is maintained under assets but at an amount fixed at the time of the takeover, with subsequent variations recorded in results.

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1.10 Tangible assets

The gross value of tangible assets, with the exception of the vineyard land and producing vineyards and all buildings held by Christian Dior Couture, is the acquisition cost. The financial costs incurred during the period preceding operation are not capitalized.

Vines for the champagnes, cognac and other wines produced by the Group are biological assets as defined by IAS 41 Agriculture. As the valuation of these items at market value is only slightly different from the valuation at historic cost, no revaluation was made.

Vineyard land and producing vineyards are recorded at market value on the closing date. This valuation results from official data published on recent transactions in the same region or on independent appraisals. The difference between the historic acquisition cost and the market value is recognized as shareholders' equity in "Revaluation reserves". If the market value falls below the acquisition cost, an impairment is booked in the income statement for the amount of the difference.

Rental properties are not revalued at their market value.

The assets financed by finance lease are capitalized on the basis of the present value of future rents or on the basis of their market value if that value is lower.

Tangible assets are amortized using the straight line method over the estimated duration of their useful life:

- buildings, investment property: 20 to 50 years
- plant and equipment: 3 to 25 years
- retail fittings: 3 to 10 years
- vineyard land and producing vineyards: 18 to 25 years

The amortizable basis for the tangible assets consists of the acquisition cost, minus the estimated residual value, if any.

Maintenance and repair costs are recorded as expenses when the transactions are completed.

1.11 Valuation tests of fixed assets

Valuation tests are performed for tangible and intangible fixed assets once an indication of a potential loss of value exists, and at least once a year for intangible assets with an indefinite life, primarily, brands, trade names and goodwill. When the net book value of these assets becomes greater than the highest amount of their useful or market value, an impairment is booked for the amount of the difference; impairment, charged first against goodwill, if any, is booked as "Other operating income and expenses".

Useful value is based on the discounted future cash flows that will be generated by these assets. The sale price for the assets is determined by reference to recent similar transactions or valuations conducted by independent experts for a potential sale.

Provisional cash flows are established at Group level by business group; a business group corresponds to one or more brands or trade names and a specific management team. Within the business group, cash-generating units may be determined at a smaller level, such as a group of stores.

The valuation of brands and goodwill is primarily made on the basis of discounted provisional cash flows or using the comparable transaction method, a method based on the multiples of revenues and earnings used during recent transactions concerning similar brands, or on market multiples applicable to the activities in question. Other methods are

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used as a complement: the royalty method, which gives a brand a value equivalent to the capitalization of the royalties that would have to be paid for use; the margin differential method, applicable only to cases where it is possible to measure the difference in revenue generated by a brand compared with an unbranded product; the method using the cost of reconstitution of an equivalent brand, particularly in terms of advertising costs.

The data used in the discounted provisional cash flow method comes from annual budgets and multi-year plans established by the management of the relevant business groups. The plans resulting in five-year forecasts, with the exception of some brands undergoing strategic repositioning for which a longer period is used; in addition, a terminal value is taken into consideration. When several scenarios are used, a probability of occurrence is assigned to each one. The discount rate for the provisional cash flows integrates the rate of return expected by an investor in the business concerned and the risk premium for this activity.

1.12 Available for sale financial assets

Financial assets are presented as current or non-current based on the type and estimate period of holding.

Non-current available for sale financial assets primarily include strategic and non-strategic equity investments.

Current available for sale financial assets include temporary investments in stocks, shares of SICAVs and Mutual Funds (FCP), excluding investments related to daily cash management, which are booked as “Cash and cash equivalents” (See Note 1.15).

These assets are booked at the closing price if they are traded investments and on the basis of an estimate of their realization value if they are non-traded assets.

The positive or negative changes in value are recorded in shareholders’ equity as “Revaluation reserves”.

In the event of a loss of value deemed definitive, a provision for impairment of this amount is recognized as net financial income; for long-term investments and marketable stocks, the provisions for impairment is restated in the income statement only at the time of the sale.

1.13 Inventories and work-in-progress

With the exception of the wines produced by the Group, inventories are recognized at their cost price, excluding financial fees. The costs price is the cost of production (finished products) or the purchase price plus related costs (raw materials, merchandise); it may not exceed the net realization value.

The inventories of wines produced by the Group, particularly the wines from Champagne, are valued at market value for the harvest in question, as if the grapes harvested had been acquired from third parties. Until the harvest date, the grapes are valued *pro rata temporis* on the basis of an estimated yield and market value.

Changes in inventories are recognized, depending on the business, at the weighted average costs or using the First In – First Out method (FIFO).

Considering the aging process for champagne and cognac, these inventories are often held for more than one year. These inventories remain classified as current assets in line with industry practice.

Impairments on inventories are recognized primarily in the businesses other than Wines and Spirits. They are established most often because of obsolete products (approaching expiration, season or collection ended) or on the basis of the possibility of sale.

1.14 Trade receivables

Trade receivables, which are most often less than two months, are booked at face value. Impairment is booked when the inventory value, based on the probability of collection, is less than the booked value.

1.15 Cash and cash equivalents

The item "Cash and cash equivalents" includes liquid assets and money market investments immediately available for which the value is not subject to changes in stock market prices.

Money market investments are valued at market value on the closing date; the changes in value are recorded as financial income.

1.16 Provisions

A provision is booked once there is an obligation to a third party which will result for the Group in a probable disbursement, the amount of which can be reliability valued.

When the execution date of this obligation is over one year, the amount of the provision is calculated and discounted, the impact of which is generally recognized as financial income.

1.17 Financial debt

Financial debt is recorded at nominal value, net of premiums and related issue costs, which are progressively recorded as financial income until maturity, using the effective interest rate method.

If the fluctuation of the value of the debt is hedged as an interest-rate risk, the amount of the debt hedged, and the associated hedging instruments, appear on the balance sheet at their market value on the closing date; the effects of revaluation are recorded in financial income for the period.

If the future interest rate is hedged, the financial debt for which flows are hedged continues to be booked at the amortized costs and the change in value of the effective portion of the hedge instrument is recorded under shareholders' equity as revaluation reserve.

In the absence of a hedging relationship, or for the ineffective portion of hedges, fluctuations in value of the derivative instruments are recorded in financial income.

When a derivative instrument is included in the financial debt, the option to book this debt at market value is used.

Net financial debt is composed of short and long-term financial debt and the market value on the closing date for interest rate derivatives, minus the value of the marketable securities and other financial assets and cash and cash equivalents on this date.

1.18 Derivatives

The Group trades derivative instruments as part of its strategy to hedge currency and rate risks. Hedging accounting requires, according to IAS 39, demonstrating and documenting the effectiveness of the hedging relation when it is placed and throughout its life.

Effectiveness of the hedge in accounting terms is verified by the ratio of variations in the value of the derivative and the underlying hedged item; this ratio should lie in a range between 80 and 125%.

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Derivatives are booked on the balance sheet at their market value on the closing date. Changes in the value of derivatives are recorded in accordance with the procedures specified in Note 1.6 for the exchange risk hedges and in Note 1.17 for interest rate hedges.

Market value is established by reference to market data and using the valuation models commonly used; this value is confirmed in the case of complex instrument by listings from third party financial institutions.

Derivatives with maturity greater than twelve months are presented as non-current assets and liabilities.

1.19 Christian Dior and LVMH treasury shares

- Christian Dior treasury shares

The Christian Dior shares held by the Group, for whatever reason, are deducted from consolidated shareholders' equity in the amount of the acquisition costs.

If they are sold, the cost price of the shares sold is established by category of allocation (see Note 14.2) using the First In – First Out method (FIFO), with the exception of the shares held for option plans, in which case the price is calculated by plan, using the Weighted Average Price method. Sale results are recorded directly as shareholders' equity for the amount net of tax.

- LVMH treasury shares

LVMH's purchases/sales of its own shares, which are the source of the changes in the interest held by the Christian Dior Group in LVMH, are recorded in the consolidated accounts of the Christian Dior Group as acquisitions and disposals of minority interests.

1.20 Retirement plans, medical expenses and other related benefit

When pensions, retirement indemnities, medical expenses and other related benefit are covered by contributions paid by the Group to outside organizations, which assume the commitment corresponding to the payment of the allocations or repayment of medical costs; these contributions are booked as expenses for the year in which they are due, no liability is booked on the balance sheet.

When the pensions, retirement indemnities, medical costs and other commitments are paid directly by the Group, the amount of the corresponding actuarial commitment results in a provision on the balance sheet; the change in this commitment is booked under profit from recurring operations for the year, including the financial discounting effect.

When this commitment is covered, in whole or in part, by funds paid by the Group to financial organizations, the amount of these dedicated investments is deducted from the actuarial commitment on the balance sheet.

The actuarial commitment is calculated on the basis of valuations specific to each country and to each Group company; these valuations include assumptions for salary increases, inflation, life expectancies, employee turnover and return on dedicated investments.

The cumulative effects of the actuarial differences are amortized once they exceed at year-end 10% of the amount of the commitment or the market value of the investments to cover them. These differences are amortized beginning in the year following their determination, over the residual average working life of the employees concerned.

1.21 Current and deferred tax

Timing differences between the consolidated values of assets and liabilities and the values resulting from the application of fiscal regulations results in the recognition of deferred tax.

The tax rate used to calculate deferred taxes is the rate known on the closing date; the impacts of rate changes are recorded over the period in which this change is decided.

Tax savings resulting from fiscal deficits carried forward are recorded as deferred tax assets and depreciated, as applicable; only the amounts that will probably be used are maintained as assets on the balance sheet.

Deferred tax assets and liabilities are not discounted.

Taxes owed on distributable reserves of the subsidiaries are provisioned in the amount of the distributions planned.

1.22 Recognition of revenue

• Definition of revenue

Revenue primarily includes retail sales in the Group's stores and wholesale sales to distributors and agents.

Retail sales comes from Fashion and Leather Goods, some brands of Perfumes and Cosmetics and Watches and Jewelry, and from Selective Retailing. These sales are recorded at the time of purchase by customers.

Wholesale sales comes from the Wines and Spirits business groups and certain brands of the Perfumes and Cosmetics and Watches and Jewelry business groups. This revenue is recorded when ownership is transferred, that is, most often upon shipping.

Shipping and transport costs invoiced to customers are included in revenue only when they are included as a flat rate in the price of the products.

Revenue is presented net of any kind of rebate and discount. In particular, the amounts for referencing the products or corresponding to shared advertising agreements with the distributor are deducted from revenue and the corresponding trade receivables.

• Provision for returned products

Group companies in Perfumes and Cosmetics and, to a lesser extent, in Fashion and Leather Goods and Watches and Jewelry, may take back unsold or out-of-date products from their customers and distributors.

When this practice is established, the revenue recorded is reduced by the amount corresponding to an estimate of these returns, in consideration for a reduction in trade receivables and registration in inventory. The return rate used to establish these estimates is calculated on a statistical basis.

• Activities in partnership with Diageo

A significant portion of the revenue of the Wines and Spirits business group is recorded under distribution agreements with Diageo, which most often consist of joint ventures. These joint ventures ensure deliveries and revenue to the customers of the LVMH and Diageo brands; the division of the income and balance sheet of these entities between the two groups is governed by the distribution agreements. Because of these agreements, LVMH consolidates only the revenue and share of expenses in the joint ventures that apply to its own brands.

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1.23 Stock option plans

Stock option plans result in the recording of a charge composed of the expected gain for the beneficiaries of these plans; the expected gain is calculated on the date of the Board of Directors' meeting that established the plans, using the Black and Scholes method. This charge is distributed using the straight line method over the period of acquisition of the rights (2 to 4 years) as per contra to an increase in reserves.

For free share allocation plans, the expected gain is calculated on the basis of the closing price for the share the day before the Board of Directors' meeting that decides the plan, and on the dividends expected during the rights vesting period.

Compensation plans tied to the price of the LVMH share are unwound in cash and not in shares; the corresponding annual expense is booked as a contra entry to liabilities on the balance sheet.

In 2004 and 2005, all plans for which the rights vesting period was open on January 1, 2004, the date of the transition to IFRS, are included.

1.24 Profit from recurring operations and other operating income and expenses

The primary business of the Group is the management and development of its brands and trade names. Profit from recurring operations comes from these activities, including recurring and non-recurring operations and main or secondary operations.

Other operating income and expenses include items composing income which, because of the type, amount or frequency, cannot be considered part of the current activities and income of the Group.

This includes, in particular, the effects of changes in consolidation and impairment on brands and goodwill. This also includes, if they are significant, gains or losses on disposals of fixed assets, restructuring costs, costs for litigation, or any other non-current income or expense that affects the comparability of profit from recurring operations from one period to another.

1.25 Earnings per share

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

Earnings per share after dilution are established on the basis of the weighted average number of shares before dilution, plus the weighted average number of shares that would result from the exercise, during the period, of existing stock options for new shares or any other diluting instrument. The funds collected for the exercise of these options are assumed to be assigned, in this calculation, to buying back Christian Dior shares at a price equal to their average market price over the period.

NOTE 2 - CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 Wines and spirits: acquisition of Glenmorangie

Further to the amicable takeover bid completed at the end of December 2004, the Group acquired a 99% interest in January 2005 in the capital of Glenmorangie plc, a British company listed in London (United Kingdom), and the remaining capital in February and March 2005 in connection with a withdrawal procedure.

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The cost of this acquisition came to 459 million euros (316 million pounds), including 8 million euros in acquisition costs. Under the terms of the bid, 51 million pounds of this price was paid in the form of Loan Notes, bearing interest at 0.80% under the LIBOR GBP rate. These Loan Notes may be redeemed at par as of December 15, 2005, as required by holders, at the time of interest payments on June 15 and December 15 each year and by the latest on December 15, 2012. At December 31, 2005, the balance of Loan Notes was 41 million pounds.

The interest in Glenmorangie has been fully consolidated since January 1, 2005. The following table summarizes the conditions for allocating the price paid, based on Glenmorangie's balance sheet at December 31, 2004:

(in millions of euros)	Value retained by the Group	Book value
Intangible fixed assets	290	1
Tangible assets	54	58
Inventories	130	123
Other current assets and liabilities, net	(22)	(10)
Cash	21	21
Financial debt	(66)	(66)
Staff benefit commitments	(12)	–
Deferred taxes and provisions	(95)	(7)
Goodwill	159	–
Total acquisition cost	459	

Intangible fixed assets include 289 million euros relative to the Glenmorangie, Ardbeg and Glen Moray brands, with 234 million euros for the Glenmorangie brand.

Goodwill reflects the synergies expected from the integration of Glenmorangie into the Moët Hennessy distribution network.

2.2 Wines and Spirits: acquisition of minority interests in Millennium

In April 2005, the Group acquired the 30% stake held by the minority shareholder in Millennium for 120 million US dollars, taking its holding up to 100%.

This investment represents an additional Group share of 67 million euros in the distribution license held by Millennium.

2.3 Other changes in the Group consolidation in 2005

Christian Lacroix (Fashion and Leather Goods) and MountAdam (Wines and Spirits) were sold in January and July 2005 respectively. The 49.9% interest in Bonhams Brooks PS&N Ltd, an associated entity, was sold in July 2005.

Les Ateliers Bijoux has been fully consolidated into the Christian Dior Couture Group as of June 30, 2005. Up until April 2005, this activity was covered by a licensing agreement.

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2.4 Impacts of changes in the scope of consolidation

2.4.1 On the income statement

The overall impact of changes in consolidation in 2004 and 2005 on the Group's income statements is as follows:

(in millions of euros)	2005	2004 pro forma	2004 published
Revenue	14,556	13,089	13,060
Profit from recurring operations	2,791	2,442	2,413
Financial income	(191)	(280)	(264)
Net income	1,654	1,307	1,443
Of which, minority interests	1,036	793	894
Of which, Group share	618	514	549

The condensed pro forma income statement presented above for 2004 has been drawn up based on a comparable scope to that for 2005. More specifically:

- The acquisitions and disposals carried out in 2005 are retained in the income statement for 2004 for an identical number of months to that for 2005; in addition, although not representing a change in consolidation, the stopping of operations at the large Parisian Samaritaine store in July 2005 (see Note 24 - Other operating income and expenses) has also been taken into account, with a comparable number of months business to that for 2005 and identical reorganization costs retained in 2004;
- The acquisitions and disposals for 2004 are considered to have been made at January 1, 2004.

2.4.2 On cash and cash equivalents

(in millions of euros)	2005	2004
Amount paid for the acquisition of consolidated investments	(623)	(455)
Cash and cash equivalents / (bank overdrafts) for companies acquired	(6)	5
Amount received for the disposal of consolidated investments	34	49
Cash and cash equivalents / (bank overdrafts) for companies sold	(9)	–
Impacts of changes in consolidation on cash and cash equivalents	(604)	(401)

The overall impact of changes in consolidation on the Group's cash flows represents a reduction of 604 million euros. This amount stems primarily from the acquisition of a controlling interest in Glenmorangie, for 438 million euros, and the acquisition of minority interests in Millennium, for 92 million euros.

In 2004, the impacts of changes in consolidation on the Group's cash flows primarily reflect the acquisition and staggered payments for minority interests in Fendi, for 197 million euros, the acquisition of a 30% interest in Millennium, for 82 million euros, and the acquisition of a 9% stake in Donna Karan and 10% in BeneFit Cosmetics, for 56 million euros.

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NOTE 3 - BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(in millions of euros)	2005			2004
	Gross	Amortization and impairment	Net	Net
Brands	8,843	(344)	8,499	8,146
Trade names	3,740	(1,536)	2,204	1,983
Distribution licenses	251	(25)	226	122
Leasehold acquisition rights	268	(148)	120	136
Software	231	(172)	59	44
Other	169	(91)	78	64
Total	13,502	(2,316)	11,186	10,495
Of which, fixed assets held under financing leases	14	(13)	1	1

3.1 Changes over the year

Changes in the net balance for brands, trade names and other intangible assets can be broken down as follows:

Gross value (in millions of euros)	Brands	Trade names	Other intangible assets	Total
Balance at December 31, 2004	8,486	3,281	750	12,517
Acquisitions	3	–	70	73
Disposals	–	–	(15)	(15)
Impact of changes in consolidation over the year	279	–	–	279
Impact of previous changes in consolidation	–	–	62	62
Impact of currency fluctuations	75	459	44	578
Other	–	–	8	8
Balance at December 31, 2005	8,843	3,740	919	13,502

Amortization and impairment (in millions of euros)	Brands	Trade names	Other intangible assets	Total
Balance at December 31, 2004	(340)	(1,299)	(383)	(2,022)
Amortization	(6)	(1)	(71)	(78)
Impairment	–	(24)	–	(24)
Disposals	–	–	10	10
Impact of changes in consolidation over the year	11	–	3	14
Impact of previous changes in the scope of consolidation	–	–	13	13
Impact of currency fluctuations	(9)	(199)	(10)	(218)
Other	–	(13)	2	(11)
Balance at December 31, 2005	(344)	(1,536)	(436)	(2,316)
Net value at December 31, 2005	8,499	2,204	483	11,186

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The impact of changes in consolidation over the year and previous changes concern the acquisition of Glenmorangie for 290 million euros and the definitive recording of the acquisition of Millennium in the accounts for 62 million euros (gross) respectively.

The impact of currency fluctuations primarily stems from intangible values booked in US dollars, notably the Donna Karan New York brand and the DFS trade name, factoring in changes in the US dollar-euro exchange rate over the year.

3.2 Brands and trade names

Brands and trade names can be broken down by each business group as follows:

(in millions of euros)	2005			2004
	Gross value	Amortization and impairment	Net value	Net value
Christian Dior Couture	25	–	25	25
Wines and Spirits	2,621	(9)	2,612	2,310
Fashion and Leather Goods	3,956	(302)	3,654	3,603
Perfumes and Cosmetics	1,295	(21)	1,274	1,267
Watches and Jewelry	899	(12)	887	894
Selective Retailing	3,740	(1,536)	2,204	1,983
Other activities	47	–	47	47
Brands and trade names	12,583	(1,880)	10,703	10,129

The brands and trade names recorded are those acquired by the Group. They primarily include:

- Wines and Spirits: Hennessy, Moët, Veuve Clicquot, Krug, Château Yquem, Newton Vineyards and Glenmorangie;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Céline, Loewe, Donna Karan New York, Givenchy, Kenzo, Berluti, Thomas Pink and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Kenzo, Make Up for Ever, BeneFit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: Tag Heuer, Zenith, Fred, Chaumet and Omas pens;
- Selective Retailing: DFS, Sephora, Le Bon Marché;
- Other activities: La Tribune and Investir newspapers.

These brands and trade names are recorded on the balance sheet at the value determined at the time of their acquisition by the Group, which may be significantly lower than their utility or sale value on the date the accounts are drawn up; this is notably the case, without this list being considered to be exhaustive, for the Louis Vuitton and Christian Dior Couture brands and for the Sephora trade name.

3.3 Distribution licenses

Distribution licenses notably include marketing rights for Belvedere and Chopin vodkas.

Also refer to Note 5 for the valuation of brands, trade names and other intangible assets with an indefinite life.

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NOTE 4 - GOODWILL

(in millions of euros)	2005			2004
	Gross	Impairment expense	Net	Net
Goodwill on consolidated securities	4,363	(1,147)	3,216	2,886
Goodwill on LVMH treasury share ⁽¹⁾	273	–	273	280
Goodwill on commitments to purchase minority interests	1,588	(19)	1,569	1,468
Total	6,224	(1,166)	5,058	4,634

(1) See Notes 1.19 and 14.2

Also see Note 19 for goodwill on commitments to purchase minority interests.

Changes in the net balance of goodwill over 2005 can be broken down as follows:

(in millions of euros)	Gross	Impairment	Net
Balance at December 31, 2004	5,689	(1,055)	4,634
Change in impairment	–	(24)	(24)
Impact of changes in consolidation over the year	163	2	165
Impact of previous changes in consolidation	(7)	–	(7)
Change in commitments to purchase minority interests	127	–	127
Change in goodwill on LVMH treasury share	(7)	–	(7)
Impact of currency fluctuations	259	(89)	170
Balance at December 31, 2005	6,224	(1,166)	5,058

The impact of changes in consolidation over the year primarily concerns the acquisition of Glenmorangie, for 159 million euros.

The impact of currency fluctuations primarily reflects goodwill booked in US dollars, notably relating to Millennium, Miami Cruiseline and Donna Karan New York, factoring in changes in the US dollar-euro exchange rate over the year.

Also see Note 5 for the valuation of goodwill.

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NOTE 5 - VALUATION OF INTANGIBLE ASSETS OF INDEFINITE LIFE

Valuation tests are carried out each year on brands, trade names and other intangible assets of indefinite life as well as goodwill. As described in Note 1.11, in the majority of cases, these assets are valued based on the provisional discounted cash flows expected from these assets, determined in connection with multiyear plans. The main parameters retained in 2005 for determining these provisional flows, similar to those applied in 2004, are as follows:

Business group	Duration of plans	Pre-tax discount rate	Growth rate after the duration of plans
Wines and Spirits	5 years	8.5 to 9.5%	2%
Fashion and Leather Goods	5 years	11 to 12%	2%
Perfumes and Cosmetics	5 years	10.5 to 11.5%	2 to 2.5%
Watches and Jewelry	5 years(*)	11 to 13%	2%
Selective Retailing	5 years	9 to 10%	2%
Other	5 years	9.5 to 10.5%	2%

(*) The duration of the plans – 5 years – may be increased to 8 years for brands that are currently being strategically repositioned.

The growth rates retained for the period after the duration of the plans are usually those retained by the market for the activities concerned.

A 1-point change in the pre-tax discount rate or the growth rate to infinity, applied to the global provisional data retained for each business group, would not result in any impairment of the intangible assets concerned: brands, trade names or goodwill.

NOTE 6 - TANGIBLE ASSETS

6.1 Analysis by type

(in millions of euros)	2005		2004	
	Gross	Amortization and impairment	Net	Net
Land	730	–	730	707
Vineyard land and producing vineyards	1,280	(63)	1,217	1,162
Buildings	1,790	(644)	1,146	1,081
Rental properties	354	(42)	312	289
Plant and equipment	3,420	(2,057)	1,363	1,076
Other tangible assets and work-in-progress	938	(448)	490	483
Total	8,512	(3,254)	5,258	4,798
Of which: fixed assets held under financing leases	365	(151)	214	213
historical cost of vineyard land and producing vineyards	308	–	308	287

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6.2 Analysis of changes

Changes in tangible assets over 2005 can be broken down as follows:

Gross value (in millions of euros)	Vineyard land and producing vineyards	Land and buildings	Rental properties	Plant and equipment	Other tangible assets and work-in-progress	Total
Balance at December 31, 2004	1,221	2,344	341	2,849	883	7,638
Acquisitions	7	50	3	360	270	690
Change in market value of vineyard land and producing vineyards	43	–	–	–	–	43
Disposals, decommissioning	(1)	(15)	(4)	(161)	(55)	(236)
Impact of changes in consolidation	(1)	32	–	47	(1)	77
Impact of currency fluctuations	10	83	12	132	63	300
Other	1	26	2	193	(222)	–
Balance at December 31, 2005	1,280	2,520	354	3,420	938	8,512

Amortization and impairment (in millions of euros)	Vineyard land and producing vineyards	Land and buildings	Rental properties	Plant and equipment	Other tangible assets and work-in-progress	Total
Balance at December 31, 2004	(59)	(556)	(52)	(1,773)	(400)	(2,840)
Amortization	(4)	(55)	(5)	(304)	(73)	(441)
Impairment	–	(2)	–	(22)	–	(24)
Disposals, decommissioning	1	–	1	148	55	205
Impact of changes in consolidation	–	(14)	–	(24)	2	(36)
Impact of currency fluctuations	(1)	(18)	(2)	(82)	(32)	(135)
Other	–	1	16	–	–	17
Balance at December 31, 2005	(63)	(644)	(42)	(2,057)	(448)	(3,254)
Net value at December 31, 2005	1,217	1,876	312	1,363	490	5,258

Acquisitions of tangible assets reflect the investments by Louis Vuitton, DFS and Sephora in their retail networks.

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NOTE 7 - INVESTMENTS IN ASSOCIATES

(in millions of euros)	2005			2004
	Gross	Impairment	Net	Net
Share in net assets of investments in associates at January 1	138	(21)	117	105
Share in earnings for the year	8	–	8	(15)
Dividends paid	(3)	–	(3)	(4)
Impact of changes in consolidation	(6)	16	10	32
Impact of currency fluctuations	(1)	–	(1)	(1)
Share in net assets of investments in associates at December 31	136	(5)	131	117

In 2005, shares in investments in associates primarily concerned:

- A 40% interest in Mongoual SA, a real estate company owning a building in Paris (France), which is also the registered office of LVMH Moët Hennessy Louis Vuitton SA;
- A 25.5% interest in Micromania, the French market leader in the retail of videogames and consoles.

In 2005, rent billed to the Group by Mongoual totaled 14 million euros (14 million euros in 2004).

In 2004, shares in investments in associates also included a 49.9% interest in the auction firm Bonhams Brooks PS&N Ltd (UK), which was sold off in July 2005.

NOTE 8 - NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(in millions of euros)	2005			2004
	Gross	Impairment	Net	Net
Interest in Bouygues SA (France)	–	–	–	401
Other interests	544	(93)	451	317
Total	544	(93)	451	718

The remaining interest in Bouygues SA, intended to be sold off in 2006, has been reclassified under financial investments at December 31, 2005 (see Note 12).

In 2005, the Group received an exceptional 65 million euro dividend from Bouygues.

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Changes in equity investments in 2005 can be broken down as follows:

(in millions of euros)

December 31, 2004	718
Acquisitions	107
Disposals (sale value)	(469)
Impact of market value changes	229
Reclassifications under shares in investments in associates or financial investments	(144)
Impact of currency fluctuations	10
December 31, 2005	451

The main disposals concerned the interest in Bouygues, with 99 millions euros generated in capital gains.

Other interests held by the Group are as follows:

(in millions of euros)	Stake	Net value of securities	Dividends received	Shareholders' equity	Net income
L Capital FCPR (France) ⁽²⁾⁽³⁾	46.1%	219	–	169	(4)
Tod's Spa (Italy) ⁽¹⁾⁽³⁾	3.5%	60	–	421	31
Other interests	NA	172	49	–	
		451	49		

(1) Valuation at closing share price at December 31, 2005.

(2) Estimated realizable value.

(3) The accounting data provided are prior to December 31, 2005, since the figures at year-end 2005 were unavailable at the time of drawing up the financial statements.

L Capital FCPR is an investment fund whose bylaws and operating principles do not allow the Group to exercise exclusive or joint control or any significant influence over the interests held.

NOTE 9 - INVENTORIES AND WORK-IN-PROGRESS

(in millions of euros)	2005	2004
Ageing wines and brandies	2,161	1,883
Other raw materials and work-in-progress	396	376
	2,557	2,259
Merchandise	625	499
Finished products	1,689	1,535
	2,314	2,034
Gross value	4,871	4,293
Provision for impairment	(601)	(570)
Net value	4,270	3,723

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Changes in net inventories over the year can be broken down as follows:

(in millions of euros)	Gross	Provisions for impairment	Net
Balance at December 31, 2004	4,293	(570)	3,723
Change in gross inventories	281	–	281
Impact of market valuation of grape harvests	19	–	19
Change in provision for impairment	–	(41)	(41)
Impact of changes in consolidation	109	16	125
Impact of currency fluctuations	169	(6)	163
Balance at December 31, 2005	4,871	(601)	4,270

The changes in consolidation concern the acquisition of Glenmorangie, for 130 million euros.

The cost of sales for Wines and Spirits business lines include the impacts of the market valuation of grape harvests, which can be analyzed as follows:

(in millions of euros)	2005	2004
Market valuation of harvests for the year	34	46
Impact of inventory withdrawals	(15)	(21)
Net impact on the cost of sales over the period	19	25

The market value of harvests for 2005 came to 91 million euros (87 million euros in 2004).

NOTE 10 - ACCOUNTS RECEIVABLE

(in millions of euros)	2005	2004
Receivables (nominal value)	1,650	1,621
Provision for impairment	(72)	(83)
Provision for product returns	(141)	(119)
Net amount	1,437	1,419
Of which, receivables covered by the French Dailly law	–	268

At December 31, 2004 and 2005, the fair value of accounts receivable was the same as their book value.

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NOTE 11 - OTHER CURRENT ASSETS

(in millions of euros)	2005	2004
Financial investments	422	201
Market value of derivatives	151	396
Tax receivables (excluding corporate income tax)	194	214
Trade receivables: advances and deposits	86	57
Pre-booked expenses	219	205
Other receivables net	207	263
Total	1,279	1,336

Pre-booked expenses include 72 million euros at December 31, 2005 (74 million euros at December 31, 2004) for advertising materials and samples, primarily relating to Perfumes and Cosmetics.

At December 31, 2004 and 2005, the market value of other current financial assets was the same as their book value.

Also refer to Notes 12 “Financial investments” and 21 “Financial instruments”.

NOTE 12 - FINANCIAL INVESTMENTS

(in millions of euros)	2005	2004
Unlisted marketable securities, shares in non-money market (SICAV and FCP mutual funds)	281	191
Listed marketable securities	141	10
Total	422	201
Of which, historical cost of financial investments	318	190

At December 31, 2005, marketable securities included 3.06 million Bouygues shares for a total of 126 million euros (see Note 8 – Equity investments); 2.71 million securities were sold in January 2006.

NOTE 13 - CASH AND CASH EQUIVALENTS

(in millions of euros)	2005	2004
Term deposits under three months	94	89
Shares in money market (SICAV and FCP mutual funds)	34	19
Bank accounts ⁽¹⁾	1,382	958
Cash and cash equivalents in the balance sheet	1,510	1,066

(1) Of which 60 million euros in blocked outstandings at December 31, 2005 (none at December 31, 2004).

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The reconciliation between the amount of cash and cash equivalents given on the balance sheet and the amount of the net cash position included in the cash-flow statement is as follows:

(in millions of euros)	2005	2004
Cash and cash equivalents	1,510	1,066
Bank overdrafts	(522)	(351)
Net cash position from the cash-flow statement	988	715

NOTE 14 - SHAREHOLDERS' EQUITY

14.1 Capital

At December 31, 2005, the capital comprised 181,727,048 issued and fully paid-up shares (181,727,048 in 2004), with a par value of 2 euros. 120,948,264 shares are entitled to double voting rights, granted to shares held on a registered basis for more than three years.

At December 31, 2005, the authorized capital was 410,255,718 euros (407,347,907 euros at December 31, 2004).

14.2 Treasury shares

The allocation of the Christian Dior and LVMH share portfolio can be analyzed as follows:

- **Christian Dior treasury shares**

(in millions of euros)	2005		2004
	Number	Value	Value
Stock option plans	4,053,228	156	136
Other	19,532	1	19
Total	4,072,760	157	155

In 2005, changes in the Christian Dior share portfolio can be broken down as follows:

(in millions of euros)	Number	Value
At December 31, 2004	4,087,132	155
Purchases	553,015	22
Options exercised	(74,387)	(2)
Disposals (sale value)	(493,000)	(18)
Gross capital gains (losses) on disposals	–	0
At December 31, 2005	4,072,760	157

At December 31, 2005, the stock market value of other Christian Dior shares held came to 1.5 million euros.

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- LVMH treasury shares

(in millions of euros)	2005		2004
	Number	Value	Value
Stock option plans ⁽¹⁾	14,927,777	729	824
Free share allocation schemes	97,817	6	–
Hedging for other plans ⁽²⁾	4,205,353	232	–
Liquidity contract	63,000	5	182
Total	19,293,947	972	1,006
<i>Christian Dior Group share</i>		429	446

(1) Including shares held in connection with options that have become null and expired and have temporarily not been reallocated to other plans.

(2) Other plans include the warrant schemes and the compensation plans indexed against changes in the LVMH share price.

When preparing and presenting information for the changeover in part 2 of the 2004 Annual Report, the cancellation of LVMH treasury shares was reflected, according to a provisional analysis, in a reduction in shareholders equity in the reconciliation tables under IFRS. The treatment retained, based on additional elements from the analysis of the various texts applicable, led to an increase in shareholders' equity at January 1, 2004 and December 31, 2004. The increase in shareholders' equity reflects the recording of goodwill, linked to the new percentage interest retained with IFRS, under assets in the accounts.

Indeed, according to the principles applied for preparing the financial statements under French GAAP, LVMH treasury shares are booked as assets and any capital gains or losses recorded on disposals are recognized on the income statement. Under IFRS, LVMH treasury shares are deducted against shareholders' equity and affect the percentage interest, in the same way as acquisitions and disposals of minority interests. In accordance with the approach retained for changes in minority interests, goodwill is recorded in the event of an increase in the percentage interest and a capital gain or loss on disposal is generated in the event of a reduction in the percentage.

Christian Dior

14.3 Dividends paid out by Christian Dior S.A.

Under French regulations, dividends are deducted against Christian Dior S.A.'s earnings for the year and its reserves eligible for distribution, representing 2,323 million euros at December 31, 2005, after deducting the proposed amount of dividends for 2005, submitted at the general meeting on May 11, 2006. This amount is payable without any tax deductions.

(in millions of euros)	2005	2004
Balance for previous year (2004: 0.65 euro; 2003: 0.59 euro)	118	107
Impact of treasury shares	(3)	(2)
	115	105
Interim dividend for the current year (0.32 euro for 2004 and 2005)	58	58
Impact of treasury shares	(1)	(1)
	57	57
Total paid out over the year	172	162

The dividend balance for 2005, proposed at the annual shareholders' meeting on May 11, 2006, comes out at 0.84 euro per share, representing a total payment of 153 million euros before the impact of treasury shares.

14.4 Revaluation reserves

Revaluation reserves factor in unrealized gains and losses relative to equity investments, financial investments, future cash-flow hedging instruments in various currencies, as well as vineyard land and producing vineyards, primarily in the Champagne region. These reserves saw the following changes over the periods presented:

(in millions of euros)	Equity investments and financial investments	Hedging of future cash flow in currencies	Vineyard land and producing vineyards	Total Group share
January 1, 2004	(7)	71	155	219
Change in value	29	72	27	128
Transfer over to earnings for the period	3	(88)	–	(85)
Tax impact	(15)	5	(7)	(17)
Gains and losses recorded on shareholders' equity	17	(11)	20	26
December 31, 2004	10	60	175	245
Change in value	167	(63)	17	121
Transfer over to earnings for the period	(57)	(31)	–	(88)
Tax impact	(11)	31	(6)	14
Gains and losses recorded on shareholders' equity	99	(63)	11	47
December 31, 2005	109	(3)	186	292

Christian Dior

14.5 Currency translation

Changes in currency translation figures recorded in shareholders' equity at December 31, 2005, net of net asset hedging effects in currencies, can be broken down by currency as follows:

(in millions of euros)	2005	Variation	2004
US dollar	85	174	(89)
Hong Kong dollar	9	16	(7)
Pound sterling	7	6	1
Other currencies	22	21	1
Net asset hedging in currencies	3	(2)	5
Total	126	215	(89)

NOTE 15 - STOCK OPTION PLANS AND RELATED

• Options granted by Christian Dior S.A.

At the general meeting on May 30, 1996, shareholders voted to authorize the Board of Directors, on one or more occasions, to grant stock options for up to 3% of the company's capital to members of staff or executives from Group companies. This authorization was renewed at the general meeting on May 14, 2001 for a five-year period.

At December 31, 2005, no warrant schemes had been put in place by Christian Dior S.A.

Each plan runs for a ten-year period and options may be exercised after three or five years.

Under certain conditions, notably in the event of retirement, the three or five-year periods for acquiring rights do not apply.

For all plans, the parity is one share for one option allocated.

• Options granted by LVMH S.A.

At the general meeting on May 25, 1992, shareholders voted to authorize the Board of Directors, on one or more occasions, to grant stock options or warrants for up to 1.5% of the company's capital to members of staff or executives from Group companies. The Annual General Meeting on June 8, 1995 raised this authorization to 3% of the capital. This authorization was renewed by the general meeting on May 17, 2000, then by the general meeting on May 15, 2003 for a period of 38 months running through to July 2006.

Each plan runs for a ten-year period and options may be exercised after three or four years, depending on whether the schemes were issued before or after 2004, with the exception of the stock option scheme dated May 14, 2001, which concerns 1,105,877 options and an eight-year period, with options eligible for exercising after four years.

Under certain conditions, notably in the event of retirement, the three or four-year periods for acquiring rights do not apply.

For all plans, the parity was one share for one option allocated.

Christian Dior

- LVMH's share subscription plans

Plan start date	Number of options allocated	Exercise price (in euros)	Right acquisition period	Number of options exercised in 2005	Number of outstanding options at Dec 31, 2005
January 21, 2004	2,720,425	55.70	4 years	–	2,689,175
"	27,050	58.90	"	–	26,050
May 12, 2005	1,852,150	52.82	"	–	1,849,700
"	72,250	55.83	"	–	72,250
				–	4,637,175

	2005		2004	
	Number	Average weighted exercise price (in euros)	Number	Average weighted exercise price (in euros)
Outstanding options at January 1	2,747,475	55.73	–	–
Allocations over the period	1,924,400	52.93	2,747,475	55.73
Expired options	(34,700)	55.59	–	–
Options exercised over the period	–	–	–	–
Outstanding options at December 31	4,637,175	54.57	2,747,475	55.73

Christian Dior

• Share purchase plans

Plan start date	Number of options allocated (1)	Exercise price (in euros) (2)(3)	Right acquisition period	Number of options exercised in 2005 (3)	Number of options outstanding at Dec 31, 2005 (3)
LVMH					
March 22, 1995	256,903	20.89	3 years	392,588	–
May 30, 1996	233,199	34.15	"	91,985	537,500
May 29, 1997	233,040	37.50	"	160,415	626,390
January 29, 1998	269,130	25.92	"	266,500	576,360
March 16, 1998	15,800	31.25	"	–	70,400
January 20, 1999	320,059	32.10	"	246,830	1,305,045
September 16, 1999	44,000	54.65	"	–	210,000
January 19, 2000	376,110	80.10	"	–	1,796,650
January 23, 2001	2,649,075	65.12	"	7,400	2,477,675
March 6, 2001	40,000	63.53	"	–	40,000
May 14, 2001	1,105,877	66.00	4 years	25	513,919
May 14, 2001	552,500	61.77	3 years	–	552,500
September 12, 2001	50,000	52.48	"	–	50,000
January 22, 2002	3,256,700	43.30	"	95,397	3,019,403
January 22, 2002	27,400	45.70	"	1,500	22,950
May 15, 2002	8,560	54.83	"	–	8,560
January 22, 2003	3,155,225	37.00	"	1,700	3,062,425
January 22, 2003	58,500	38.73	"	–	58,000
Total for LVMH				1,264,340	14,927,777
Christian Dior					
October 14, 1996	94,600	25.95	3 years	4,200	251,000
May 29, 1997	97,900	32.01	5 years	17,000	285,400
November 3, 1998	98,400	18.29	5 years	9,500	283,200
January 26, 1999	89,500	25.36	5 years	33,687	294,313
February 15, 2000	100,200	56.70	5 years	–	400,800
February 21, 2001	437,500	45.95	3 years	10,000	427,500
February 18, 2002	504,000	33.53	3 years	–	504,000
February 18, 2003	527,000	29.04	3 years	–	527,000
February 17, 2004	527,000	49.79	3 years	–	527,000
May 12, 2005	493,000	52.21	3 years	–	493,000
Subtotal				74,387	3,993,213
2006 (to come)	60,015	–	–	–	60,015
Total for Christian Dior				74,387	4,053,228

(1) Number of options at the start of the plan, not restated to factor in adjustments linked to free share allocations (one for ten) in June 1999, and the five-for-one stock split in July 2000 at LVMH, and not restated to factor in adjustments linked to the four-for-one stock-split in July 2000 at Dior.

(2) Figures prior to 1999 result from the conversion to euros of sums originally recorded in French francs.

(3) Adjusted to reflect the transactions referred to in (1) above.

Christian Dior

	2005		2004	
	Number	Average weighted exercise price (in euros)	Number	Average weighted exercise price (in euros)
LVMH				
Outstanding options at January 1	17,148,615	48.66	19,433,292	45.67
Allocations over the period	–	–	–	–
Expired options	(956,498)	61.61	(106,225)	46.01
Options exercised over the period	(1,264,340)	29.21	(2,178,252)	22.10
Outstanding options at December 31	14,927,777	49.48	17,148,815	48.66
Christian Dior				
Outstanding options at January 1	3,574,600	36.72	3,160,000	34.28
Allocations over the period	493,000	52.21	527,000	49.79
Expired options	–	–	–	–
Options exercised over the period	(74,387)	28.78	(112,400)	29.40
Outstanding options at December 31	3,993,213	38.78	3,574,600	36.72

- **Other plans at LVMH**

A free share allocation plan, concerning a total of 97,817 shares, was put in place by the Board of Directors on May 12, 2005; the shares in question will be granted to beneficiaries after a two-year period and must be held for a further two years.

There are also a number of cash-based compensation schemes taking changes in the LVMH share price into account. These plans run for a four-year period and were put in place on January 21, 2004 and May 12, 2005, concerning 206,750 and 187,300 shares respectively.

- **Calculating the expense for the year**

The expense for the year is determined for each option plan based on the Black and Scholes method, as described in Note 1.23. The parameters and assumptions retained for this valuation are as follows:

At LVMH:

	2005 plans	2004 plans
LVMH share price on the allocation date (in euros)	57.05	62.75
Exercise price (in euros)	52.82	55.70
LVMH share price volatility (%)	21.7	25.0
Dividend distribution rate (%)	1.65	1.35
Risk-free investment rate (%)	3.06	3.78
Duration of the period for acquiring rights	4 years	4 years

Christian Dior

The volatility of LVMH's share price is determined based on the implied volatility seen.

Over 2005, LVMH's average share price was 63.12 euros.

- **Share purchase, subscription and free share allocation plans:**

- Based on the abovementioned assumptions and parameters, the unit value comes out at 14.29 euros for options granted in 2005 and 20.05 euros for options granted in 2004;
- The unit value for free shares allocated in 2005 was 54.98 euros;
- The total expense recorded for plans in 2005 came to 25 million euros (50 million euros in 2004).

- **Compensation plans linked to the LVMH share price:**

The expense recorded corresponds to the amount of the expected gain, estimated at each close of accounts in line with the same methods as for stock option and warrant plans. The amount recorded in this respect for 2005 was 5 million euros (1 million euros in 2004).

At Christian Dior:

	2005 plans	2004 plans
Christian Dior share price on the allocation date (in euros)	56.85	52.70
Exercise price (in euros)	52.21	49.79
Christian Dior share price volatility (%)	21.7	25.0
Dividend distribution rate (%)	1.65	1.35
Risk-free investment rate (%)	3.06	3.78
Duration of the period for acquiring rights	4 years	4 years

The volatility of Christian Dior's share price is determined based on the implied volatility seen.

Over 2005, Christian Dior's average share price was 61.92 euros.

- **Stock option plans**

Based on the abovementioned assumptions and parameters, the unit value comes out at 15.83 euros for options granted in 2005 and 18.89 euros for options granted in 2004.

The total charge recorded for plans in 2005 came to 7 million euros (5 million euros in 2004).

Christian Dior

NOTE 16 - MINORITY INTERESTS

(in millions of euros)	2005	2004
At January 1	6,321	6,031
Dividends paid to minority interests	(371)	(340)
Share of minority interests in net income	1,036	893
Impact of changes in scope of consolidation:		
Impact of LVMH treasury shares	27	(75)
Consolidation of Millennium	–	82
Acquisition of minority interests in Millennium	(76)	–
Acquisition of minority interests in Fendi	–	(43)
Acquisition of minority interests in Donna Karan	–	(23)
Other changes in scope of consolidation	2	(35)
Total impacts	(47)	(94)
Share of minority interests in the following changes:		
Commitments to purchase minority interests	1	(69)
Revaluation reserves	64	48
Currency translation	381	(176)
Expenses linked to stock option plans	15	28
At December 31	7,400	6,321

NOTE 17 - BORROWINGS AND FINANCIAL DEBT

17.1 Net financial debt

(in millions of euros)	2005	2004
Long-term financial debt	4,443	5,092
Short-term financial debt	3,376	2,984
Gross financial debt	7,819	8,076
Interest rate risk derivatives	(151)	(121)
Financial debt net of interest rate risk derivatives	7,668	7,955
Current available for sale investments	(422)	(201)
Other financial assets	(30)	(42)
Cash and cash equivalents	(1,510)	(1,066)
Net financial debt	5,706	6,646

The impacts of interest rate risk derivatives are detailed in Note 21.

Christian Dior

17.2 Analysis of gross financial debt by type

(in millions of euros)	2005	2004
Repackaged notes	32	49
Bonds and EMTN	3,133	3,496
Capital leases and long-term leases	157	151
Loans from credit institutions	1,121	1,396
Long-term financial debt	4,443	5,092
Bonds and EMTN	1,195	968
Capital leases and long-term leases	22	21
Loans from credit institutions	625	369
Treasury notes	323	513
Other loans and credit lines	589	626
Repackaged notes	0	20
Bank overdrafts	522	351
Accrued interest	100	116
Short-term financial debt	3,376	2,984
Total gross financial debt	7,819	8,076
Market value of gross financial debt	7,885	8,162

17.3 Repackaged notes

(in millions of euros)	Nominal interest	2005	2004
FRF 5,000,000,000; 1990	6-month Euribor + 0.45%	–	20
FRF 1,505,000,000; 1992	9.70%	32	49
Total		32	69

The aforementioned undated bonds, issued in the form of undated subordinated notes (TSDI), were converted into repackaged notes in 1996 by way of an amendment to the original issue agreement for the 1990 TSDI.

As ordinary unsecured debt, since then repackaged notes may be legally redeemed only in the event of court-ordered liquidation or the early dissolution of LVMH, except for in the event of mergers or splits.

Although undated, repackaged notes are recorded on the consolidated balance sheet for an amount that will be progressively reduced to zero value at the end of 15 years, in line with the agreements concluded with third parties.

In accordance with these agreements, and in return for a definitive payment by LVMH at the time of issue, the third-party companies in question have undertaken to hold or to repurchase the notes from note-holders after a 15-year period, and have agreed to relinquish any rights to interest on these notes after that time.

Christian Dior

Under these arrangements:

- The repackaged notes were recorded on the balance sheet at their par value at the time of issue, after deducting the aforementioned payments; these notes are amortized every year by the amount of income generated by the investments made by the third-party companies with these payments;
- The consolidated income from each year covers interest paid on the par value, after deducting the depreciation as outlined above.

In light of the above, the book balance of the TDI 1990 issue was brought down to zero in 2005.

17.4 Bonds and EMTN

(in millions of euros)	Maturity	Initial effective rate ⁽¹⁾ (%)	2005	2004
EUR 600,000,000; 2005	2012	3.43	598	–
EUR 600,000,000; 2004	2011	4.74	625	623
EUR 750,000,000; 2003	2010	5.05	773	777
EUR 500,000,000; 2001	2008	6.27	525	536
EUR 800,000,000; 1999	2006	5.24	808	824
EUR 600,000,000; 2000	2005	–	–	588
FRF 1,300,000,761; 1998 indexed	2005	–	–	42
Public issues			3,329	3,390
in euros			641	632
in foreign currencies			358	442
Private EMTN placements			999	1,074
Total bonds and EMTN			4,328	4,464

(1) Before the impact of rate hedging instruments put in place at the time of or after the issue.

The changes in bonds over 2005 primarily reflect:

- Repayment on maturity in the first half of 2005, for an amount of 587 million euros, of the bond issue of a nominal amount of 600 million euros made in 2000, and for an amount of 32 million euros, of the bond issue of a nominal amount of 198 million euros (1,300 million French francs) made in 1998.
- The June 2005 600 million euros nominal bond issue, maturing in seven years. Issued at 99.828% of the nominal value and redeemable at par, this bond issue includes a 3.375% fixed coupon payable yearly.

Christian Dior

17.5 Analysis of gross financial debt by maturity before hedging

(in millions of euros)		2005
Maturing	2006	3,376
	2007	639
	2008	1,123
	2009	529
	2010	805
	Subsequently	1,347
Total		7,819

On November 21, 2005, Christian Dior S.A. restructured a 500 million euros syndicated credit line. The due date, initially set for November 15, 2009, was extended until November 21, 2010, with an optional renewal each year, for the following two years.

17.6 Analysis of gross financial debt by currency after hedging

(in millions of euros)	2005	2004
Euro	5,378	5,885
US dollar	476	380
Swiss franc	881	881
Yen	512	588
Other currencies	421	221
Total	7,668	7,955

In general, debt in currencies is intended to hedge net assets in such currencies, notably resulting from the acquisition of companies outside of the eurozone.

17.7 Analysis of gross financial debt by rate type after hedging

(in millions of euros)	2005	2004
Floating rate	1,514	1,847
Capped floating rate	2,606	3,178
Fixed rate	3,548	2,930
Total	7,668	7,955

17.8 Sensitivity

In light of the debt structure for each currency at December 31, 2005, an immediate 1% increase on the rate curves for currencies in which the Group has debt would result in a (22) million euros change in financial income for the year.

An immediate 1% reduction on these curves would result in a 49 million euros increase in the market value of gross financial debt after hedging.

Christian Dior

17.9 Liquidity risk

In addition to local liquidity risks, which tend to be relatively insignificant, the Group's liquidity risk exposure may be assessed through the amount of its short-term net financial debt before the impact of derivatives, which comes out at 1.4 billion euros, or the outstanding amount of its treasury note program, which comes to 0.3 billion euros.

With regard to the possible non-renewal of these loans, the Group has undrawn confirmed credit lines totaling 4.2 billion euros.

In this way, the Group's liquidity is based on the size of its investments, the magnitude of its long-term financing, the diversity of its investor base (short-term securities and bonds), and the quality of its bank relations, whether or not these are reflected in confirmed credit lines.

17.10 Covenants

The Christian Dior Group, in line with standard industry practice on syndicated credit lines, has agreed to various undertakings to hold a percentage interest and voting rights in some of its subsidiaries and to comply with a standard financial ratio in this respect.

On certain long-term credit lines in the past, the Group undertook to comply with a ratio for the coverage of net financial debt by financial flows for the year.

The current level of this ratio is some way away from the critical threshold, such that the Group has a high level of financial flexibility in relation to these commitments.

17.11 Confirmed credit lines not drawn

At December 31, 2005, the total outstanding amount of undrawn confirmed credit lines was 4.2 billion euros.

17.12 Guarantees and real sureties

At December 31, 2005, the amount of financial debt secured by real sureties came to less than 460 million euros.

NOTE 18 - PROVISIONS

(in millions of euros)	2005	2004
Provisions for retirement plans, medical expenses and similar liabilities	267	261
Provisions for liabilities and charges	631	581
Provisions for restructuring	54	44
Long-term provisions	952	886
Provisions for retirement plans, medical expenses and similar liabilities	5	4
Provisions for liabilities and charges	159	194
Provisions for restructuring	148	67
Short-term provisions	312	265
Total	1,264	1,151

Christian Dior

Over 2005, provisions for liabilities and charges saw the following changes:

(in millions of euros)	December 31, 2004	Allocations	Used	Write-backs	Changes in consolidation	Other (including currency translation)	December 31, 2005
Provisions for retirement plans, medical expenses and similar liabilities	265	33	(32)	(24)	13	17	272
Provisions for liabilities and charges	775	97	(93)	(28)	2	37	790
Provisions for restructuring	111	121	(31)	(8)	(5)	14	202
Total	1,151	251	(156)	(60)	10	68	1,264
Of which, profit from recurring operations		121	(112)	(56)			
financial income		-	(7)	-			
other		130	(37)	(4)			

Provisions for retirement plans, medical expenses and similar liabilities are analyzed in Note 28.

Provisions for liabilities and charges correspond to the estimated impacts on assets and liabilities of actual or likely risks, litigation and disputes resulting from the Group's activities: indeed, these activities are carried out within an international regulatory framework that is often vague and varies depending on the country and the time in question, and applies to such a wide range of fields as the composition of its products or the calculation of its taxes.

Also see Note 24 "Other operating income and expenses" regarding the temporary closure of "the La Samaritaine department store" for restructuring provisions.

NOTE 19 - OTHER NON-CURRENT LIABILITIES

(in millions of euros)	2005	2004
Commitments to purchase minority shares	3,151	3,013
Market value of derivatives	28	34
Employee profit-sharing ⁽¹⁾	63	55
Other liabilities	128	144
Total	3,370	3,246

(1) Solely for French companies, in accordance with the legal provisions in force.

At December 31, 2004 and 2005, commitments to purchase minority interests primarily concerned the commitment in relation to Diageo to buy out its 34% interest in Moët Hennessy, subject to six months notice, for an amount equal to 80% of its market value.

When calculating this commitment, its market value was determined based on stock market multiples for comparable companies, applied to Moët Hennessy's operational data.

Christian Dior

In addition, commitments to purchase minority interests include commitments relative to the minority shareholders in Fendi, Donna Karan and BeneFit, calculated in line with various formulae that may include a minimum amount.

NOTE 20 - OTHER CURRENT LIABILITIES

(in millions of euros)	2005	2004
Market value of derivatives	132	188
Personnel charges	508	468
Employee profit-sharing	44	13
State and local authorities: taxes (excluding corporate income taxes)	217	210
Clients: advances and down payments	107	95
Deferred payments on tangible assets or long-term investments	192	200
Pre-booked income	46	59
Other liabilities	397	373
Total	1,643	1,606

At December 31, 2004 and 2005, the market value of other current financial liabilities was the same as their book value.

Derivatives are analyzed in Note 21.

NOTE 21 – FINANCIAL INSTRUMENTS

The financial instruments used by the Group are intended to hedge risks linked to its activity and its asset base. These instruments, most of which are traded on organized or assimilated markets, are primarily managed on a centralized basis. Counterparties are selected according to their international rating, with a focus on diversification.

21.1 Financial instruments linked to foreign currency risk management

A significant percentage of Group companies' revenue, both to their clients and their own distribution subsidiaries, as well as some of their purchases, are carried out in foreign currencies. All of these flows in currencies are primarily represented by intra-Group flows. The hedging instruments used are intended to reduce foreign currency risks resulting from changes in the exchange rates on these currencies in relation to the functional currency of such companies, and are booked against either commercial receivables or debt for the year, or, under certain conditions, against provisional transactions for following years.

Future currency flows are subject to detailed forecasts in line with the budgetary process and are progressively hedged, for up to one year, only if justified by the likelihood of occurrence. Within this framework, and in light of market changes, the currency risks identified are progressively hedged based on futures or options.

The Group may hedge the net positions of its subsidiaries located abroad using appropriate instruments in order to limit the impact of changes in the exchange rates for the currencies concerned against the euro on its consolidated shareholders' equity.

Christian Dior

The nominal amounts of financial instruments outstanding at December 31, 2005, broken down by type of instrument and their accounting allocation and valued at their market value on the basis of the currency rates in force on this date, are as follows:

(in millions of euros)	Nominal amounts	Market value of contracts ⁽¹⁾				Total
		Future cash-flow hedging	Net investment hedging in currencies	Fair value hedging	Not allocated	
Options purchased						
USD put	393	–	1	–	–	1
JPY put	471	17	–	–	–	17
	864	17	1	–	–	18
Tunnels						
USD seller	2,055	(18)	–	–	–	(18)
JPY seller	115	3	1	–	–	4
Other	96	(1)	–	–	–	(1)
	2,266	(16)	1	–	–	(15)
Forward currency contracts ⁽²⁾						
USD	449	(9)	–	(8)	(8)	(25)
JPY	130	9	1	–	–	10
GBP	194	(1)	–	–	(1)	(2)
Other	186	(8)	(1)	–	(2)	(11)
	959	(9)	–	(8)	(11)	(28)
Exchange swaps ⁽²⁾						
CHF	887	–	–	–	6	6
USD	82	–	–	–	(1)	(1)
GBP	80	–	–	–	–	–
JPY	(19)	–	1	–	1	2
Other	30	–	–	–	–	–
	1,060	–	1	–	6	7
Call revenue	170	–	–	–	(10)	(10)
Total		(8)	3	(8)	(15)	(28)

(1) Gain / (Loss)

(2) Sale / (Purchase)

Christian Dior

Derivatives outstanding relating to the foreign currency risk at December 31, 2005 can be broken down as follows by the year of allocation:

(in millions of euros)	Nominal amounts	2005	2006	Subsequently
Options purchased				
USD put	393		393	
JPY put	471		431	40
	864	–	824	40
Tunnels				
USD seller	2,055	9	1,570	476
JPY seller	115	19	95	1
Other	96		96	
	2,266	28	1,761	477
Forward currency contracts ⁽¹⁾				
USD	449	314	75	60
JPY	130	67	40	23
GBP	194	73	121	
Other	186	53	115	18
	959	507	351	101
Exchange swaps ⁽¹⁾				
CHF	887	887		
USD	82	82		
GBP	80	80		
JPY	(19)	(19)		
Other	30	30		
	1,060	1,060	–	–
Call revenue	170	–	77	93

(1) Sale / (Purchase)

21.2 Financial instruments linked to interest rate risk management

The Group manages the rate risk in relation to the global net financial debt. The objective of the management policy implemented is to protect earnings against a rapid and significant increase in interest rates.

In this context, the Group uses interest rate swaps and options (caps and floors).

Christian Dior

The notional amounts of financial instruments outstanding at December 31, 2005, broken down by type of instrument and their accounting allocation and valued at the market value in force on this date, are as follows:

(in millions of euros)	Nominal amounts	Market value of contracts ⁽¹⁾		
		Fair value hedging	Not allocated	Total
Fixed payer rate swaps (euros)	1,995	(1)	2	1
Floating payer rate swaps (euros)	3,495	151	9	160
Floating/floating rate swaps (euros)	823	–	(14)	(14)
Caps purchased (euros)	1,700	–	8	8
Tunnels (cap purchases and floor revenue) (euros)	1,725	(1)	2	1
Currency swaps	(145)	2	(7)	(5)
Total		151	–	151

(1) Gain / (Loss)

Rate risk derivatives outstanding at December 31, 2005 can be broken down by maturity as follows:

(in millions of euros)	Nominal amounts	Under 1 year	Between 1 and 5 years	Over 5 years
Fixed payer rate swaps (euros)	1,995	850	1,145	–
Floating payer rate swaps (euros)	3,495	826	2,069	600
Floating/floating rate swaps (euros)	823	473	350	–
Caps purchased (euros)	1,700	350	1,350	–
Tunnels (cap purchases and floor revenue) (euros)	1,725	1,650	75	–
Currency swaps	(145)	(118)	(27)	–

21.3 Financial instruments linked to equity risk management

As the Group's investment policy is to acquire interests over time, the portfolio of equity and financial investments is not hedged in relation to the equity risk.

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21.4 Synopsis of financial instruments

Financial instruments are recorded on the balance sheet under the following categories and in the following amounts:

(in millions of euros)	<i>Note</i>	2005	2004
Foreign currency risk			
Assets: non-current		36	62
current		30	216
Liabilities: non-current		(11)	–
current		(83)	(9)
	<i>21.1</i>	(28)	269
Rate risk			
Assets: non-current		96	154
current		121	180
Liabilities: non-current		(17)	(34)
current		(49)	(179)
	<i>21.2</i>	151	121
Total outstanding			
Assets: non-current		132	216
current	<i>11</i>	151	396
Liabilities: non-current	<i>19</i>	(28)	(34)
current	<i>20</i>	(132)	(188)
		123	390

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NOTE 22 - SEGMENT INFORMATION

22.1 Information by business group

2005

(in millions of euros)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and Holdings	Eliminations (1)	2005
Non-Group revenue	663	2,639	4,781	2,161	563	3,637	112	–	14,556
Revenue between business groups	–	5	31	124	10	11	23	(204)	–
Total revenue	663	2,644	4,812	2,285	573	3,648	135	(204)	14,556
Profit from recurring operations	53	869	1,467	173	38	347	(159)	3	2,791
Operational investments (2)	48	100	302	115	18	135	44	–	762
Amortization charges	36	59	187	91	18	112	30	–	533
Impairment charges	–	–	–	–	–	72	11	–	83

(in millions of euros)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other activities	Not allocated (4) (5)	December 31, 2005
Brands, trade names, licenses and goodwill (3)	25	4,847	5,101	1,657	1,042	2,861	454	–	15,987
Other operational assets	576	4,412	2,333	896	385	2,076	912	4,382	15,972
Total assets	601	9,259	7,434	2,553	1,427	4,937	1,366	4,382	31,959
Shareholders' equity	–	–	–	–	–	–	–	11,868	11,868
Operational liabilities	130	932	960	666	133	1,043	215	16,012	20,091
Total liabilities and shareholders' equity	130	932	960	666	133	1,043	215	27,880	31,959

(1) Eliminations correspond to revenue between business groups; in most cases, this concerns revenue from business groups excluding Selective Retailing to Selective Retailing. The prices for revenue between the various business groups correspond to the prices normally used for wholesale or revenue to non-Group retailers.

(2) Operational investments correspond to the amounts capitalized over the year, and not to disbursements carried out over the year in connection with these investments.

(3) Brands, trade names, licenses and goodwill comprise the net amounts given in Notes 3 and 4.

(4) Assets that have not been allocated include securities consolidated on an equity basis, equity investments and financial investments, other financial assets and corporate income tax receivables.

(5) Liabilities that have not been allocated include financial debt and current and deferred tax liabilities.

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2004

(in millions of euros)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and Holdings	Eliminations (1)	2004
Non-Group revenue	595	2,255	4,339	2,017	483	3,266	105	–	13,060
Revenue between business groups	–	4	27	111	10	10	21	(183)	–
Total revenue	595	2,259	4,366	2,128	493	3,276	126	(183)	13,060
Profit from recurring operations	51	813	1,309	150	7	238	(163)	8	2,413
Operational investments (2)	69	69	253	86	19	181	64	–	741
Amortization charges	31	48	173	89	16	109	29	–	495
Impairment charges	–	3	12	20	24	25	17	–	101

(in millions of euros)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other Businesses	Not allocated (4) (5)	December 31, 2004
Brands, trade names, licenses and goodwill (3)	25	4,083	4,993	1,643	1,049	2,618	474	–	14,885
Other operational assets	552	3,828	2,188	852	363	1,917	1,028	3,772	14,480
Total assets	557	7,911	7,181	2,495	1,412	4,535	1,502	3,772	29,365
Shareholders' equity	–	–	–	–	–	–	–	10,065	10,065
Operational liabilities	137	767	894	606	106	882	712	15,196	19,300
Total liabilities and shareholders' equity	137	767	894	606	106	882	712	25,261	29,365

(1) Eliminations correspond to revenue between business groups; in most cases, this concerns revenue from business groups excluding Selective Retailing to Selective Retailing. The prices for revenue between the various business groups correspond to the prices normally used for wholesale or revenue to non-Group retailers.

(2) Operational investments correspond to the amounts capitalized over the year, and not to disbursements carried out over the year in connection with these investments.

(3) Brands, trade names, licenses and goodwill comprise the net amounts given in Notes 3 and 4.

(4) Assets that have not been allocated include securities consolidated on an equity basis, equity investments and financial investments, other financial assets and corporate income tax receivables.

(5) Liabilities that have not been allocated include financial debt and current and deferred tax liabilities.

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22.2 Information by region

Revenue can be broken down by their destination region as follows:

(in millions of euros)	2005	2004
France	2,282	2,108
Europe (excl. France)	2,954	2,678
United States	3,805	3,438
Japan	2,111	1,928
Asia (excl. Japan)	2,412	2,038
Other countries	992	870
Revenue	14,556	13,060

Operational investments can be broken down by region as follows:

(in millions of euros)	2005	2004
France	323	257
Europe (excl. France)	135	96
United States	138	108
Japan	29	112
Asia (excl. Japan)	81	40
Other countries	56	128
Operational investments	762	741

Operational investments correspond to the amounts capitalized over the year, and not to disbursements carried out over the year in connection with these investments.

NOTE 23 - INCOME AND EXPENSES

23.1 Analysis of revenue

Revenue comprise the following elements:

(in millions of euros)	2005	2004
Revenue carried out by brands and trade names	14,339	12,900
License royalties and income	126	123
Income from rental properties	33	23
Other	58	14
Total	14,556	13,060

Christian Dior

23.2 Charges by type

Profit from recurring operations factors in the following expenses in particular:

(in millions of euros)	2005	2004
Research and development costs	38	38
Advertising and promotional costs	1,463	1,332
Commercial rent	819	757
Payroll charges	2,567	2,356

Research and development costs comprise pure research costs in addition to costs incurred for developing new products.

Advertising and promotional costs primarily include the costs of media campaigns and costs for advertising at points of sale.

At December 31, 2005, the Group operated a total of 1,917 stores (1,877 in 2004) around the world, primarily linked to the Fashion and Leather Goods and Selective Retailing business groups.

In certain countries, store leases are associated with minimum amounts, notably when leases include a clause for indexing rent against revenue. Rental charges for stores can be broken down as follows:

(in millions of euros)	2005	2004
Fixed or minimum rents	352	327
Variable portion of indexed rents	38	25
Airport concession royalties	429	405
Commercial rent	819	757

• Payroll charges can be broken down as follows:

(in millions of euros)	2005	2004
Salaries and payroll charges	2,508	2,231
Retirement plans, medical expenses and other related benefits	29	74
Expenses linked to option plans and related	30	51
Total	2,567	2,356

Christian Dior

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

(in millions of euros)	2005	2004
Amortization of brands	(7)	(9)
Impairment of brands and goodwill	(49)	(54)
Impairment of tangible assets	(34)	(47)
Income (loss) from disposals	–	(14)
Restructuring	(132)	(27)
Impacts of the IFRS changeover on the exchange result	(3)	(36)
Other	(1)	(16)
Other operating income and expenses	(226)	(203)

- In 2005

Other operating income and expenses for 2005 include 179 million euros in non-recurring expenses linked to the need to close “the La Samaritaine department store” to the public in order to allow major work to be carried out to bring the site into line with security standards.

This amount includes an initial valuation of the job preservation plan, which was approved by the work’s council on February 6, 2006 and was backed by a majority of the trade unions on the same day. The provision recorded in this respect is for 55 million euros. Intangible fixed assets and store fixtures and fittings were subject to an exceptional amortization charge for the amount of their net values on the balance sheet, representing 38 and 23 million euros respectively. 47 million euros in charges or provisions were booked for all losses on inventories of goods in addition to the expenses incurred further to the cancellation of various contracts with commercial partners. Lastly, the costs incurred to immediately secure the store and the various site management costs represented a charge of 6 million euros.

The other operating income and expense items primarily concern business restructurings for 21 million euros and the amortization and impairment of intangible assets for 17 million euros.

- In 2004

Other operating income and expenses concern the impairment of non-strategic brands and brands with low unit values, the impairment of all properties located outside of France with insufficient levels of operational profitability, income or losses recorded on disposals, in particular regarding Christian Lacroix. They also factor in restructuring costs concerning various Group brands and trade names, in connection with the closure of markets or the phasing out of secondary and non-profitable activities.

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NOTE 25 - NET FINANCIAL INCOME

(in millions of euros)	2005	2004
Cost of gross financial debt, excluding repackaged notes (TDI)	(245)	(253)
Income from cash and financial investments	15	26
Impact of market valuations of financial debt and hedging instruments, excluding repackaged notes (TDI)	1	(13)
Impact of repackaged notes (TDI)	(5)	(16)
Cost of net financial debt	(234)	(256)
Ineffective portion of currency hedging	(105)	(10)
Dividends received on financial investments	49	16
Other, net	99	(14)
Other financial income and expenses	43	(8)
Financial income	(191)	(264)

Other net financial income is based on 99 million euros in capital gains on the disposal of Bouygues securities.

NOTE 26 - INCOME TAXES

26.1 Analysis of the tax expense

(in millions of euros)	2005	2004
Current taxes for the period	(599)	(530)
Current taxes relating to previous periods	10	42
Current taxes	(589)	(488)
Change in deferred tax	(135)	(67)
Impact of changes in tax rates on deferred tax	(4)	67
Deferred tax	(139)	–
Total tax expense	(728)	(488)
Tax on items recorded under shareholders' equity	23	(42)

The effective tax rates can be broken down as follows:

(in millions of euros)	2005	2004
Income before tax	2,374	1,946
Total tax expense	(728)	(488)
Effective tax rate	31%	25%

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26.2 Sources of deferred tax

(in millions of euros)

On the income statement	2005	2004
Market valuation of brands	(19)	73
Market valuation of vineyard land and producing vineyards	1	1
Other revaluation gains	–	11
Gains and losses on equity and financial investments	(86)	(23)
Gains and losses on future cash flow hedging in currencies	8	10
Provisions for liabilities and charges and impairment of assets (1)	(2)	1
Intra-Group margin included in inventories	15	24
Other consolidation restatements	(51)	(51)
Losses carried forward	(5)	(46)
Total	(139)	–

(in millions of euros)

Under shareholders' equity	2005	2004
Market valuation of vineyard land and producing vineyards	(13)	(16)
Gains and losses on equity and financial investments	(26)	(35)
Gains and losses on future cash flow hedging in currencies	62	9
Total	23	(42)

(in millions of euros)

On the balance sheet	2005	2004
Market valuation of brands	(3,201)	(3,004)
Market valuation of vineyard land and producing vineyards	(350)	(248)
Other revaluation gains	(315)	(314)
Gains and losses on equity and financial investments	(27)	76
Gains and losses on future cash flow hedging in currencies	23	(52)
Provisions for liabilities and charges and impairment of assets (1)	45	38
Intra-Group margin included in inventories	174	161
Other consolidation restatements	(6)	68
Losses carried forward	172	164
Total	(3,485)	(3,111)

(1) Primarily regulated provisions, supplementary depreciations for tax purposes and finance leases.

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Net deferred tax on the balance sheet can be broken down as follows:

(in millions of euros)	2005	2004
Deferred tax assets	361	278
Deferred tax liabilities	(3,846)	(3,389)
Net deferred tax on the balance sheet	(3,485)	(3,111)

26.3 Analysis of the difference between the effective tax rate and the French statutory tax rate

The reconciliation between the French statutory tax rate applied to French companies and the effective tax rate recorded in the consolidated financial statements can be broken down as follows:

(% of income before tax)	2005	2004
French statutory tax rate	34.9	35.4
- Impact of changes in tax rates on deferred tax	0.2	(3.4)
- Impact of differences between foreign and French tax rates	(2.7)	(3.7)
- Impact of profits and losses carried forward	(3.0)	(6.3)
- Impact of differences between consolidated and taxable income, and reduced-rate taxable income	0.5	2.6
- Impact of withholdings	0.8	0.5
Effective tax rate	30.7	25.1

Since 2000, French companies have been subject to additional income tax, which was 6.3% for 2004, and was reduced to 4.8% for 2005. It will be cut to 3.3% for 2006. In this way, the French statutory tax rate was 34.9% in 2005 and 35.4% in 2004.

The impact of differences between consolidated and taxable income in 2005 reflected in particular an amendment to the tax system for repackaged notes (TDI) introduced by the 2006 finance bill (Loi de Finances).

26.4 Losses carried forward

At December 31, 2005, for LVMH S.A., the impact of losses carried forward and tax credits not yet used and not resulting in the recording of deferred tax assets, came out at 763 million euros (844 million euros in 2004).

At December 31, 2005, for Christian Dior S.A., ordinary losses carried forward totaled 87 million euros (107 million euros in 2004). Their recovery being deemed probable, they resulted in deferred tax assets of 29 million euros (37 million euros in 2004).

26.5 Tax consolidation

- French tax sharing agreements allow certain French companies of the Group to combine their taxable results to determine the overall tax expense for which the parent company is fully liable.

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The adoption of this system, which primarily concerns the parent company Christian Dior S.A., made it possible to record a tax saving of 150 million euros in 2005 (290 million euros in 2004).

- The other tax consolidation systems in force in other countries, notably Italy and the US, generated an additional tax saving of 74 million euros in 2005 (40 million euros in 2004).

NOTE 27 - EARNINGS PER SHARE

	2005	2004
Net income, Group share (in millions of euros)	618	549
Average number of shares outstanding over the year	181,727,048	181,727,048
Average number of Christian Dior shares held as treasury shares over the year	(4,071,058)	(3,952,628)
Average number of shares taken into account for the calculation before dilution	177,655,990	177,774,420
Earnings per share (in euros)	3.48	3.09
Average number of shares outstanding taken into account above	177,655,990	177,774,420
Impact of dilution for option plans	1,346,973	962,733
Average number of shares outstanding after dilution	179,002,963	178,737,153
Diluted earnings per share (in euros)	3.45	3.07

NOTE 28 - PENSION COMMITMENTS, MEDICAL COSTS AND RELATED BENEFITS

28.1 Expense for the period

(in millions of euros)	2005	2004
Cost of services rendered	40	38
Impact of discounting	20	21
Expected return on dedicated financial assets	(13)	(9)
Cost of past services	2	
Changes in treatment	(20)	24
Expense for the period under the benefit systems defined	29	74
Effective return /(cost) on assets for dedicated financial systems	22	14

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28.2 Net commitment recorded

(in millions of euros)	2005	2004
Entitlements covered by financial assets	470	398
Entitlements not covered by financial assets	140	159
Discounted value of entitlements	610	557
Market value of financial assets	(343)	(287)
Actuarial differences not recorded on the balance sheet	8	6
Cost of past services not yet recorded in the accounts	(12)	(14)
Items not recognized	(4)	(8)
Net commitment recorded	263	262
Of which:		
Long-term provisions	267	261
Short-term provisions	5	3
Long-term financial assets	(9)	(2)
Total	263	262

28.3 Analysis of changes in commitments

(in millions of euros)	Discounted value of entitlements	Market value of financial assets	Items not recognized	Net commitments recorded
Balance at December 31, 2004	557	(287)	(8)	262
Expense for the period	60	(13)	(18)	29
Beneficiary benefits	(52)	40	–	(12)
Increase in dedicated financial assets	–	(42)	–	(42)
Impact of currency changes	19	(5)	(1)	13
Impact of changes in consolidation	39	(26)	–	13
Changes in treatment	(20)	(2)	22	–
Actuarial differences	7	(8)	1	–
Balance at December 31, 2005	610	(343)	(4)	263

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The actuarial assumptions used to estimate commitments at December 31, 2005, in the main countries where the commitments are located, are as follows:

Discount rate	2.00% in Japan, 4.00% in France, 5.75% in the US
Expected long-term rate of return on investments	4.00% in Japan, 4.00% in France, 8.00% in the US
Future rate of increase of salaries	2.00% to 4.50%
Rate of increase of medical costs	reduction from 9% to 6% between 2006 and 2010, then 5% in the US

At December 31, 2004, the actuarial assumptions retained were as follows:

Discount rate	2.00% in Japan, 4.75% in France, 5.75% in the US
Expected long-term rate of return on investments	4.00% in Japan, 4.75% in France, 8.00% in the US
Future rate of increase of salaries	2.00% to 4.00%
Rate of increase of medical costs	reduction from 9% to 5% between 2005 and 2009, then 5% in the US

28.4 Analysis of entitlements

The discounted value of entitlements can be broken down by type of plan as follows:

(in millions of euros)	2005	2004
Retirement indemnities and related provisions	88	78
Medical costs for retired staff	53	57
Long-service awards	12	10
Additional retirement payments	430	362
Pre-retirement payments	17	41
Other	10	9
Discounted value of entitlements	610	557

The discounted value of entitlements can be broken down by region as follows:

(in millions of euros)	2005	2004
France	264	284
Europe (excl. France)	169	108
America	115	98
Japan	54	60
Asia Pacific	8	7
Discounted value of entitlements	610	557

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The main systems reflected in the commitment at December 31, 2005 are as follows:

- in France: this primarily concerns long-service awards and end-of-career compensation, payment of which is provided for under French law and the national wage bargaining agreements applicable, respectively after staff have built up a certain level of seniority or when they retire;
- in Europe (excluding France), the main commitments concern systems for the reimbursement of medical costs for retired staff, put in place by certain Group companies in the UK, as well as the TFR (Trattamento di Fine Rapporto) benefit in Italy, which is to be paid at the time of employees leaving the company, whatever the reason;
- in the US, the commitment stems from pensions systems with defined benefits or the reimbursement of medical costs for retired staff, in line with agreements put in place by certain Group companies.

28.5 Analysis of dedicated financial assets

The market values of the assets in which funds paid into schemes are invested can be broken down as follows:

(%)	2005	2004
Equities	46	37
Bonds		
– private issuers	25	29
– public issuers	22	24
Real estate, cash and other assets	7	10
Market value of dedicated financial assets	100	100

Plan assets do not include any real estate assets operated by the Group or any LVMH shares.

NOTE 29 - OFF-BALANCE SHEET COMMITMENTS

29.1 Purchase commitments

(in millions of euros)	2005	2004
Grapes, wines and distilled alcohol	809	775
Industrial or commercial assets	58	77
Equity interests and investments	59	76

In the Wines and Spirits business group, a percentage of future grape, light wine and distilled alcohol supplies are governed by purchase commitments with various local producers. Depending on the business, these commitments are valued based on contractual terms or the last known prices and estimated yields at the close of accounts. They primarily cover 2006 and 2007.

At December 31, 2005, negotiations were underway to finalize various agreements intended to supplement purchase commitments for grapes, wine and distilled alcohol as mentioned above.

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29.2 Leasing commitments

In addition to the leasing of its stores, the Group also finances part of its equipment based on long-term operating leases. Furthermore, certain capitalized assets or industrial pieces of equipment have been acquired or refinanced under financial leasing agreements.

• Operating leases and concession fees

At December 31, 2005, future non-cancelable commitments arising from operating leases and concession fees can be broken down as follows:

(in millions of euros)	2005	2004
Under one year	583	570
From one to five years	1,606	1,474
Over five years	895	932
Commitments given under operating leases and concession fees	3,084	2,976
Under one year	18	20
From one to five years	44	47
Over five years	8	15
Commitments received under sub-leases	70	82

• Financial leases

At December 31, 2005, future non-cancelable commitments arising from financial leases can be broken down as follows:

(in millions of euros)	2005		2004	
	Minimum future payments	Fair value of payments	Minimum future payments	Fair value of payments
Under one year	32	29	16	14
From one to five years	85	67	79	66
Over five years	464	81	424	78
Total future minimum payments	581		519	
Percentage representing financial interests	(404)		(361)	
Fair value of future minimum payments	177	177	158	158

29.3 Possible liabilities and current disputes

In the ordinary course of its business, the Group is involved in legal proceedings and claims relating to trademarks, the protection of intellectual property rights, establishing selective retailing agreements, licensing, employee relations, tax audits and other matters inherent in its business. The Group believes that the provisions recorded relative to these risks, litigation and disputes, known or underway at the closing date, are sufficient to cover any unfavorable outcome, such that the consolidated financial position would not be significantly affected.

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29.4 Deposits, pledges and other guarantees

(in millions of euros)	2005	2004
Deposits and pledges	37	29
Other guarantees	54	48
Guarantees given	91	77
Guarantees received	19	8

29.5 Other commitments

To the best of the Group's knowledge, there are no other significant off-balance sheet commitments than those indicated above.

NOTE 30 - RELATED PARTIES

30.1 Relations of Christian Dior Group with the Groupe Arnault and the Financière Agache Group

The Christian Dior Group is consolidated in the statements of Financière Agache S.A, controlled by Groupe Arnault SAS.

• Relations of the Christian Dior Group with Groupe Arnault

Groupe Arnault provides assistance services to the Christian Dior Group for development, engineering, business and real-estate law and support staff; moreover, Groupe Arnault leases commercial premises to LVMH.

The Christian Dior Group leases premises used for offices and also provides various administrative services to the holding companies.

The transactions between the Christian Dior Group and Groupe Arnault may be summarized as follows:

(in millions of euros)	2005	2004
· Invoices from Groupe Arnault to the Christian Dior Group	(10)	(10)
Trade account balances at December 31	(2)	(3)
· Invoices from the Christian Dior Group to Groupe Arnault	2	2
Trade account receivables at December 31	–	–

• Relations of the Christian Dior Group with the Financière Agache Group

The Financière Agache Group, through its subsidiary John Galliano SA, provides artistic management services to Christian Dior Couture.

Moreover, some companies of the Christian Dior Group optimize their cash flow by belonging to a cash pool managed by Financière Agache. This latter thus centralizes all or part of their short-term cash surpluses; covers all or part of their short-term funding needs; places the invests net surpluses and covers net requirements.

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The transactions between the Christian Dior Group and the Financière Agache Group may be summarized as follows:

(in millions of euros)	2005	2004
· Invoices from the Financière Agache Group to the Christian Dior Group	(8)	(8)
Trade account balances at December 31	(3)	(5)
· Financial interest invoiced to the Christian Dior Group	(4)	(3)
Current accounts balance at December 31	(108)	(92)
· Invoices from the Christian Dior Group to the Financière Agache Group	-	-
Trade account receivables at December 31	-	-

30.2 Relations of the Christian Dior Group with Diageo

Moët Hennessy is the holding company for the Wine and Spirits activities of the Group, except for Château d'Yquem and certain Champagne vineyard land and producing vineyards. Since 1994, the Diageo Group holds a 34% share in Moët Hennessy. On this date, an agreement was concluded between Diageo and Moët Hennessy for the allocation of holding fees between Moët Hennessy and other holdings of the LVMH Group.

Under the terms of the agreement, Moët Hennessy assumed 23% of common fees in 2005 (24% in 2004), with Moët Hennessy's total administrative fees at 44 million euros in 2005 (34 million euros in 2004).

30.3 Managing bodies

The overall compensation to the 8 Members of the Board of Directors, for their duties within the Group, can be broken down as follows:

(in millions of euros)	2005	2004
Gross compensation and benefits in kind	11	10
Post-employment benefits	1	1
Cost of stock option plans and related	14	12
Total	26	23

NOTE 31 - SUBSEQUENT EVENTS

At the date of closing, no significant event occurred.

Christian Dior

LIST OF CONSOLIDATED COMPANIES IN 2005

All the companies below are fully consolidated except for those indicated by the number (1), which are consolidated on a proportional basis and those indicated by (2), which are consolidated using the equity method.

COMPANIES	REGISTERED OFFICES	PERCENTAGE	
		Control	Interest
Christian Dior S.A.	Paris, France	Parent company	
Financière J. Goujon	Paris, France	100%	100%
Sadifa	Paris, France	100%	100%
Lakenbleker	Amsterdam, Netherlands	100%	100%
CHRISTIAN DIOR COUTURE			
Christian Dior Couture SA	Paris, France	100%	100%
Christian Dior Fourrure M.C. S.A.M.	Monaco	100%	100%
Christian Dior GmbH	Munich, Germany	100%	100%
Christian Dior Inc.	New York, U.S.A.	100%	100%
Christian Dior UK Ltd	London, United Kingdom	100%	100%
Christian Dior Suisse SA	Geneva, Switzerland	100%	100%
Les Jardins d'Avron SAS	Paris, France	100%	100%
Mardi SpA	Badia a Settimo, Italy	50%	50%
Ateliers AS	Pierre Bénite, France (2)	25%	25%
Christian Dior Far East Ltd	Hong Kong	100%	100%
Christian Dior (Fashion) Malaysia Sdn Bhd.	Kuala Lumpur, Malaysia	100%	100%
Christian Dior Hong Kong Ltd	Hong Kong	100%	100%
Christian Dior Taiwan Limited	Taipei, Taiwan	90%	90%
Christian Dior Singapore PTE Ltd	Singapore	100%	100%
Christian Dior Saipan Ltd	Saipan, NMI	100%	100%
Christian Dior Australia PTY Ltd	Sydney, Australia	100%	100%
Christian Dior New Zealand Ltd	Auckland, New Zealand	100%	100%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	49%	49%
Christian Dior K.K. (Kabushiki Kaisha)	Tokyo, Japan	100%	100%
Christian Dior Couture Korea Ltd	Seoul, South Korea	100%	100%
Christian Dior Guam Ltd	Agana, Guam	100%	100%
Christian Dior Española S.L.	Madrid, Spain	100%	100%
Christian Dior do Brasil Ltda	Sao Paulo, Brazil	100%	100%
Christian Dior Italia Srl	Milan, Italy	100%	100%
Christian Dior Belgique SA	Brussels, Belgium	100%	100%
Bopel Srl	Lugagnano Val d'Arda, Italy	70%	70%
P.T. Christian Dior Indonesia	Jakarta, Indonesia	80%	80%

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Christian Dior Puerto Banus S.L.	Puerto Banus, Spain	75%	75%
Les Jardins d'Avron LLC	New York, United States	100%	100%
Lucilla Srl	Sieci, Italy	51%	51%
Christian Dior Couture CZ	Prague, Czech Republic	100%	100%
Christian Dior Couture Morocco	Marrakech, Morocco	100%	100%
Christian Dior Couture FZE	Dubai, United Arab Emirates	100%	100%
Christian Dior Macau Company Limited	Macao, Macao	96%	96%
Les Ateliers Bijoux	Germany	100%	100%
Christian Dior S. de R.L. de C.V.	Lomas, Mexico	100%	100%
Christian Dior Commercial Shanghai Co. Ltd	Shanghai, China	100%	100%

WINES AND SPIRITS

Champagne Moët & Chandon SCS	Epernay, France	60%	29%
Moët Hennessy UK Ltd	London, United Kingdom	60%	29%
Moët Hennessy España SA	Barcelona, Spain	60%	29%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	60%	29%
Champagne Des Moutiers SA	Epernay, France	60%	29%
Schieffelin Partner Inc.	New York, U.S.A.	60%	29%
Moët Hennessy de Mexico, S.A. de C.V.	Mexico City, Mexico	60%	29%
Chamfipar SA	Ay, France	60%	29%
Société Viticole de Reims SA	Ay, France	60%	29%
Cie Française du Champagne et du Luxe SA	Ay, France	60%	29%
Moët Hennessy Belux SA	Brussels, Belgium	60%	29%
Champagne de Mansin SAS	Gye sur Seine, France	60%	29%
Moët Hennessy Osterreich GmbH	Vienna, Austria	60%	26%
Schieffelin & Somerset	New York, U.S.A.	60%	29%
Moët Hennessy (Nederland) BV	Naarden, Netherlands	60%	29%
Schieffelin & Co	New York, U.S.A.	60%	29%
MHD Moët Hennessy Diageo SAS	Courbevoie, France	60%	29%
Opera Vineyards SA	Buenos Aires, Argentina (1)	30%	15%
France Champagne SA	Epernay, France	60%	29%
Domaine Chandon, Inc.	Yountville (California), U.S.A.	60%	29%
Cape Mentelle Vineyards Ltd.	Margaret River, Australia	60%	29%
Veuve Clicquot Properties, Pty Ltd.	Sydney, Australia	60%	29%
Moët Hennessy do Brasil — Vinhos E Destilados Ltda	Sao Paulo, Brazil	60%	29%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	60%	29%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	60%	29%
Domaine Chandon Australia Pty Ltd.	Coldstream Victoria, Australia	60%	29%
Newton Vineyards LLC	St. Helena (California), U.S.A.	60%	23%

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Veuve Clicquot Ponsardin SCS	Reims, France	60%	29%
Société Civile des Crus de Champagne SA	Reims, France	60%	29%
Neggma SA	Reims, France	60%	15%
Veuve Clicquot U.K.	London, United Kingdom	60%	29%
Clicquot, Inc	New York, U.S.A. (*)	60%	29%
Veuve Clicquot Japan KK	Tokyo, Japan	60%	29%
Moët Hennessy Suomi OY	Helsinki, Finland	60%	29%
Moët Hennessy Sverige AB	Stockholm, Sweden	60%	29%
Moët Hennessy Norge AS	Hoevik, Norway	60%	29%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	60%	29%
Moët Hennessy Deutschland GmbH	Munich, Germany	60%	29%
Moët Hennessy Italia S.p.a.	Milan, Italy	60%	29%
Krug SA	Reims, France	60%	29%
Champagne Ruinart SA	Reims, France	60%	29%
Ruinart UK Ltd	London, United Kingdom	60%	29%
Ruinart Japan KK	Tokyo, Japan	60%	29%
Ruinart España SL	Madrid, Spain	60%	29%
Château d'Yquem SA	Sauternes, France	60%	29%
Château d'Yquem SC	Sauternes, France	60%	28%
Jas Hennessy & Co SCS	Cognac, France	60%	29%
Diageo Moët Hennessy BV LLC	Amsterdam, Netherlands (3)	60%	29%
Hennessy Dublin Ltd.	Dublin, Ireland	60%	29%
Edward Dillon & Co Ltd.	Dublin, Ireland (2)	24%	11%
Hennessy Far East Ltd.	Hong Kong, China	60%	29%
Riche Monde Orient Limited	Hong Kong, China (3)	60%	29%
Riche Monde Ltd.	Hong Kong, China (3)	60%	29%
Riche Monde (China) Ltd	Shanghai, China	60%	29%
M.H.—U.D.G. (Far East) Ltd.	Hong Kong, China (3)	60%	29%
Riche Monde Pte Ltd.	Singapore (3)	60%	29%
Riche Monde Malaisie Inc.	Petaling Jaya, Malaysia (3)	30%	15%
Riche Monde Taipei Ltd.	Taipei, Taiwan (3)	60%	29%
Riche Monde Bangkok Ltd.	Bangkok, Thailand (3)	60%	29%
Moët Hennessy Korea Ltd.	Seoul, South Korea	60%	29%
Moët Hennessy Shanghai Ltd	Shanghai, China	60%	29%
Moët Hennessy India pvt. Ltd	New Delhi, India	60%	29%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	60%	29%
RML DF Greater China	Shanghai, China	60%	29%
MHD Chine Co Ltd	Shanghai, China	60%	29%
Moët Hennessy Diageo KK	Tokyo, Japan (3)	60%	29%
Moët Hennessy Asia Pte Ltd.	Singapore	60%	29%
Moët Hennessy Australia Ltd	Rosebury, Australia	60%	29%
Millennium Import LLC	Minneapolis, MN, USA	60%	29%
Millennium Brands Ltd	Dublin, Ireland	60%	29%

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Polmos Zyrardow	Zyrardow, Poland	60%	29%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	60%	29%
Mac Donald & Muir Ltd	Edinburgh, United Kingdom	60%	29%
Glenair Ltd	Edinburgh, United Kingdom	30%	15%
The Scotch Malt Whisky	Edinburgh, United Kingdom	60%	29%

FASHION AND LEATHER GOODS

Louis Vuitton Malletier SA	Paris, France	60%	44%
Manufacture de souliers Louis Vuitton SRL	Fiesso d'Artico, Italy	60%	44%
Louis Vuitton Saint Barthélemy SNC	Saint Barthélemy, French Antilles	60%	44%
Société des Ateliers Louis Vuitton SNC	Paris, France	60%	44%
Société Louis Vuitton Services SNC	Paris, France	60%	44%
Société des Magasins Louis Vuitton France SNC	Paris, France	60%	44%
Belle Jardinière SA	Paris, France	60%	44%
Belle Jardinière Immo SAS	Paris, France	60%	44%
Sedivem SNC	Paris, France	60%	44%
Les Ateliers Horlogers Louis Vuitton SA	La Chaux-de-Fonds, Switzerland	60%	43%
Louis Vuitton Monaco SA	Monte Carlo, Monaco	60%	44%
ELV SARL	Paris, France	60%	44%
LVMH Fashion Group UK Ltd.	London, United Kingdom	60%	44%
Louis Vuitton Deutschland GmbH	Düsseldorf, Germany	60%	44%
Louis Vuitton España SA	Madrid, Spain	60%	44%
Sociedad Catalana Talleres Artesanos Louis Vuitton SA	Barcelona, Spain	60%	44%
Louis Vuitton BV	Amsterdam, Netherlands	60%	44%
LVMH Fashion Group Belgium SA	Brussels, Belgium	60%	44%
Louis Vuitton Hellas SA	Athens, Greece	60%	44%
Louis Vuitton Portugal Maleiro, Ltda.	Lisbon, Portugal	60%	44%
Louis Vuitton Ltd	Tel Aviv, Israel	60%	44%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	60%	44%
Louis Vuitton Aktiebolag SA	Stockholm, Sweden	60%	44%
LVMH Fashion Group Switzerland SA	Geneva, Switzerland	60%	44%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	60%	44%
Louis Vuitton Osterreich GmbH	Vienna, Austria	60%	44%
Louis Vuitton Cantacilik Ticaret Anonim Sirketi	Istanbul, Turkey	60%	44%
LV US Manufacturing, Inc.	New York, U.S.A.	60%	44%
Somarest SARL	Sibiu, Romania	60%	44%
LVMH Fashion Group Hawaii Inc.	Honolulu, (Hawaii), USA	60%	44%
LVNA Finance Corp.	New York, U.S.A.	60%	44%
Atlantic Luggage Company Ltd	Hamilton, Bermuda	60%	18%

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Louis Vuitton Guam, Inc.	Guam	60%	44%
Louis Vuitton Saipan, Inc.	Saipan	60%	44%
San Dimas Luggage Company	New York, U.S.A.	60%	44%
LVMH FG Brasil Ltda	Sao Paulo, Brazil	60%	44%
Louis Vuitton Mexico S de RL de CV	Mexico City, Mexico	60%	44%
Blinfar SA	Montevideo, Uruguay	60%	44%
Louis Vuitton Chile Ltda	Santiago del Chile, Chile	60%	44%
LVMH Fashion Group Pacific Ltd	Hong Kong, China	60%	44%
Louis Vuitton Hong Kong Ltd.	Hong Kong, China	60%	44%
Louis Vuitton (Philippines), Inc	Makati, Hong Kong, China	60%	44%
LVMH Fashion (Singapore) Pte Ltd	Singapore	60%	44%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	60%	44%
Louis Vuitton (Malaysia) SDN BHD	Kuala Lumpur, Malaysia	60%	44%
Louis Vuitton (Thailand) SA	Bangkok, Thailand	60%	44%
Louis Vuitton Taiwan Ltd	Taipei, Taiwan	60%	42%
Louis Vuitton Australia, PTY Ltd	Sydney, Australia	60%	44%
Louis Vuitton (China) Co Ltd	Shanghai, China	60%	44%
LV New Zealand Limited	Auckland, New Zealand	60%	44%
Louis Vuitton Kuwait CSP	Safat, Kuwait	60%	26%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	60%	29%
LV Arabie Saoudite LLC	Jeddah, Saudi Arabia	60%	29%
Louis Vuitton Korea Ltd	Seoul, South Korea	60%	44%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	60%	44%
Louis Vuitton Argentina SA	Buenos Aires, Argentina	60%	44%
Louis Vuitton Vostock LLC	Moscow, Russia	60%	44%
LV Colombia SA	Santafe de Bogota, Colombia	60%	44%
Louis Vuitton Maroc Sarl	Casablanca, Morocco	60%	44%
Louis Vuitton Venezuela SA	Caracas, Venezuela	60%	44%
Louis Vuitton South Africa (Pty) Ltd	Johannesburg, South Africa	60%	44%
Louis Vuitton Macau Company Ltd	Macao, Macao	60%	44%
LVMH Fashion Group (Shanghai) Trading Co Ltd	Shanghai, China	60%	44%
LV Cup España S.L.	Valencia, Spain		
LVJ Group KK	Tokyo, Japan	60%	44%
LVMH Fashion Group Americas Inc.	New York, U.S.A. (*)	60%	44%
Louis Vuitton Canada, Inc.	Toronto, Canada	60%	44%
LVMH Fashion Group Services SAS	Paris, France	60%	44%
Marc Jacobs International LLC	New York, U.S.A. (*)	60%	42%
Marc Jacobs Trademark LLC	New York, U.S.A. (*)	60%	15%
Loewe SA	Madrid, Spain	60%	44%
Loewe Hermanos SA	Madrid, Spain	60%	44%
Loewe Textil SA	Madrid, Spain	60%	44%

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Manufacturas Loewe SL	Madrid, Spain	60%	44%
LVMH Fashion Group France SNC	Paris, France	60%	44%
Loewe Hermanos UK Ltd	London, United Kingdom	60%	44%
Loewe Saïpan Inc.	Saipan, Marianna Islands	60%	44%
Loewe Guam Inc.	Guam	60%	44%
Loewe Hong Kong Ltd	Quarry Bay, Hong Kong	60%	44%
Loewe Fashion Pte Ltd	Singapore	60%	44%
Loewe Fashion (M) SDN BHD	Kuala Lumpur, Malaysia	60%	44%
Loewe Taiïwan Ltd	Taipei, Taiwan	60%	42%
Loewe Australia Pty Ltd	Sydney, Australia	60%	44%
Berluti SA	Paris, France	60%	44%
Société Distribution Robert Estienne SNC	Paris, France	60%	44%
Manifattura Ferrarese S.r.l	Milan, Italy	60%	44%
Caltunificio Rossi Moda SPA	Vigonza, Italy	60%	43%
Rossi Moda Inc	New York, U.S.A.	60%	43%
Rossimoda France SARL	Paris, France	60%	43%
Brenta Suole S.r.l	Vigonza, Italy	60%	28%
Montaigne KK	Tokyo, Japan	60%	44%
Modulo Italia S.r.l	Milan, Italy	60%	44%
Céline SA	Paris, France	60%	44%
Avenue M International SCA	Paris, France	60%	44%
Enilec Gestion SARL	Paris, France	60%	44%
Céline Montaigne SA	Paris, France	60%	44%
Céline Monte-Carlo SA	Monte Carlo, Monaco	60%	44%
Céline Production Srl	Greve in Chianti, Florence, Italy	60%	44%
Céline Suisse SA	Geneva, Switzerland	60%	44%
Céline UK Ltd	London, United Kingdom	60%	44%
Céline Inc.	New York, U.S.A. (*)	60%	44%
Céline Hong Kong Ltd	Hong Kong, China	60%	44%
Céline (Singapore) Pte Ltd	Singapore	60%	44%
Céline Guam Inc.	Tumon, Guam	60%	44%
Céline Korea Ltd	Seoul, South Korea	60%	44%
Céline Taiïwan Ltd	Taipei, Taiwan	60%	43%
CPC International Ltd	Hong Kong, China	60%	44%
Kami SA	Montbazon, France	60%	44%
Kenzo SA	Paris, France	60%	44%
Kenzo Homme SA	Paris, France	60%	44%
Modulo SA	Paris, France	60%	44%
Kenzo Belgique SA	Brussels, Belgium	60%	44%
Kenzo UK Ltd	London, United Kingdom	60%	44%
Kenzo Homme UK Ltd	London, United Kingdom	60%	44%
Kenzo Japan KK	Tokyo, Japan	60%	44%

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Givenchy SA	Paris, France	60%	44%
Givenchy Corporation	New York, U.S.A.	60%	44%
Givenchy Co Ltd	Tokyo, Japan	60%	44%
Gentleman Givenchy Far East Ltd	Hong Kong, China	60%	44%
Givenchy China Co Ltd	Hong Kong, China	60%	44%
Gabrielle Studio, Inc.	New York, U.S.A.	60%	43%
Donna Karan International Inc.	New York, U.S.A. (*)	60%	43%
The Donna Karan Company LLC	New York, U.S.A.	60%	43%
Donna Karan Service Company BV	Oldenzaal, Netherlands	60%	43%
Donna Karan Studio LLC	New York, U.S.A.	60%	43%
The Donna Karan Company Store LLC	New York, U.S.A.	60%	43%
Donna Karan Company Store UK Holdings Ltd	London, United Kingdom	60%	43%
Donna Karan Management Company UK Ltd	London, United Kingdom	60%	43%
Donna Karan Company Stores UK Retail Ltd	London, United Kingdom	60%	43%
Donna Karan Company Store (UK) Ltd	London, United Kingdom	60%	43%
Donna Karan H. K. Ltd	Hong Kong, China	60%	43%
Donna Karan (Italy) Srl	Milan, Italy	60%	43%
Donna Karan (Italy) Production Services Srl	Milan, Italy	60%	43%
Fendi International BV	Amsterdam, Netherlands	60%	42%
Fendi France SA	Paris, France	60%	44%
Fun Fashion Emirates LLC	Dubai, UAE	60%	26%
Fendi SA	Luxembourg	60%	42%
Fendi S.r.l	Rome, Italy	60%	42%
Fendi Adele S.r.l	Rome, Italy	60%	42%
Fendi Immobili Industriali Srl	Florence, Italy	60%	42%
Fendi Italia S.r.l	Rome, Italy	60%	44%
Fendi UK Ltd	London, United Kingdom	60%	44%
Fendi France SAS	Paris, France	60%	44%
Fendi North America, Inc.	New York, U.S.A. (*)	60%	44%
Fendi Australia Pty Ltd	Sydney, Australia	60%	44%
Fendi Guam Inc.	Tumon, Guam	60%	44%
Fendi (Thailand) Co. Ltd	Bangkok, Thailand	60%	44%
Fendi Asia Pacific Ltd	Hong Kong, China	60%	44%
Fendi Korea Ltd	Seoul, South Korea	60%	44%
Fendi Taiwan Ltd	Taipei, Taiwan	60%	33%
Fendi Hong Kong Ltd	Hong Kong, China	60%	31%
Fendi China Boutiques Ltd	Hong Kong, China	60%	31%
Fendi (Singapore) Pte Ltd	Singapore	60%	44%
Fendi Fashion (Malaysia) Snd. Bhd.	Kuala Lumpur, Malaysia	60%	44%

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Fun Fashion FZCO LLC	Dubai, UAE	60%	26%
Fendi Marianas Inc.	Tumon, Guam	60%	44%
Emilio Pucci S.r.l	Florence, Italy	60%	42%
Emilio Pucci International BV	Naarden, Netherlands	60%	30%
Emilio Pucci, Ltd	New York, U.S.A.	60%	42%
Thomas Pink Holdings Ltd	London, United Kingdom	60%	44%
Thomas Pink Ltd	London, United Kingdom	60%	44%
Thomas Pink BV	Rotterdam, Netherlands	60%	44%
Thomas Pink Inc.	New York, U.S.A. (*)	60%	44%
Thomas Pink Ireland Ltd	Dublin, Ireland	60%	44%
Thomas Pink Belgium SA	Brussels, Belgium	60%	44%
Thomas Pink France SAS	Paris, France	60%	44%
e-Luxury.com Inc.	San Francisco (California), U.S.A.	60%	44%

PERFUMES AND COSMETICS

Parfums Christian Dior S.A.	Paris, France	60%	44%
LVMH P&C Thailand Co Ltd	Bangkok, Thailand	60%	22%
LVMH Parfums & Cosm�tiques do Brasil Ltda	Sao Paulo, Brazil	60%	44%
France Argentine Cosmetics SA	Buenos Aires, Argentina	60%	44%
LVMH P&C Shanghai Co Ltd	Shanghai, China	60%	44%
Parfums Christian Dior Finland Oy	Helsinki, Finland	60%	44%
LVMH P&C Inc.	New York, U.S.A.	60%	44%
SNC du 33 avenue Hoche	Paris, France	60%	44%
Beaut� SA	Athens, Greece	60%	44%
LVMH Fragrances & Cosmetics (Singapore) Pte Ltd	Singapore	60%	44%
PCD Orient FZ Co	Dubai, UAE	60%	26%
Parfums Christian Dior (UK) Ltd	London, United Kingdom	60%	44%
Parfums Christian Dior BV	Rotterdam, Netherlands	60%	44%
Iparkos BV	Rotterdam, Netherlands	60%	44%
LVMH Perfumes y Cosm�ticos Iberica SA	Madrid, Spain	60%	44%
Parfums Christian Dior S.A.B.	Brussels, Belgium	60%	44%
LVMH P&C Holding SPA	Milan, Italy	60%	44%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	60%	44%
Parfums Christian Dior Hellas S.A.	Athens, Greece	60%	44%
Parfums Christian Dior A.G.	Zurich, Switzerland	60%	44%
Christian Dior Perfumes LLC	New York, U.S.A.	60%	44%
Parfums Christian Dior Canada Inc.	Montr�al, Canada	60%	44%
LVMH P&C de Mexico SA de CV	Mexico City, Mexico	60%	44%
Parfums Christian Dior Japan K.K.	Tokyo, Japan	60%	44%
Parfums Christian Dior (Singapore) Pte Ltd	Singapore	60%	44%

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Inalux SA	Luxembourg, Luxembourg	60%	44%
LVMH P&C Asia Pacific Ltd	Hong Kong, China	60%	44%
Fa Hua Fragrance & Cosmetic Co Ltd	Hong Kong, China	60%	44%
LVMH P&C Shanghai Co, Ltd	Shanghai, China	60%	44%
LVMH P&C Korea Ltd	Seoul, South Korea	60%	44%
Parfums Christian Dior Hong Kong Ltd	Hong Kong, China	60%	44%
LVMH P&C Malaysia Sdn berhad Inc.	Kuala Lumpur, Malaysia	60%	44%
Fa Hua Hong Kong Co, Ltd	Hong Kong, China	60%	44%
Pardior SA de CV	Mexico City, Mexico	60%	44%
Parfums Christian Dior A/S Ltd	Copenhagen, Denmark	60%	44%
LVMH Perfums & Cosmetics Group Pty Ltd	Sydney, Australia	60%	44%
Parfums Christian Dior AS Ltd	Hoevik, Norway	60%	44%
Parfums Christian Dior AB	Stockholm, Sweden	60%	44%
Parfums Christian Dior (New Zealand) Ltd	Auckland, New Zealand	60%	44%
Parfums Christian Dior GmbH Austria	Vienna, Austria	60%	44%
Cosmetic of France Inc.	Miami (Florida), U.S.A.	60%	44%
GIE LVMH P&C Recherche	Paris, France	60%	44%
GIE Parfums et Cosmétiques Information— services— PCIS	Levallois Perret, France	60%	44%
Perfumes Loewe SA	Madrid, Spain	60%	44%
Acqua Di Parma S.r.l	Milan, Italy	60%	44%
Guerlain SA	Paris, France	60%	44%
LVMH Parfums & Kosmetik Deutschland GmbH	Wiesbaden, Germany	60%	44%
Guerlain GesmbH	Vienna, Austria	60%	44%
Cofra GesmbH	Vienna, Austria	60%	44%
Guerlain SA (Belgium)	Fleurus, Belgium	60%	44%
Oy Guerlain AB	Helsinki, Finland	60%	44%
Guerlain Ltd	London, United Kingdom	60%	44%
LVMH Perfumeria e Cosmetica Lda	Lisbon, Portugal	60%	44%
Guerlain SA (Suisse)	Geneva, Switzerland	60%	44%
Guerlain Inc.	New York, U.S.A.	60%	44%
Guerlain Canada Ltd	Montréal, Canada	60%	44%
Guerlain De Mexico SA	Mexico City, Mexico	60%	44%
Guerlain Puerto Rico, Inc.	San Juan, Puerto Rico	60%	44%
Guerlain Asia Pacific Ltd (Hong Kong)	Hong Kong, China	60%	44%
Guerlain KK	Tokyo, Japan	60%	44%
Guerlain Taiwan Co Ltd	Taipei, Taiwan	60%	44%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	60%	44%
Guerlain Malaysia SDN Berhad Inc.	Kuala Lumpur, Malaysia	60%	44%
Make Up For Ever SA	Paris, France	60%	44%

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Make Up For Ever UK Ltd	London, United Kingdom	60%	44%
Make Up For Ever LLC	New York, U.S.A. (*)	60%	44%
Make Up For Ever Italie S.r.l	Milan, Italy	60%	44%
Parfums Givenchy SA	Levallois, France	60%	44%
Parfums Givenchy Ltd	London, United Kingdom	60%	44%
Parfums Givenchy GmbH	Düsseldorf, Germany	60%	44%
Parfums Givenchy LLC	New York, U.S.A. (*)	60%	44%
Parfums Givenchy Canada Ltd	Toronto, Canada	60%	44%
Parfums Givenchy KK	Tokyo, Japan	60%	44%
Parfums Givenchy WHD, Inc.	New York, U.S.A. (*)	60%	44%
Kenzo Parfums France SA	Paris, France	60%	44%
Kenzo Parfums NA LLC	New York, U.S.A. (*)	60%	44%
Laflachère SA	Beauvais, France	60%	44%
La Brosse et Dupont SAS	Villepinte, France	60%	44%
La Brosse et Dupont Portugal SA	San Domingos de Rana, Portugal	60%	44%
Mitsie SAS	Tarare, France	60%	44%
LBD Iberica SA	Barcelona, Spain	60%	44%
Etablissements Ladoë SAS	Tourcoing, France	60%	44%
LBD Ménage SAS	Beauvais, France	60%	44%
LBD Belux SA	Brussels, Belgium	60%	44%
SCI Masurel	Tourcoing, France	60%	44%
SCI Sageda	Orange, France	60%	44%
La Niçoise SAS	Carros, France	60%	44%
LBD Italia S.r.l	Stezzano, Italy	60%	44%
Etablissements Mancret Père & Fils SA	Grenoble, France	60%	44%
Inter-Vion Spolka Akcyjna SA	Warsaw, Poland	60%	23%
Europa Distribution SAS	Saint Etienne, France	60%	44%
LBD Hong Kong	Hong Kong, China	60%	44%
LBD Antilles SAS	Ducos, Martinique, France	60%	44%
Benefit Cosmetics LLC	San Francisco (California), U.S.A.	60%	35%
Benefit Cosmetics UK Ltd	London, United Kingdom	60%	35%
Benefit Cosmetics Korea	Seoul, South Korea	60%	35%
Benefit Cosmetics SAS	France	60%	35%
Benefit Cosmetics Hong Kong	Hong Kong, China	60%	35%
Fresh Inc.	Boston (Massachusetts), U.S.A.	60%	29%
LVMH Perfumes and Cosmetics Services LLC	Edison (New Jersey), U.S.A. (*)	60%	44%
LVMH Cosmetics Services KK	Tokyo, Japan	60%	44%
WATCHES AND JEWELRY			
TAG Heuer International SA	Luxembourg, Luxembourg	60%	44%
TAG Heuer SA	Marin, Switzerland	60%	44%
LVMH Relojeria & Joyeria España SA	Madrid, Spain	60%	44%

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LVMH Montres & Joaillerie France SA	Paris, France	60%	44%
LVMH Watch & Jewelry Italy Holding SpA	Milan, Italy	60%	44%
LVMH Watch & Jewelry Central Europe	Bad Homburg, Germany	60%	44%
Timecrown Ltd	Manchester, United Kingdom	60%	44%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	60%	44%
Tag Heuer Ltd	Manchester, United Kingdom	60%	44%
LVMH Watch & Jewelry USA (Inc.)	Springfield, (New Jersey), U.S.A.	60%	44%
LVMH Watch & Jewelry Canada Ltd	Toronto, Canada	60%	44%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	60%	44%
LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	60%	44%
LVMH Watch Jewelry Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	60%	44%
LVMH Watch & Jewelry Capital Pte Ltd	Singapore	60%	44%
LVMH Watch & Jewelry Japan K.K.	Tokyo, Japan	60%	44%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	60%	44%
LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong	60%	44%
LVMH Watch & Jewelry Taiwan Ltd	Taipei, Taiwan	60%	44%
Cortech SA	Cornol, Switzerland	60%	44%
LVMH Watch et Jewelry Carribean & Latin America Inc.	Coral Gables (Florida), U.S.A.	60%	44%
ArteLink S.r.l	Fratte di S. Giustina in Colle, Italy	60%	44%
LVMH Watch & Jewelry India Pvt Ltd	New Delhi, India	60%	44%
LVMH Watch & Jewelry China	Shanghai, China	60%	44%
Chaumet International SA	Paris, France	60%	44%
Chaumet London Ltd	London, United Kingdom	60%	44%
Chaumet Horlogerie SA	Bienne, Switzerland	60%	44%
Chaumet Monte-Carlo SAM	Monte Carlo, Monaco	60%	44%
Chaumet Korea Chusik Hoesa	Seoul, South Korea	60%	23%
Zenith International SA	Le Locle, Switzerland	60%	44%
Zenith Time Co Ltd	Manchester, United Kingdom	60%	44%
LVMH Watch et Jewelry Italy SpA	Milan, Italy	60%	44%
Omas S.r.l.	Bologna, Italy	60%	44%
Delano SA	La Chaux-de-Fonds, Switzerland	60%	44%
MMO Instruments de Précision SA	Meyrin, Switzerland	60%	44%
Glasnost Edition SA	La Chaux-de-Fonds, Switzerland	60%	44%
MMO Crans SA	Crans-sur-Sierre, Switzerland	60%	44%
Les Ateliers Horlogers LVMH SA	La Chaux-de-Fonds, Switzerland	60%	44%

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Fred Paris SA	Paris, France	60%	44%
Joaillerie de Monaco SA	Monte Carlo, Monaco	60%	44%
Fred Inc.	Beverly Hills (California), U.S.A. (*)	60%	44%
Fred Londres Ltd	London, United Kingdom	60%	44%
Benedom SARL	Paris, France	60%	44%

SELECTIVE RETAILING

Sephora SA	Boulogne Billancourt, France	60%	44%
Sephora Luxembourg SARL	Luxembourg, Luxembourg	60%	44%
LVMH Iberia SL	Madrid, Spain	60%	44%
LVMH Italia Spa	Milan, Italy	60%	44%
Sephora Portugal Perfumeria Lda	Lisbon, Portugal	60%	44%
Sephora Pologne Spzoo	Warsaw, Poland	60%	34%
Sephora Deutschland GmbH	Bad Homburg, Germany	60%	44%
Clab Srl	Milan, Italy	60%	44%
Sephora Marinopoulos SA	Athens, Greece (1)	60%	22%
Beauty Shop Romania SA	Bucharest, Romania (1)	60%	22%
Spring Time Cosmetics SA	Athens, Greece (1)	60%	12%
Sephora Tchèque SRO	Prague, Czech Republic	60%	44%
Sephora Monaco SAM	Monaco	60%	44%
Sephora Patras	Alimos, Greece (1)	30%	11%
Sephora Cosmetics España	Madrid, Spain (1)	30%	22%
Sephora China	Shanghai, China	60%	36%
Sephora Holding Asia	Shanghai, China	60%	44%
Sephora USA, Inc	San Francisco (California), U.S.A. (*)	60%	44%
Sephora Beauty Canada Inc	San Francisco (California), U.S.A.	60%	44%
Magasins de la Samaritaine SA	Paris, France	550%	25%
DFS Holdings Ltd	Hamilton, Bermuda	60%	27%
DFS Australia Pty Ltd	Sydney, Australia	60%	27%
DFS Australia Superannuation Pty Ltd	Sydney, Australia	60%	27%
Travel Retail Shops Pty Ltd	Sydney, Australia (2)	27%	12%
Bloomburg Ltd	Hamilton, Bermuda	60%	27%
DFS European Logistics Ltd	Hamilton, Bermuda	60%	27%
DFS Group Ltd	Delaware, USA	60%	27%
DFS China Partners Ltd	Hong Kong, China	60%	27%
DFS Macau Ltd	Hong Kong, China	60%	27%
Duty Free Shoppers Hong Kong Ltd	Hong Kong, China	60%	27%
Hong Kong International Boutique Partners	Hong Kong, China	30%	14%
TRS Duty Free Shoppers Hong Kong Ltd	Hong Kong, China (2)	27%	12%
DFS Okinawa KK	Okinawa, Japan	60%	27%
TRS Okinawa	Okinawa, Japan (2)	27%	12%

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JAL/DFS Duty Free Shoppers KK	Chiba, Japan (2)	24%	11%
DFS Korea Ltd	Seoul, South Korea	60%	27%
DFS Seoul Ltd	Seoul, South Korea	60%	27%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	60%	27%
Gateshire Marketing Sdn Bhd.	Kuala Lumpur, Malaysia	60%	27%
DFS Merchandising Ltd	Dutch Antilles	60%	27%
DFS New Caledonia Sarl	Nouméa, New Caledonia	60%	27%
DFS New Zealand Ltd	Auckland, New Zealand	60%	27%
TRS New Zealand Ltd	Auckland, New Zealand (2)	27%	12%
Commonwealth Investment Company, Inc	Saipan, Marianna Islands	60%	26%
DFS Saipan Ltd	Saipan, Marianna Islands	60%	27%
Kinkaï Saipan L.P.	Saipan, Marianna Islands	60%	27%
Singapore International Boutique Partners	Saipan, Marianna Islands	60%	14%
DFS Palau Ltd	Koror, Palau	60%	27%
DFS Galleria Taiwan Ltd	Taipei, Taiwan	60%	27%
DFS Taiwan Ltd	Taipei, Taiwan	60%	27%
Tou You Duty Free Shop Co. Ltd	Taipei, Taiwan	60%	27%
DFS Singapore (Pte) Ltd	Singapore	60%	27%
DFS Trading Singapore (Pte) Ltd	Singapore	60%	27%
DFS Venture Singapore (Pte) Ltd	Singapore	60%	27%
TRS Singapore Pte Ltd	Singapore (2)	27%	12%
Singapore International Boutique Partners	Singapore	60%	14%
DFS Group L.P.	Delaware, U.S.A.	60%	27%
LAX Duty Free Joint Venture 2000	Los Angeles (California), U.S.A	60%	21%
Royal Hawaian Insurance Company Ltd	Honolulu, (Hawaii), U.S.A.	60%	27%
Hawaiï International Boutique Partners	Honolulu, (Hawaii), U.S.A.	60%	14%
JFK Terminal 4 Joint Venture 2001	New York, U.S.A.	60%	22%
DFS/Waters	Dallas (Texas), U.S.A.	60%	19%
DFS Guam L.P.	Tamuning, Guam	60%	27%
Guam International Boutique Partners	Tamuning, Guam	60%	14%
DFS Liquor Retailing Ltd	Delaware, U.S.A.	60%	27%
Twenty Seven—Twenty Eight Corp.	Delaware, U.S.A.	60%	27%
TRS Hawaii LLC	Honolulu, (Hawaii), U.S.A. (2)	45%	12%
TRS Saipan	Garapan, Saipan, Marianna Islands (2)	45%	12%
TRS Guam	Tumon, Guam (2)	45%	12%
Le Bon Marché SA	Paris, France	60%	44%
SEGEP SNC	Paris, France	60%	44%
Franck & Fils SA	Paris, France	60%	44%

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Balthazar SNC	Paris, France	60%	44%
Tumon Entertainment LLC	Tamuning, Guam	60%	44%
Comete Guam Inc.	Tamuning, Guam	60%	44%
Tumon Games LLC	Tamuning, Guam	60%	44%
Tumon Aquarium LLC	Tamuning, Guam	60%	44%
Comete Saipan Inc.	Saipan NMI	60%	44%
Cruise Line Holdings Co	Delaware, U.S.A.	60%	44%
On-Board Media Inc.	Delaware, U.S.A.	60%	44%
Starboard Cruise Services Inc.	Delaware, U.S.A.	60%	44%
Starboard Holdings Ltd	Delaware, U.S.A.	60%	44%
International Cruise Shops	Cayman Islands	60%	44%
South Florida Custom Brokers, Inc.	Miami (Florida), U.S.A.	60%	44%
Miami Airport Duty-Free Joint Venture	Miami (Florida), U.S.A.	60%	29%
Fort Lauderdale Partnership	Ft Lauderdale (Florida) U.S.A.	60%	33%
OTHER ACTIVITIES			
DI Group SA	Paris, France	60%	44%
DI Services SAS	Paris, France	60%	44%
Imprimerie Desfossés SARL	Paris, France	60%	44%
Tribune Desfossés SAS	Paris, France	60%	44%
Radio Classique SAS	Paris, France	60%	44%
Les Editions Classique Affaires SARL	Paris, France	60%	44%
DI Régie SAS	Paris, France	60%	44%
SFPA SARL	Paris, France	60%	44%
D2I SAS	Paris, France	60%	44%
Investir Publications SAS	Paris, France	60%	44%
Investir Formation SARL	Paris, France	60%	44%
Compo Finance SARL	Paris, France	60%	44%
SID Presse SARL	Paris, France	60%	44%
SID Développement SAS	Paris, France	60%	44%
SID Editions SAS	Paris, France	60%	44%
SID Magazine SA	Paris, France	60%	44%
SOFPA SA	Lausanne, Switzerland	60%	44%
De Beers LV Ltd	London, United Kingdom (2)	30%	22%
Ufipar SAS	Boulogne Billancourt, France	60%	44%
L Capital Management SAS	Paris, France	60%	44%
Sofidiv SAS	Boulogne Billancourt, France	60%	44%
GIE LVMH Services	Boulogne Billancourt, France	60%	38%
Moët Hennessy SNC	Boulogne Billancourt, France	60%	29%
LVMH Services Ltd	London, United Kingdom	60%	44%
Moët Hennessy Investissements	Boulogne Billancourt, France	60%	29%
LVMH Fashion Group SA	Paris, France	60%	44%

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Moët Hennessy International SA	Boulogne Billancourt, France	60%	29%
Creare SA	Luxembourg, Luxembourg	60%	38%
Creare Pte Ltd	Singapore	60%	38%
Jean Goujon SAS	Boulogne Billancourt, France	60%	44%
Delphine SAS	Boulogne Billancourt, France	60%	44%
LVMH Finance SA	Boulogne Billancourt, France	60%	44%
Primaie SA	Boulogne Billancourt, France	60%	44%
Eutrope SAS	Boulogne Billancourt, France	60%	44%
Flavius Investissements SA	Paris, France	60%	44%
Cie Financière Laflachère SA	Boulogne Billancourt, France	60%	44%
LV Capital SA	Paris, France	60%	44%
Micromania S.A.S	Nice, France (2)	15%	11%
SFMI SA	Nice, France (2)	15%	11%
LC Oméga Holdings SA	Boulogne Billancourt, France (2)	15%	11%
Moët Hennessy Inc.	New York, U.S.A. (*)	60%	29%
One East 57th Street LLC	New York, U.S.A. (*)	60%	44%
LVMH Moët Hennessy Louis Vuitton Inc.	New York, U.S.A. (*)	60%	44%
598 Madison Leasing Corp.	New York, U.S.A. (*)	60%	44%
1896 Corp.	New York, U.S.A. (*)	60%	44%
LVMH Participations BV	Naarden, Netherlands	60%	44%
LVMH Moët Hennessy Louis Vuitton BV	Naarden, Netherlands	60%	44%
Louis Vuitton Prada Holding BV	Amsterdam, Netherlands	60%	44%
Sofidiv UK Ltd	London, United Kingdom	60%	44%
LVMH Moët Hennessy Louis Vuitton KK	Tokyo, Japan	60%	44%
Osaka Fudosan Company Ltd	Tokyo, Japan	60%	44%
LVMH Asia Pacific Ltd	Hong Kong, China	60%	44%
LVMH Moët Hennessy Louis Vuitton SA	Paris, France	60%	44%

(*) The address listed is the administrative office of the companies; corporate registration for the company is in the State of Delaware.

(1) Company consolidated on a proportional basis.

(2) Company consolidated using the equity method.

(3) Joint venture with Diageo: only Moët Hennessy activity added.

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STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

MAZARS & GUERARD
MAZARS
Le Vinci - 4, allée de l'Arche
92075 Paris-La Défense Cedex
S.A. with capital of 8,320,000 euros
Statutory Auditor
Member of Compagnie Régionale
de Paris

ERNST & YOUNG AUDIT
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
S.A.S. with variable capital
Statutory Auditor
Member of Compagnie Régionale
de Versailles

To the Shareholders,

In performing the mission that has been assigned to us by your Annual General Meeting, we have reviewed the consolidated financial statements of the Christian Dior company for the year ended December 31, 2005, as they appear in this report.

The consolidated financial statements were drawn up by the Board of Directors. It is our task, based on our audit, to express an opinion on these statements. These statements were prepared for the first time in conformity with the IFRS standards as adopted in the European Union. They include comparative data for the 2004 financial year restated in accordance with the same rules.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, by sampling, evidence supporting the amounts and disclosures contained in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management to prepare the accounts, as well as evaluating the overall financial statement presentation. We believe that our controls provide a reasonable basis for the opinion expressed below.

We certify that, according to IFRS accounting standards as adopted in the European Union, the consolidated financial statements faithfully and fairly present, in all material respects, the assets, the financial position and the results of all the companies included in the consolidation.

II. JUSTIFICATION OF OUR ASSESSMENT

Pursuant to the provisions of Article L.823-9 of the French Commercial Code governing the justification of our assessment, we provide you with the following information:

- We believe that note 1.9 to the financial statement provides adequate information in regard to the accounting treatment of purchasing commitments of minority interests, which is not precisely specified in the IFRS standards as adopted in the European Union.
- The valuation of brands and goodwill has been tested using the method described in note 1.11 to the financial statements. We have assessed the legitimacy of the methodology used, which was based on a set of estimates and examined the amounts and assumptions used by the company to make these valuations.

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The assessments we made are part of our audit of the consolidated financial statements in their entirety and, therefore, have contributed to the formation of our opinion as expressed in the first part of this report.

III. SPECIFIC VERIFICATION

Furthermore, we have also performed verifications of information contained in the management report of the Group, in accordance with accounting principles generally accepted in France. We have no comments to make on their accuracy and consistency with the consolidated financial statements.

Paris-La Défense, April 10, 2006

The Auditors

MAZARS & GUERARD
MAZARS

ERNST & YOUNG AUDIT

Denis Grison

Christian Mouillon

