

# Christian Dior

## PARENT COMPANY FINANCIAL STATEMENTS

# Christian Dior

## BALANCE SHEET AS OF DECEMBER 31

(EUR thousand)		2006			2005	2004
ASSETS	Notes	Gross	Amortization and provisions	Net	Net	Net
Intangible assets	2.1/2.2	57	57	–	–	–
Property, plant and equipment	2.1/2.2	368	337	31	60	88
Investments		3,841,839	–	3,841,839	3,456,838	3,456,838
Other investment securities		23,484	12,758	10,726	15,191	19,465
Loans		5	–	5	5	5
Other non- current financial assets		–	–	–	–	–
<b>Non-current financial assets</b>	2.1/2.2/2.8	3,865,328	12,758	3,852,570	3,472,034	3,476,308
<b>Non-current assets</b>		3,865,753	13,152	3,852,601	3,472,094	3,476,396
Trade accounts receivable		14	–	14	14	–
Other receivables		4,343	–	4,343	5,125	3,353
Short term investments		181,429	6,550	174,879	151,873	145,337
Cash and cash equivalents		71	–	71	3,156	184
<b>Current assets</b>	2.5/2.7/2.8	185,857	6,550	179,307	160,168	148,874
Prepaid expenses	2.5	2,295	–	2,295	33	549
Bond redemption premiums		487	–	487	–	–
<b>TOTAL ASSETS</b>		4,054,392	19,702	4,034,690	3,632,295	3,625,819

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## BALANCE SHEET AS OF DECEMBER 31

(EUR thousand)		2006	2005	2004
LIABILITIES AND EQUITY	Notes	Prior to appropriation	Prior to appropriation	Prior to appropriation
Share capital		363,454	363,454	363,454
Share premium account		2,204,623	2,204,623	2,204,623
Revaluation adjustments		16	16	16
Legal reserve		36,345	36,345	36,345
Regulated reserves		–	–	82,742
Optional reserve		80,630	80,630	–
Retained earnings		43,227	82,632	114,614
<b>Profit for the year</b>		<b>184,250</b>	<b>166,439</b>	<b>138,231</b>
Interim dividends	1.6	(69,056)	(58,152)	(58,152)
<b>Equity</b>	2.4	<b>2,843,489</b>	<b>2,875,987</b>	<b>2,881,873</b>
<b>Provisions for contingencies and losses</b>	2.5	<b>570</b>	<b>570</b>	<b>570</b>
Other bonds		274,918	123,863	123,904
Bank loans and borrowings		907,768	624,538	612,942
Miscellaneous loans and borrowings		1,172	953	118
<b>Borrowings</b>		<b>1,183,858</b>	<b>749,354</b>	<b>736,964</b>
Trade accounts payable		565	260	238
Tax and social security liabilities		1,129	2,143	2,139
Other operating liabilities		1,605	1,310	1,327
<b>Operating liabilities</b>		<b>3,299</b>	<b>3,713</b>	<b>3,704</b>
<b>Other liabilities</b>		<b>3,475</b>	<b>2,671</b>	<b>2,637</b>
<b>Liabilities</b>	2.6/2.7/2.8	<b>1,190,632</b>	<b>755,738</b>	<b>743,305</b>
<b>Prepaid income</b>	2.6	<b>–</b>	<b>–</b>	<b>71</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,034,690</b>	<b>3,632,295</b>	<b>3,625,819</b>

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## INCOME STATEMENT

(EUR thousand)	<i>Notes</i>	2006	2005	2004
Services provided, other revenues		14	14	–
<b>NET REVENUE</b>		<b>14</b>	<b>14</b>	<b>–</b>
<b>Operating income</b>		<b>14</b>	<b>14</b>	<b>–</b>
Other purchases and external expenses		4,939	5,393	5,171
Taxes, duties and similar levies		51	7	19
Wages and salaries		–	–	17
Social security expenses		6	6	5
Amortization and depreciation		29	29	29
Other expenses		105	86	76
<b>Operating expenses</b>		<b>5,130</b>	<b>5,521</b>	<b>5,317</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>(5,116)</b>	<b>(5,507)</b>	<b>(5,317)</b>
<b>NET FINANCIAL PROFIT/(LOSS)</b>	<i>2.9</i>	<b>171,907</b>	<b>153,984</b>	<b>130,369</b>
<b>PROFIT FROM RECURRING OPERATIONS</b>		<b>166,791</b>	<b>148,477</b>	<b>125,052</b>
<b>EXCEPTIONAL INCOME (LOSS)</b>	<i>2.10</i>	<b>103</b>	<b>19</b>	<b>406</b>
Income tax	<i>2.11/2.12</i>	17,356	17,943	12,773
<b>NET PROFIT</b>		<b>184,250</b>	<b>166,439</b>	<b>138,231</b>

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## CASH FLOW STATEMENT

(EUR million)		2006	2005	2004
<b>I – OPERATING ACTIVITIES</b>				
Net profit		184	166	138
Depreciation and amortization of assets		4	4	4
Gain (loss) on sale of fixed assets		–	–	–
<b>Cash from operations</b>		<b>189</b>	<b>170</b>	<b>142</b>
Change in current assets		(2)	(1)	(1)
Change in current liabilities		–	–	2
<b>Change in working capital</b>		<b>(2)</b>	<b>(1)</b>	<b>1</b>
<b>Net cash from operating activities</b>	①	<b>187</b>	<b>169</b>	<b>143</b>
<b>II – INVESTING ACTIVITIES</b>				
Purchase of tangible and intangible fixed assets		–	–	–
Purchase of equity investments		(385)	–	–
Purchase of other non-current investments		–	–	–
Proceeds from sale of financial non-current assets		–	–	–
<b>Net cash from (used in) investing activities</b>	②	<b>(385)</b>	<b>–</b>	<b>–</b>
<b>III – FINANCING ACTIVITIES</b>				
Capital increase		–	–	–
Increases in other equity		–	–	(2)
Proceeds from financial debt		438	12	44
Repayment in respect of financial debt		(3)	–	–
Change in inter-company current accounts		–	–	–
<b>Net cash from (used in) financing activities</b>	③	<b>435</b>	<b>12</b>	<b>42</b>
<b>IV - DIVIDENDS PAID DURING THE YEAR</b>	④	<b>(217)</b>	<b>(172)</b>	<b>(162)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	① + ② + ③ + ④	<b>20</b>	<b>9</b>	<b>23</b>
Cash and cash equivalents at beginning of year		155	146	123
Cash and cash equivalents at end of year		175	155	146
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>20</b>	<b>9</b>	<b>23</b>

The net increase in cash and cash equivalents analyzes the changes in liquid funds from one year to the next (after deducting bank overdrafts) as well as quasi-liquid funds comprised of short-term investments, net of provisions for impairment.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts are expressed in thousands unless otherwise indicated.

The balance sheet total as of December 31, 2006 was 4,034,690 thousands euros. These annual financial statements were drawn up by the Board of Directors.

### 1. ACCOUNTING POLICIES AND METHODS

The annual financial statements have been prepared in accordance with Regulation 99-03 dated April 29, 1999 of the *Comité de la Réglementation Comptable* [Accounting Regulations Committee].

General accounting conventions have been applied observing the principle of prudence in conformity with the following basic assumptions: going concerns, consistency of accounting methods, and non-overlap of financial periods, and in conformity with the general rules for preparation and presentation of annual financial statements.

The accounting items recorded have been evaluated using the historical cost method.

#### 1.1 Intangible assets

Software is depreciated using the straight-line method over one year.

#### 1.2 Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- miscellaneous general installations : 5 years;
- office and computing equipment : 3 years;
- furniture : 10 years.

#### 1.3 Non-current financial assets

Equity investments as well as other non-current financial assets are recorded at the lowest of their acquisition cost or their use value. Impairment is recorded if their use value is lower than their acquisition cost.

The use value of the equity investments is based on criteria such as the share value in the adjusted net assets of the companies involved, taking into account the stock market value of the listed securities that they hold.

In the event of partial investment sale, any gains or losses are recognized within net financial income/ expense and calculated according to the weighted average cost method.

#### 1.4 Accounts receivable and liabilities

Accounts receivable and liabilities are recorded at their face value. An impairment provision is recorded if their net realizable value, based on profitability of their collection, is lower than their carrying amount.

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## 1.5 Short term investments

Short term investments are valued at their acquisition cost. An impairment provision is recorded if their acquisition value is greater than their market value determined as follows:

- listed securities: average listed share price during the last month of the year;
- other securities: estimated realizable value or liquidation value.

If the average price of treasury shares allocated to share purchase option plans exceeds the expected exercise price of any plan, an impairment is recorded in the amount of the difference.

Furthermore, an impairment provision is recognized according to French generally accepted accounting principles when the market value is less than the allocation price.

Gains or losses on the sale of treasury shares are recorded within exceptional income/ losses.

## 1.6 Equity

In conformity with the recommendations of the *Compagnie Nationale des Commissaires aux Comptes* [National Board of Auditors], interim dividends are recorded as a deduction from equity.

## 1.7 Provisions for contingencies and losses

The Company establishes a provision for definite and likely contingencies and losses at the end of each financial period observing the conservation principle of prudence.

## 1.8 Foreign currency transactions

During the period, foreign currency transactions are recorded at the rates of exchange prevailing on the date of transactions.

Liabilities, accounts receivable and liquid funds in foreign currencies are revalued on balance sheet at year-end exchange rates. The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the latter rate is recorded in "Translation adjustment"; it is recorded under "Foreign exchange gains and losses" when it originates from the revaluation of liquid funds, except in the case of bank accounts in a symmetrical position with a loan in the same currency. In the latter case, the revaluation follows the same procedure as for accounts receivable and liabilities.

Provisions are recorded for unrealized losses unless hedged.

## 1.9 Net financial income (expense)

Net gains and losses on sales of short term investments include expenses and income associated with sales.

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## 2. ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

### 2.1 Non-Current assets

(EUR thousand)	Gross value as of January 1, 2006	Increases Acquisitions, creations, contributions, transfer	Decreases Disposals	Gross value as of December 31, 2006
Concessions, patents, and similar rights (software)	57	–	–	57
Advances and payments on account for software	–	–	–	–
<b>Intangible assets</b>	<b>57</b>			<b>57</b>
Property, plant and equipment:				
• miscellaneous general installations	59	–	–	59
• transport equipment	–	–	–	–
• office and computing equipment	24	–	–	24
• furniture	285			285
• advances and payments on account	–	–	–	–
<b>Property, plant and equipment</b>	<b>368</b>			<b>368</b>
Investments	3,456,838	385,001 <sup>(1)</sup>	–	3,841,839
Other investment securities	23,484	–	–	23,484
Loans	5	–	–	5
Other non-current financial assets	–	–	–	–
<b>Non-current financial assets</b>	<b>3,480,327</b>	<b>385,001</b>		<b>3,865,328</b>
<b>TOTAL</b>	<b>3,480,752</b>	<b>385,001</b>		<b>3,865,753</b>

(1) Christian Dior SA subscribed to the capital increase of Financière Jean Goujon during the 2006 fiscal year.

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## 2.2 Amortizations and provisions on non-current financial assets

(EUR thousand)	POSITIONS AND CHANGES IN THE PERIOD			Amortization expense as of DEC. 31, 2006
	Amortization expense as of JAN. 01, 2006	Appropriation increases	Decreases	
Concessions, patents, and similar rights (software)	57	–	–	57
<b>Intangible assets</b>	<b>57</b>	<b>–</b>	<b>–</b>	<b>57</b>
Other tangible fixed assets:				
• miscellaneous general installations	59	–	–	59
• transport equipment	–	–	–	–
• office and computing equipment	24	–	–	24
• furniture	225	29	–	254
<b>Property, plant and equipment</b>	<b>308</b>	<b>29</b>	<b>–</b>	<b>337</b>
Other investments securities	8,293	4,465	–	12,758
• Valmyfin partnership shares				
<b>Non-current financial assets</b>	<b>8,293</b>	<b>4,465</b>	<b>–</b>	<b>12,758</b>
<b>TOTAL</b>	<b>8,658</b>	<b>4,494</b>	<b>–</b>	<b>13,152</b>

## 2.3 Analysis of accounts receivables by payment date

(EUR thousand)	Gross amount	Up to 1 year	More than 1 year
<b>Current assets</b>			
Trade accounts receivables	14	14	–
Financial accounts receivable	–	–	–
State and other public authorities:			
• income taxes	109	109	–
• value-added tax	–	–	–
• other	–	–	–
Social liabilities	–	–	–
Other accounts receivable	4,234	4,234	–
Prepaid expenses	2,295	894	1,401
Bond redemption premium <sup>(1)</sup>	487	101	386
Translation adjustment	–	–	–
<b>TOTAL</b>	<b>7,139</b>	<b>5,352</b>	<b>1,787</b>

(1) Bond redemption premiums are amortized on a straight-line basis over the life of the bonds.

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## 2.4 Equity

### *A. Share capital*

The share capital comprises 181,727,048 fully paid-up shares, each with a par of 2 euros. 126,581,274 shares carry double voting rights.

### *B. Changes in equity*

(EUR thousand)

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<b>EQUITY AS OF DECEMBER 31, 2005</b> <b>(prior to appropriation of net profit)</b>	<b>2,875,987</b>
Net profit for 2006	184,250
Dividends paid (balance for fiscal year 2005)	(147,691)
Interim dividends for fiscal year 2006	(69,056)
<b>EQUITY AS OF DECEMBER 31, 2006</b> <b>(prior to appropriation of net profit)</b>	<b>2,843,489</b>

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### **Acquisition of treasury shares:**

Year	2006	2005	2004	2003
Purchased	444,582	60,015	521,312	514,800
Exercised	(335,713)	(74,387)	(112,400)	(130,900)

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## Balance of purchase options granted by the Board of Directors to the managers of the Company, its subsidiaries and second-level subsidiaries:

Authorization from Shareholders' Meeting	Plan Commencement Date	Number of beneficiaries	Number of options granted			Exercise price (EUR) <sup>(2) (5)</sup>	Number of options exercised in 2006 <sup>(3)</sup>	Number of options not exercised as of DEC 31, 2006 <sup>(3)</sup>
			Total <sup>(1)</sup>	Of which, company officers	Of which, the first ten employees			
May 30, 1996	October 14, 1996	21	94,600 <sup>(4)</sup>	40,000	50,500	25.95	207,000	–
May 30, 1996	May 29, 1997	22	97,900	50,000	43,000	32.01	4,200	275,200
May 30, 1996	November 3, 1998	23	98,400	65,000	28,200	18.29	5,200	276,000
May 30, 1996	January 26, 1999	14	89,500	50,000	38,000	25.36	28,313	266,000
May 30, 1996	February 15, 2000	20	100,200	65,000	31,000	56.70	10,000	382,000
May 14, 2001	February 21, 2001	17	437,500	308,000	121,000	45.95	13,000	404,500
May 14, 2001	February 18, 2002	24	504,000	310,000	153,000	33.53	60,000	429,000
May 14, 2001	February 18, 2003	25	527,000	350,000	143,000	29.04	8,000	504,000
May 14, 2001	February 17, 2004	26	527,000	355,000	128,000	49.79	–	495,000
May 14, 2001	May 12, 2005	27	493,000	315,000	124,000	52.21	–	490,000
May 14, 2001	February 15, 2006	24	475,000	305,000	154,000	72.85 <sup>(5)</sup>	–	475,000
May 11, 2006	September 6, 2006	1	20,000	–	20,000	74.93	–	20,000

(1) Number of options as of the plan commencement date not restated for adjustments relating to the four-for-one stock split in July 2000.

(2) Exercise prices prior to fiscal year 1999 result from the translation into euros of data originally established in francs.

(3) Adjusted for the transactions referred to under<sup>(1)</sup>

(4) Plan expired on November 30, 2006.

(5) The exercise price for Italian residents is 77.16 euros

## 2.5 Provisions for contingencies and losses

(EUR thousand)	Amount as of January 1, 2006	Provisions of period	Reversals of the period	Amount as of December 31, 2006
Specific	570	–	–	570
<b>TOTAL</b>	<b>570</b>			<b>570</b>

## 2.6 Breakdown of other liabilities

(EUR thousand)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Other bonds	274,918	1,434	273,484	–
Bank loans and borrowings	907,768	223,768	684,000	–
Miscellaneous loans and borrowings	1,172	1,172	–	–
Trade payables	565	565	–	–
Tax and social liabilities	1,129	1,129	–	–
Other operating liabilities	1,605	1,605	–	–
Other liabilities	3,475	3,475	–	–
Deferred income	–	–	–	–
<b>TOTAL</b>	<b>1,190,632</b>	<b>233,148</b>	<b>957,484</b>	<b>–</b>

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On December 5, 2003, Christian Dior SA issued a bond for a total nominal amount of 123.5 million euros with a maturity date of December 5, 2008.

On November 03, 2006, Christian Dior SA issued a bond for a total nominal amount of 150 million euros with a maturity date of November 3, 2011.

On November 21, 2005, Christian Dior SA restructured a syndicated loan of 500 million euros. The maturity date, initially fixed at November 15, 2009, was postponed to November 21, 2010. In 2006, Christian Dior SA exercised its postponement option (in the amount of 490 million euros) until November 21, 2011.

Christian Dior SA, as customary clause for syndicated loans, signed commitments to maintain a percentage of interest and voting rights for some subsidiaries, and to maintain a customary financing ratio.

## 2.7 Accruals

(EUR thousand)	Accrual payable	Accrual receivable
<b>Accounts receivable</b>		
Trade accounts receivable		14
Other accounts receivable		932
<b>Liabilities</b>		
Other bonds	1,434	
Bank loans and borrowings	2,578	
Trade accounts payable	295	
Tax and social liabilities	1,129	
Other liabilities	3,427	

## 2.8 Items involving related companies

<i>Balance sheet items</i>	ITEMS INVOLVING THE COMPANIES	
	related <sup>(1)</sup>	connected to equity investments <sup>(2)</sup>
(EUR thousand)		
<b>Fixed assets</b>		
Investments	3,841,839	
<b>Current assets</b>		
Trade accounts receivable	14	
Other accounts receivable	3,302	
<b>Liabilities</b>		
Miscellaneous loans and borrowings	1,172	
Trade accounts payable	161	
Other liabilities	49	

(1) Companies that can be fully consolidated into one consolidated unit (example: parent company, subsidiary, affiliate in consolidated group).

(2) Percentage control between 10 and 50%.

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## *Income statement items*

Expenses and income involving related companies, or companies which the Company has an equity connection with, are broken down as follows:

(EUR thousand)	Gains	Losses
Dividends received	212,368	nil
Interest and similar expenses	6	861

## **2.9 Financial expenses and income**

(EUR thousand)	2006	2005
Income from subsidiaries	212,368	175,292
Income from other securities and non current investments	5,123	5,123
Other interest and similar income	7,147	6,794
Reversals and expenses transferred	239	4,201
<b>FINANCIAL INCOME</b>	<b>224,878</b>	<b>191,410</b>
Allowances to amortization and provisions	6,058	4,329
Interest and similar expenses	46,913	33,097
Net expenses on sales of short term investments	–	–
<b>FINANCIAL EXPENSES</b>	<b>52,972</b>	<b>37,426</b>
<b>NET FINANCIAL INCOME/EXPENSE</b>	<b>171,907</b>	<b>153,984</b>

## **2.10 Exceptional expenses and income**

(EUR thousand)	2006	2005
<b>Exceptional income on operating transactions</b>	<b>1</b>	<b>2</b>
Other non-recurring income on capital transactions	236	122
<b>Income on capital transactions</b>	<b>236</b>	<b>122</b>
<b>EXCEPTIONAL INCOME</b>	<b>237</b>	<b>124</b>
<b>Exceptional expenses on operating transactions</b>	<b>–</b>	<b>–</b>
Net carrying amount of securities sold	–	–
Other non-recurring expenses on capital transactions	134	105
<b>Expenses on capital transactions</b>	<b>134</b>	<b>105</b>
<b>EXCEPTIONAL EXPENSES</b>	<b>134</b>	<b>105</b>
<b>EXCEPTIONAL INCOME (LOSS)</b>	<b>103</b>	<b>19</b>

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## 2.11 Income tax

(EUR thousand)	2006			2005		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from recurring operations	166,791	–	166,791	148,477	–	148,477
Exceptional income/(loss)	103	17,356 <sup>(*)</sup>	17,459	19	17,943	17,962
<b>TOTAL</b>	<b>166,894</b>	<b>17,356</b>	<b>184,250</b>	<b>148,496</b>	<b>17,943</b>	<b>166,439</b>

(\*) of which, income for subsidiaries in tax consolidation agreement: 17,416 thousand euros.

## 2.12 Tax position

Christian Dior is the parent company of a tax group comprising certain of its French subsidiaries: Christian Dior SA, Christian Dior Couture, Jardins d'Avron, Financière Jean Goujon, Sadifa and CD Investissements. The scope of the consolidation group did not change from 2005 to 2006.

The tax position of these subsidiaries with respect to Christian Dior, insofar as their remain part of the consolidated tax group, remains identical to that which would have been reported if the subsidiaries had been taxed individually.

Any additional tax savings or tax expense, i.e. any difference between the tax recorded by each consolidated company and the tax resulting from the calculation of taxable income for tax group, is recorded by Christian Dior SA.

The tax savings made in 2006 amounted to 17,416 thousand euros; the amount of the savings in 2005 came to 18,004 thousand euros.

As of December 31, 2006, the ordinary deficit of the Group amounted to 82,432 thousand euros, and can be carried forward indefinitely.

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## 3. OTHER INFORMATION

### 3.1 Tax litigation

A provision of 570,000 euros has been kept in order to cover the litigation risks following the tax audit for the years 1993 and 1994.

A bank security, amounting to 570,000 euros, was set up in 1999.

### 3.2 Financial commitments

#### *Interest rate instruments*

Christian Dior SA uses various interest-rate hedge instruments on its own behalf that comply with its management policy. The aim of this policy is to hedge against the interest rate risks on debts, while ensuring that speculative positions are not taken.

The types of instruments outstanding as of December 31, 2006 and the underlying amounts (excluding short term amounts) are broken down as follows:

(EUR thousand)	Maturity					Fair value
	2007	2008	2009	2010	2011	12.31.06
Fixed-rate payer swaps	75,000	–	–	360,000	–	8,700
Floating-rate payer swaps	–	113,000	–	–	–	(473)
Collars	75,000	–	–	–	–	–

#### *Subsidiaries and sub-subsidiaries*

Christian Dior SA stood security for the renewal of a credit line granted to Christian Dior Hong Kong amounted to 7 million euros.

### 3.3 Lease commitments

The Company has not made any commitments in the area of leasing transactions.

### 3.4 Board practices

The total amount of director's fees paid to members of the Board of Directors for the 2006 fiscal year was 84,000 euros.

### 3.5 Identity of the consolidating parent companies

COMPANY NAME	REGISTERED OFFICE	
Financière Agache	11, rue François 1 <sup>er</sup>	75008 PARIS
Groupe Arnault	41, avenue Montaigne	75008 PARIS

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## Subsidiaries and investments as of December 31, 2006

(EUR thousand)	Share Capital	Equity other than share capital and excluding net profit	% share capital held
<b>A. Details involving the subsidiaries and investments below</b>			
<b>Subsidiaries</b>			
Financière Jean Goujon	1,005,294	2,110,710	100.00%
Sadifa	81	1,459	99.66%
Christian Dior Couture	126,653	337,423	99.99%
CD Investissements	38	(16)	100.00%
<b>B. General information involving the other subsidiaries or investments</b>			
Other investment			0.283%

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Carrying amount of shares held		Loans and advances provided	Deposits and sureties granted	Revenue excluding taxes	Net profit (loss) from the previous year	Dividends received in 2006
Gross	Net					
3,478,680	3,478,680	-	-	-	249,272	212,368
836	836	-	-	55	(11)	-
362,285	362,285	-	-	445,659	16,609	-
38	38	-	-	-	(4)	-
23,484	10,726	-	-	-	-	5,123

# Christian Dior

## Investment portfolio, other investment securities and short term investments

(EUR thousand)	As of December 31, 2006	
	Number of securities	Net book value
<b>French investments</b>		
Financière Jean Goujon shares	62,830,900	3,478,680
Christian Dior Couture shares	7,915,802	362,285
Sadifa shares	5,019	836
CD Investissements shares	3,820	38
Aotep partnership shares	–	–
OGIF partnership shares	480	–
<b>EQUITY INVESTMENTS (shares and partnership shares)</b>		<b>3,841,839</b>

(EUR thousand)	As of December 31, 2006	
	Number of securities	Net book value
<b>Other investment securities in France</b>		
Valmyfin partnership shares	10,000	10,726
<b>OTHER INVESTMENT SECURITIES (shares and partnership shares)</b>		<b>10,726</b>

(EUR thousand)	As of December 31, 2006	
	Number of securities	Net book value
Treasury shares	4,181,629	174,879
<b>SHORT TERM INVESTMENTS</b>	<b>4,181,629</b>	<b>174,879</b>
<b>TOTAL INVESTMENTS, OTHER INVESTMENT SECURITIES AND SHORT TERM INVESTMENTS</b>		<b>4,027,444</b>

	At beginning of period	Increase	Decrease	At end of period
Number of treasury shares	4,072,760	444,582	335,713	4,181,629
<b>TOTAL</b>	<b>4,072,760</b>	<b>444,582</b>	<b>335,713</b>	<b>4,181,629</b>

# Christian Dior

## Company results over the last five fiscal years

(EUR thousand)	2002	2003	2004	2005	2006
<b>SHARE CAPITAL AT YEAR-END</b>					
Share capital	363,454	363,454	363,454	363,454	<b>363,454</b>
Number of ordinary shares outstanding	181,727,048	181,727,048	181,727,048	181,727,048	<b>181,727,048</b>
Maximum number of future shares to be created:					
• through exercise of equity warrant					
• through exercise of share subscription options	–	–	–	–	–
<b>OPERATIONS AND PROFIT FOR THE YEAR</b>					
Revenue	–	–	–	14	14
Profit before taxes, employee profit-sharing, depreciation, amortization and movements in provisions	130,059	105,392	131,082	148,653	<b>172,742</b>
Income taxes	35	(9,320)	(12,773)	(17,943)	<b>(17,356)</b>
Employee profit-sharing to be paid for the period					
Profit after taxes, employee profit-sharing, depreciation, amortization and movements in provisions	113,524	127,407	138,231	166,439	<b>184,250</b>
Profit distributed as dividends <sup>(1)</sup>	149,016	158,103	176,275	210,803	<b>256,235</b>
<b>EARNINGS PER SHARE (euros)</b>					
Earnings per share after taxes and employee profit-sharing but before depreciation, amortization and provisions	0.72	0.63	0.79	0.92	<b>1.05</b>
Earnings per share after taxes, employee profit-sharing, depreciation amortization and movements in provisions	0.62	0.70	0.76	0.92	<b>1.01</b>
Net dividend distributed per share <sup>(1)</sup>	0.82	0.87	0.97	1.16	<b>1.41</b>
<b>EMPLOYEES</b>					
Average number of employees	1	1	1	–	–
Total payroll (EUR thousand)	15	15	17	–	–
Amount paid in respect of social security	5	5	5	6	<b>6</b>

(1) For fiscal year 2006, amount proposed to the combined shareholders' meeting of May 10, 2007.

# Christian Dior

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## STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2006

MAZARS & GUERARD  
Tour Exaltis  
61, rue Henri Regnault  
92400 Courbevoie  
S.A. au capital de €8,320,000

Statutory auditors  
Member of the Versailles  
regional organization

ERNST & YOUNG AUDIT  
Faubourg de l'Arche  
11, allée de l'Arche  
92037 Paris-La Défense Cedex,  
S.A.S. à capital variable

Statutory auditors  
Member of the Versailles  
regional organization

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2006 on:

- the audit of the accompanying financial statements of Christian Dior;
- the justification of our assessments;
- the specific procedures and disclosures required by law:

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

### I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2006 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

### II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L.823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on Note 1.3.

“Accounting policies and methods” to the financial statements sets out the accounting principles and methods applicable to non-current financial assets. In the context of our assessment of the accounting principles used by your company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the notes to the financial statements, and have ascertained that they were properly applied.

# Christian Dior

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These assessments on these matters were performed in the context of our audit approach for the financial statements taken as a whole, and therefore contributed to the expression of the unqualified opinion in the first part of this Report.

### III. SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other procedures required by law in accordance with professional standards applicable in France.

We have no matters to report as to:

- the fair presentation and consistency with the financial statements of the information given in the Board of Directors' Report and in the documents addressed to shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Board of Directors' Report on the compensation and benefits paid to relevant Corporate Officers as well as commitments granted in their favor when they assumed, changed or terminated duties or subsequent thereto. Furthermore, we report that, as indicated in the Board of Directors' report, this information relates to compensation and benefits paid or incurred by your Company and the companies which it controls.

Pursuant to the law, we have verified that the Board of Directors' Report contains the appropriate disclosures as to the owners of shares and voting rights.

Courbevoie and Paris-La Défense, April 6, 2007

The Statutory Auditors

MAZARS & GUERARD

ERNST & YOUNG AUDIT

Denis Grison

Christian Mouillon

# Christian Dior

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THE STATUTORY AUDITORS' SPECIAL REPORT  
ON RELATED PARTY AGREEMENTS AND COMMITMENTS  
FISCAL YEAR ENDED DECEMBER 31, 2006

MAZARS & GUERARD  
Tour Exaltis  
61, rue Henri Regnault  
92400 Courbevoie  
S.A. au capital de €8,320,000

Statutory auditors  
Member of the Versailles  
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ERNST & YOUNG AUDIT  
Faubourg de l'Arche  
11, allée de l'Arche  
92037 Paris-La Défense Cedex,  
S.A.S. à capital variable

Statutory auditors  
Member of the Versailles  
regional organization

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior, we hereby present our special report on related party agreements and commitments.

The terms of our engagement do not require us to identify such other agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the significance attached to these agreements and commitments and to their related approval.

We were not informed of any agreements or commitments entered into over the past fiscal year and subject to the provisions of Article L.225-38 of the French Commercial Code.

Furthermore, in accordance with the French Commercial Code, we were informed that the following agreements and commitments, approved during previous fiscal years, continued over the past year.

## **1. With Mr. Eric Guerlain**

### *Nature and subject matter*

*Over the counter shares buy back in your company.*

### *Conditions*

At the Board meeting on September 7, 2005, your directors authorized over the counter shares buy back of 100,000 shares of your company, owned by Mr. Eric Guerlain, with a buyback price to be calculated based on the closing share price of the day of the transaction.

This acquisition took place on January 3, 2006 for a price of 7,605,000 euros.

## **2. With LVMH**

### *Nature and subject matter*

Service agreement

# Christian Dior

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## *Conditions*

This service agreement entered into with LVMH for the provision of legal services, particularly for corporate law issues and management of the Christian Dior's Securities Department for an annual fixed fee of 45,750 euros, exclusive of tax, has had continuing effect during the year 2006.

## **Nature and subject matters**

Financing via subscription to bond issues

## *Conditions*

In 2003, your Board of Directors authorized a financing operation to be put in place for your company, backed by a first-rate banking institution, through a general partnership (société en nom collectif, SNC), with your company and LVMH as partners. In connection with this operation, this SNC subscribed for two bond issues carried out by your company, totaling 123 million euros and by LVMH, with each one of the partners committed to ensuring the conclusion of the operation at term based on a pro rata of their respective stakes in the SNC.

The amount of interest paid by your company totaled 5,123,347 euros in 2006.

## **3. With Groupe Arnault S.A.S.**

### *Nature and subject matter*

Service agreement.

### *Conditions*

A service agreement concerning financial services, the management of cash requirements and surpluses, accounting methods, tax, financial engineering, and human resources and personnel management assistance had been concluded between your company and Montaigne Participation et Gestion. In 2004, the latter merged with Groupe Arnault S.A.S., with which this agreement has continued to apply. In this respect, your company paid a total of 2,800,931 euros net of tax to Groupe Arnault S.A.S.

We conducted our procedures in accordance with professional standards applicable in France; those standards require that we agree the information provided to us with relevant source documents.

Courbevoie and Paris-La Défense, April 6, 2007

The Statutory Auditors

**MAZARS & GUERARD**

**ERNST & YOUNG AUDIT**

Denis Grison

Christian Mouillon