Report of the Chairman of the Board of Directors

Drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report was approved by the Board of Directors at its meeting on February 2, 2012.

Its purpose is to give an account of the membership of the Board of Directors of the Company, the preparation and organization of its work, the compensation policy applied to senior executives and company officers, as well as the risk management and internal control procedures established by the Board and in particular the procedures relating to the preparation and processing of accounting and financial information.

1. Corporate governance

1.1. BOARD OF DIRECTORS

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and protecting its corporate interests. Its main missions involve the adoption of overall strategic orientations of the Company and the Group and ensuring these are implemented, the verification of the truthfulness and reliability of information concerning the Company and the Group and the overall protection of the Company's assets.

Christian Dior's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies, for guidance. This document may be viewed on the AFEP/MEDEF web site: www.code-afep-medef.com.

A Charter has been adopted by the Board of Directors which outlines rules governing its membership, duties, procedures, and responsibilities.

Two committees, the Performance Audit Committee and the Nominations and Compensation Committee, whose membership, role and missions are defined by internal rules, have been established by the Board.

The Charter of the Board of Directors and the internal rules governing the two committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in the "Other Information – Corporate Governance" section of the Annual Report.

Pursuant to the provisions of the Board of Directors' Charter, all Directors must bring to the attention of the Chairman of the Board any instance, even potential, of a conflict of interest that may exist between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide the Chairman with details of any fraud conviction, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court along with any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated with respect to this obligation.

The Company's Bylaws require each Director to hold, directly and personally, at least 200 of its shares.

1.2. MEMBERSHIP AND MISSIONS

- During its meeting of February 2, 2012, the Board of Directors proposed to submit resolutions to the Shareholders' Meeting of April 5, 2012 for the appointments of Mrs. Delphine Arnault and Mrs. Hélène Desmarais, as well as Messrs. Denis Dalibot and Jaime de Marichalar y Sáenz de Tejada, as Directors;
- The Board of Directors, subject to the decisions of the Shareholders' Meeting of April 5, 2012, will thus consist of twelve members: Mrs. Delphine Arnault, Mrs. Hélène Desmarais and Mrs. Ségolène Gallienne, as well as Messrs. Bernard Arnault, Denis Dalibot, Renaud Donnedieu de Vabres, Pierre Godé, Eric Guerlain, Christian de Labriffe, Jaime de Marichalar y Sáenz de Tejada and Sidney Toledano. Six of whom: Mrs. Hélène Desmarais, Mrs. Ségolène Gallienne and Messrs. Renaud Donnedieu de Vabres, Eric Guerlain, Christian de Labriffe and Jaime de Marichalar y Sáenz de Tejada are considered as independent and hold no interests in the Company.

  Personal information relating to the Directors is included in the section "Other information – Governance" of the Annual Report.

  During its meeting of February 2, 2012 the Board of Directors reviewed the status of each Director currently in office as well as each proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code of Governance of Listed Companies, and considered that:

  (i) Mrs. Hélène Desmarais fulfills all of these criteria,

  (ii) Mrs. Ségolène Gallienne is to be considered, given her personal situation, as an independent Director, despite having served on the Board of Directors of a subsidiary of the LVMH group,

  (iii) Mr. Renaud Donnedieu de Vabres is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Board of Directors of Fondation d'Entreprise Louis Vuitton pour la Création,

  (iv) Mr. Eric Guerlain is to be considered, given his personal situation, as an independent Director, despite having served as a board member of the Company's Board of Directors for more than twelve years and on the Board of Directors of another company that is a subsidiary of the LVMH group,

  (v) Mr. Christian de Labriffe is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years and of the Boards of Directors of a subsidiary of Christian Dior,

  (vi) Mr. Jaime de Marichalar y Sáenz de Tejada is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Board of Directors of a subsidiary of the LVMH group and his capacity of Advisor to the Chairman of the LVMH group for Spain.
- The Board of Directors met three times in 2011, on a written notice of meeting from the Chairman sent to each of the Directors at least one week before the date of the meeting. The

average attendance rate of Directors at these meetings was 84%.

The Board approved the annual and half-yearly consolidated and parent company financial statements and reviewed the compensation of company officers, including a medium-term incentive scheme in favor of the Company's Chief Executive Officer, the establishment of bonus share plans, changes in the membership of the Board of Directors, the authorization for third-party guarantees and the renewal of the authorization to issue bonds. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, organization, and procedures, making the necessary changes to its Charter and the Internal Regulations of the Performance Audit Committee and the Nominations and Compensation Committee, in particular with regard to respecifying the responsibilities of the Board of Directors and the Performance Audit Committee and the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted.

- During its meeting of February 2, 2012, the Board of Directors carried out a formal analysis of its capacity to meet shareholders' expectations. It reviewed its composition, organization and *modus operandi*, using as a basis a questionnaire addressed to each Director prior to the meeting.

The Board came to the conclusion that its composition is in line with regard to its percentage of external Directors, the breakdown of share capital, and with respect to the diversity and complementarity of the skills and experiences of its members.

The Directors believe that:

- the Directors are satisfied with the membership of the Board in regard to the diversity and complementarity of the skills and experiences of its members;
- the Directors are also satisfied with the frequency of Board meetings and the quality of the information provided on such topics as strategic guidelines, current business activity, financial statements, budget and the three-year plan;
- the Directors consider that the Board is fulfilling its role with respect to its objectives of increasing the Company's value and protecting its interests;
- the Directors have no observations on the Board's Charter, the rules for allocating Directors' fees or the minimum number of shares that each Director must hold;
- this is also the case regarding the composition of the two committees and the quality of their work.

The ways in which the Group may respond to the ongoing changes in the economic and financial environment gave rise to exchanges between Directors and Executive Management.

The Board also approved continuing efforts to improve the gender balance of its membership and proposed to submit resolutions to the Shareholders' Meeting of April 5, 2012 to appoint Mrs. Delphine Arnault and Mrs. Hélène Desmarais as Directors, thus bringing the proportional representation of women on the Board to more than 20%.

Lastly, the Board amended the internal regulations for the Nominations and Compensation Committee with a view to specifying its role with respect to the compensation of the Group's executives.

1.3. EXECUTIVE MANAGEMENT

The Board of Directors decided to dissociate the roles of Chairman and Chief Executive Officer. It did not limit the powers vested in the Chief Executive Officer.

1.4. PERFORMANCE AUDIT COMMITTEE

The main tasks of the Performance Audit Committee are the monitoring of the process of preparing financial information, the effectiveness of internal control and risk management procedures, as well as the statutory audit of the individual company and consolidated financial statements by the External Auditors. The Committee oversees the procedure for the selection of External Auditors and ensures their independence.

It currently consists of three members, all independent, appointed by the Board of Directors. The current members of the Performance Audit Committee are Messrs. Eric Guerlain (Chairman), Renaud Donnedieu de Vabres and Christian de Labriffe.

The Performance Audit Committee met three times in 2011 and all of its members were in attendance at each of these meetings.

These meetings were also attended by the External Auditors, the Chief Financial Officer, the Company's Accounting Director and the Accounting Director of LVMH.

On the basis of presentations made by Christian Dior's Chief Financial Officer, the work of the Performance Audit Committee focused on the following matters in 2011: the process for the preparation and publication of financial information; a review of the Group's operations; a detailed examination of the parent company and consolidated financial statements (half-yearly and annual); and the Group's exposure to risk, risk management procedures and off balance sheet commitments. The Committee also verified the independence of External Auditors and monitored the legal audit of Christian Dior's parent company and consolidated financial statements, on the basis of presentations and summary reports by the External Auditors.

In addition, the Performance Audit Committee held a meeting specifically dedicated to monitoring the effectiveness of internal control and risk management procedures within the Group, which was attended in particular by Christian Dior Couture's Chief Financial Officer and its Head of Internal Audit as well as LVMH's Head of Internal Audit.

1.5. NOMINATIONS AND COMPENSATION COMMITTEE

The main responsibilities of the Nominations and Compensation Committee are to issue:

- proposals on compensation, benefits in kind, bonus shares and share subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the allocation of Directors' fees paid by the Company;
- opinions on candidates for the positions of Director, Advisory Board member or member of the Executive Management of the Company or of Christian Dior Couture.

It currently consists of three members, all independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Antoine Bernheim (Chairman), Eric Guerlain and Christian de Labriffe.

The Committee met twice during the 2011 fiscal year, in the presence of all its members. In particular, it issued proposals on the fixed and variable compensation and benefits in kind to be received by the Chief Executive Officer in respect of his functions at Christian Dior Couture, the compensation received by the Chairman of the Board of Directors, and the allocation of bonus shares subject to performance conditions to these same individuals. It examined the recommendations made by the Nominations and Compensation Committee of LVMH in favor of the Directors of LVMH that are company officers at Christian Dior as well as the decisions of LVMH's Board of Directors. The committee also issued an opinion on the nominations of Directors to be put to a vote at the Shareholders' Meeting.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code.

Prior to the meeting of the Board of Directors held on February 2, 2011, the Committee issued recommendations, notably with respect to (i) the variable compensation to be received by the Chief Executive Officer for 2011 and (ii) the fixed compensation and benefits in kind to be granted for 2012 by Christian Dior Couture to Mr. Sidney Toledano as Chief Executive Officer. It also issued an opinion on the appointments submitted for the approval of the Shareholders' Meeting and made recommendations concerning the gender balance of the Board of Directors' membership.

The Committee has also requested more detailed information on remuneration and incentive schemes for the Group's senior executives.

1.6. ADVISORY BOARD

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors.

There are currently no Advisory Board members.

1.7. PARTICIPATION IN SHAREHOLDERS' MEETINGS

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of dual voting rights to registered shares, are defined in Articles 17 to 23 of the Bylaws (see the "Other information – Governance" section of the Annual Report).

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

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the "Management Report of the Board of Directors" section of the Annual Report.

1.9. COMPENSATION POLICY FOR COMPANY OFFICERS

Directors' fees paid to the members of the Board of Directors

The Shareholders' Meeting sets the total amount of Directors' fees to be paid to the members of the Board of Directors.

This amount is divided among the members of the Board of Directors, in accordance with the rule defined by the Board of Directors, based on the proposal of the Directors' Nominations and Compensation Committee, namely:

(i) two units for each Director;

(ii) one additional unit for serving as a Committee member;

(iii) two additional units for serving as both a Committee member and a Committee Chairman;

(iv) two additional units for serving as Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount allocated to be paid as Directors' fees by the total number of units to be distributed.

A portion of Directors' fees to be paid to its members is contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board Meetings the Director in question does not attend. In addition, for committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of meetings by Committee to which the Director in question participates which he or she does not attend.

In respect of the 2011 fiscal year, Christian Dior paid a total gross amount of 131,301 euros in Directors' fees to the members of its Board of Directors.

The Nominations and Compensation Committee is kept informed of the amount of Directors' fees paid to senior executive officers by the Group's subsidiaries in which they perform the role of company officers.

Other compensation

Compensation of senior executive officers is determined with reference to principles listed in the AFEP/MEDEF Corporate Governance Code for Listed Companies.

Compensation and benefits awarded to company officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the achievement of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and the extent of their international operations.

A portion of the compensation paid to executives and managers of the Company and its main subsidiaries or operational departments is based on the attainment of both financial and qualitative targets. For the Chief Executive Officer, quantitative and qualitative objectives carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow, with each of these items representing one-third of the total determination. The variable portion is capped at 120% of the fixed portion for the Chief Executive Officer.

The breakdown of compensation and benefits awarded to the Chairman of the Board of Directors and the Chief Executive Officer is presented in the "Management Report of the Board of Directors" included in the Annual Report.

A non-competition indemnity, authorized by the Board of Directors on February 8, 2008, pursuant to Article L. 225-42-1 of the French Commercial Code, is set forth in the employment contract – currently suspended – entered into by Mr. Sidney Toledano with Christian Dior Couture, under the terms of which, in the event of his departure, he would receive, over a period of twenty-four months, an indemnity equivalent to the gross average monthly salary received over the previous twelve months.

Notwithstanding this clause, no other senior executive officer of the Company currently benefits from provisions granting them a specific compensation payment should they leave the Company or derogations from the rules governing the exercise of share purchase options or the definitive allocation of bonus shares subject to performance conditions.

Company officers are eligible for stock option or performance bonus share plans instituted by the Company. The information relating to the allocation terms and conditions of these plans is presented in the "Management Report of the Board of Directors" included in the Annual Report.

Certain senior executives of the Group, and where applicable also company officers are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however if they leave the Group at the latter's request after the age of fifty-five and resume no other professional activity until their external pension plans are liquidated. This supplemental payment corresponds to a specific percentage of the beneficiary's salary, to which a ceiling is applied on the basis of the reference salary determined by the French social security scheme. Increase in provisions in 2011 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30.3 of the consolidated financial statements.

An exceptional remuneration may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount of this remuneration shall be determined by the Board of Directors and reported to the Company's External Auditors.

2. Implementation of risk management and internal control procedures

The Christian Dior group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) and which the *Autorité des Marchés Financiers* (French market regulator – AMF) has taken as the basis for its Reference Framework.

Under the impetus of the Board of Directors, the Performance Audit Committee and Executive Management, the purpose of the internal control procedures that are applied within the Group is to provide reasonable assurance that the following objectives will be achieved:

- to ensure that management and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities by its management bodies, applicable laws and regulations, and the Company's internal values, rules, and regulations;
- to ensure that the accounting, financial, and management information communicated to the management bodies of Group companies reflect a fair view of these companies' activity and financial position.

One of the objectives of the internal control system is to prevent and control risks resulting from the Company's activity and the risk of error or fraud, particularly in the areas of accounting and finance. As with any control system, however, it cannot provide an absolute guarantee that these risks are completely eliminated.

Christian Dior's internal control system takes into consideration the Group's specific structure. Christian Dior is a holding company that controls two main assets: a 40.9% equity stake in LVMH, and a 100% equity stake in Christian Dior Couture. LVMH is a listed company, whose Chairman is also Chairman of Christian Dior, with several directors serving at both companies. Christian Dior Couture has a Board of Directors whose composition is similar to that of Christian Dior. The sections below on internal control deal with procedures relating to Christian Dior Couture, followed by those relating to the holding company, Christian Dior SA. Procedures relating to LVMH are described in the report filed by that company, which may be consulted as a supplement to this report.

2.1. CHRISTIAN DIOR COUTURE

Christian Dior Couture (hereafter the Company) creates, produces and distributes all of the brand's products internationally. It also engages in retail activities in the various markets through its 54 subsidiaries.

Given this dual role, internal control and risk management are applied directly to Christian Dior Couture, and in an oversight capacity to all subsidiaries.

2.1.1. Definition of internal control and risks

The purpose of the internal control procedures that are applied, in line with the COSO framework, is to provide reasonable assurance that the following objectives will be achieved:

- control over its activities and processes, the efficiency of its operations and the efficient use of its resources;
- the reliability of financial and accounting information;
- compliance with applicable laws and regulations.

This involves, therefore, ensuring that management-related and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities by its management bodies, applicable laws and regulations, and the Company's internal values, rules, and regulations.

It also involves ensuring that the accounting, financial, and management information communicated to the Company's management bodies reflect a fair view of the Company's activity and financial position.

Moreover, the Company has defined as an additional objective the protection of assets (with a particular emphasis on the brand).

The Company has launched a process for the formalization of risk management procedures in line with the AMF Reference Framework issued in 2010.

2.1.2. Limits of internal control

No matter how well designed and applied, the internal control system cannot provide an absolute guarantee that the Company's objectives will be achieved. All internal control systems have their limits, most notably because of the uncertainty of the outside world, individual judgment or malfunctions as a result of human or other errors.

2.1.3. Components of internal control and risk management

The internal control system is based on the definition and identification of the following components:

- a general control environment;
- a risk assessment system;

- appropriate controls;
- an information and communication system that enables responsibilities to be exercised efficiently and effectively.

The risk management system identifies and assesses the major risks likely to affect to a material extent the achievement of the operational and financial objectives, as well as the objectives relating to compliance with the laws and regulations in force.

Major risks are classified by category (strategic, operational, financial, legal and intangible) and key process.

An initial mapping of major risks was established in 2011 and will be updated each year, in accordance with their intensity and the controls put in place. Controls devised for these risks are put in place in order to mitigate their impact, although their absolute elimination cannot be guaranteed.

The internal control system makes use of the mapping of risks to identify risks unable to be transferred (e.g., via insurance) that must therefore be managed in the course of the Group's operations.

The internal control system thus consists of procedures and controls designed to guarantee the continuity of business activities exposed to the identified risks.

In 2011, the Company put in place a mechanism for the signing of letters of representation attesting to the implementation of risk management and internal control procedures, for all of its main subsidiaries, thus supplementing the signing of annual letters certifying the entity's financial disclosures.

As an example of action plans within the Group, a business continuity plan (BCP) has been established for its logistics activities, while IT staff have completed the preparation of their disaster recovery plan (DRP).

2.1.4. Internal control stakeholders

- The Legal Department conducts upstream checks:
  - prior to the signing of any substantial agreement negotiated by the head office or subsidiaries;
  - on the length of time third-party designs and brands have been in existence.
- Executive Management and the Finance Department closely monitors management information so that it can intervene in the process of defining objectives then oversee their realization through:
  - three-year strategic plans;
  - the annual budget;
  - monthly reports on actual data compared with budget with in-depth and formalized analyses of any discrepancies.
- Executive Management and the Finance Department are also responsible for training all of the Group's financial personnel (internal or external administrative departments) in order to ensure the strict application of IAS and Group rules;
- Christian Dior Couture's executives maintain a regular presence at subsidiaries and on their management bodies, in particular at board level;
- Store Committees have been set up to formally authorize the signature of commercial leases and investments in the distribution network. They are made up of the Chairman, the Chief Executive Officer in charge of the network, the Chief Financial Officer, the Management Control Director, the Chief Legal Officer and the architects;
- Internal audit covers the following main areas:
  - points of sale: review of the main processes of store management (sales, pricing, cash flow, inventories, administration and security, personnel, external purchases, supplies);
  - country headquarters: review of main cycles (purchases of goods, external purchases and expense claims, human resources, inventories and logistics, information systems, investments, accounting and finance);
  - the accounts departments of countries responsible for producing subsidiaries' financial reports: audit of financial reports prepared by back offices and monitoring of the application of the Christian Dior Couture Group's accounting principles.

  On completion of audit assignments, reports containing recommendations are presented to the Chairman and to the management of the subsidiaries. An annual review verifies the implementation of recommendations made.
- Lastly, each subsidiary's executive management undertakes a commitment each year, by signing a letter of representation attesting to the subsidiary's implementation of risk management and internal control procedures. These letters, signed jointly by the chief executive officers and chief financial officers of each subsidiary or territory are analyzed, monitored and consolidated:
  - at the regional management level,
  - then by central management and the Group's Internal Audit function.

These letters of representation attesting to the implementation of risk management and internal control procedures are supplemented by the signing of annual letters of representation certifying the entity's financial reporting, including a paragraph devoted to internal control. The representation concerning internal control and the assessment of financial risks is thus extended to all of the transactions comprised within the Christian Dior Couture group's financial consolidation.

2.1.5. Internal controls related to financial and accounting information

Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems.

- **Accounting and Consolidation** is responsible for updating and distributing group-wide accounting standards and procedures. It oversees their application and establishes appropriate training programs. It is in charge of producing consolidated and individual company financial statements on a half-yearly and annual basis;

- **Management Control** is responsible for coordinating the budget process and its revisions during the year as well as the three-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators;
- **Information Systems** disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies. It develops and maintains a telecommunications system shared by the Group. It coordinates policies for system and data security and the preparation of emergency contingency plans.

Accounting and management policies

Subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated.

Management reports

Each year, all of the Group's consolidated entities produce a three years strategic plan, a complete budget and annual forecasts. Detailed instructions are sent to the companies for each process. These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between companies and the headquarters - an essential feature of the financial internal control mechanism.

A team of controllers at the parent company, specialized by geographic region and product category, is in permanent contact with the subsidiaries, thus ensuring better knowledge of performance and management decisions as well as appropriate control.

2.1.6. Actions planned for 2012

- Formalization of the internal control self-assessment process for the most significant entities;
- Cross-functional review tasks, with the objective of reinforcing the standardization of processes and controls applied at the headquarters and in the subsidiaries;
- Continuation of the three-year audit plan launched in 2011, with the aim of covering the majority of the Group's most significant subsidiaries by the end of this period: the plan can be modified in response to changes to the political or economic environment or internal strategy.
- Continued migration of accounting applications within an ERP solution (SAP), which will facilitate the monitoring of cost commitments, while also making the year-end closing process more efficient, among other benefits.

2.2. CHRISTIAN DIOR

2.2.1. The control environment

As noted above, Christian Dior is a holding company whose assets are essentially limited to two equity holdings: Christian Dior Couture and LVMH.

The business of Christian Dior is therefore essentially dedicated to:

- protecting the legal title of these two equity holdings;
- exercising the rights and authority of a majority shareholder, notably by its:
  - presence at the Board meetings and Shareholders' Meetings of the subsidiaries,
  - monitoring of dividends paid by the subsidiaries,
  - control of the subsidiaries' financial performance,
- providing accurate financial information, in line with applicable laws, given its status as a listed company.

Given the limited number of tasks described above, and its membership of a Group with the necessary administrative skills, Christian Dior uses the Group's specialized services in the areas specific to a holding company, namely legal, financial and accounting matters. An assistance agreement has been entered into with Groupe Arnault SAS.

Regarding the Group's external services, the Shareholders' Meeting of Christian Dior appointed two first-tier accounting firms as Statutory Auditors, one of which also serves in the same role at Christian Dior Couture and LVMH.

2.2.2. Risk management

Risk management is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted.

2.2.3. Control activities

Key elements in internal control procedures

Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegation of powers, which are known by the counterparties involved, with sub-delegations reduced to a minimum;
- upstream legal control before signing agreements;

- separation of the expense and payment functions;
- secured payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Legal and operational control exercised by the parent company over the subsidiaries

Asset control

Securities held by the subsidiaries are subject to a quarterly reconciliation between the Company's Accounting Department and the Securities departments of the companies concerned.

Operational control

Christian Dior exercises operational control over its subsidiaries through the following:

- legal bodies, Boards of Directors and Shareholders' Meetings, at which the Company is systematically represented;
- management information used by managers of Christian Dior in the process of defining objectives and monitoring their fulfillment:
  - three-year and annual budget plans,
  - monthly reporting presenting results compared to budget and variance analysis,
  - monthly meetings to analyze performance.

2.2.4. Information and communication systems

The strategic plans in terms of information and communication systems of the parent company Christian Dior are coordinated by the Finance Department.

Aspects of internal control, such as the segregation of duties or access rights, are integrated when employing new information systems.

2.2.5. Internal controls relating to the preparation of the parent company's financial and accounting information

The individual company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the sub-consolidation levels (LVMH and Christian Dior Couture) guarantee the integrity of the information.

Financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Finance Department. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

This report, based on the contribution of the above-mentioned internal control and risk management stakeholders, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its meeting of February 2, 2012.

Statutory Auditors' report

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHRISTIAN DIOR

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Courbevoie and Paris-La Défense, March 2, 2012

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Olivier Breillot

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