

PASSIONATE ABOUT CREATIVITY

ANNUAL REPORT 2003

LVMH
MOËT HENNESSY . LOUIS VUITTON



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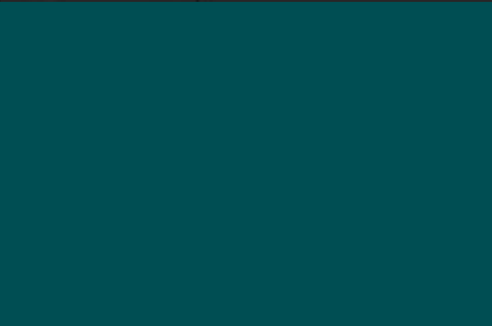
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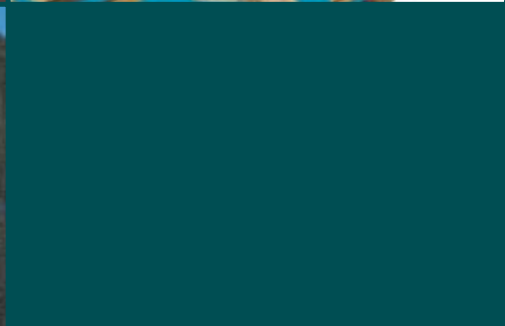
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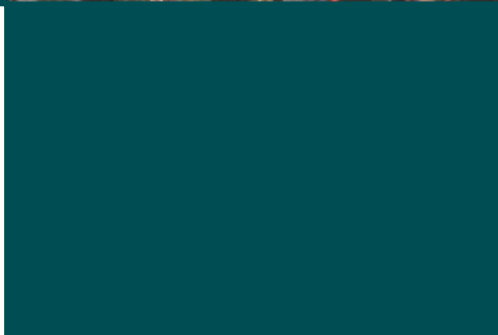


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A COHERENT UNIVERSE OF MEN AND WOMEN PASSIONATE ABOUT THEIR BUSINESS AND DRIVEN BY THE DESIRE TO **INNOVATE AND ACHIEVE**. AN UNRIVALLED GROUP OF POWERFULLY EVOCATIVE BRANDS AND GREAT NAMES THAT ARE SYNONYMOUS WITH THE HISTORY OF LUXURY. A NATURAL ALLIANCE BETWEEN ART AND CRAFTSMANSHIP WHERE CREATIVITY, VIRTUOSITY AND QUALITY INTERSECT. A REMARKABLE ECONOMIC SUCCESS STORY WITH NEAR 55,000 EMPLOYEES WORLDWIDE AND **GLOBAL LEADERSHIP** IN THE MANUFACTURE AND DISTRIBUTION OF **LUXURY GOODS**. A UNIQUE BLEND OF GLOBAL VISION AND DEDICATION TO SERVING THE NEEDS OF EVERY CUSTOMER. THE SUCCESSFUL MARRIAGE OF CULTURES GROUNDED IN TRADITION AND ELEGANCE WITH THE MOST ADVANCED MARKETING, INDUSTRIAL ORGANIZATION AND MANAGEMENT TECHNIQUES. A **SINGULAR MIX OF TALENT**, DARING AND THOROUGHNESS IN THE **QUEST FOR EXCELLENCE**. A UNIQUE ENTERPRISE THAT STANDS OUT IN ITS SECTOR. OUR PHILOSOPHY CAN BE SUMMARIZED IN TWO WORDS—**CREATIVE PASSION**.



C *Chairman's* *Message*

A CONTINUOUS QUEST FOR EXCELLENCE

SUSTAINED ORGANIC GROWTH, GAINS IN MARKET SHARE, STRONG GROWTH IN OPERATING MARGIN, A 30% INCREASE IN NET INCOME AND A STRENGTHENED FINANCIAL STRUCTURE: LVMH PERFORMED REMARKABLY WELL AGAINST THE BACKDROP OF AN EXTREMELY UNCERTAIN GLOBAL CLIMATE DURING 2003. WITH GREAT CONFIDENCE IN ITS STRATEGY AND ABILITY TO ADAPT TO THE DYNAMIC COMMERCIAL ENVIRONMENT, THE GROUP WILL CONTINUE ITS QUEST FOR EXCELLENCE IN 2004.

Compared to the 2003 performance of the luxury sector in general, the results achieved by LVMH reflect not only the effectiveness of its strategy and the strength of its brands, but also the flexibility and responsiveness of its teams, which continue to operate in a challenging environment. This performance is a consequence of the priority placed on internal growth and profitability, the development of our brands around the dual goals of innovation and quality, and the conquest of new markets. It is also the result of the flexibility of our organisation and the talent of those in the Group, who have demonstrated remarkable rigour in executing the Group's strategy on the ground, together with their commercial drive and determination in the pursuit of excellence.

STRONG GROWTH IN OPERATING MARGIN

Among our achievements, of particular note are the strong improvement in operating margin at Wines and Spirits, which continues to increase the value of its brands and the power of its distribution networks ; the exceptional performance of Louis Vuitton, which has, once again, beaten its sales records around the world, including achieving US sales growth of 38% in dollar terms ; the momentum of Perfumes and Cosmetics, performing better than its

sector ; the success of Sephora, which achieved its goal of profitability in the United States ; the productivity gains at DFS, which lead to profitability ; the evolution of very promising brands such as Celine, Marc Jacobs, Pucci and BeneFit, which all achieved double-digit organic sales growth..... Aside from the Watches and Jewelry business group which is in a strategic planned phase of investment and brand repositioning, all our business groups contributed to LVMH's strong growth in operating margin from 16% to 18%.

REINFORCED MARKET LEADERSHIP

Our growth has been accelerated by a number of factors, among which are new product launches, store openings and increased investment in communications, as well as by the advances made by our brands in those markets with significant potential for luxury products. Together, these developments have enabled LVMH to increase its competitive advantage and reinforce its leadership position within the sector.

At a time when the global climate is beginning to pick up momentum – the US economy is growing, positive indicators are visible in Europe and global tourism is improving – LVMH enters 2004 in an excellent position to fully benefit from the economic recovery.

The uncertain level of the US Dollar, which has weakened further since the start of the year, remains a challenge. In order to limit its impact, we actively manage the fluctuations through a dynamic currency hedging strategy. In the meantime, our leading brands – whose appeal and unique quality is a material asset – have the ability to adjust their prices as appropriate. Finally, the geographical balance of our sales is another advantage – witness, for example, the strengthening of the Yen against the Dollar, which benefits the purchasing power of Japanese travellers in Pacific tourist areas.

We are pursuing a strategy that has proven its effectiveness year after year: priority on the development of our leading brands and those with proven potential, rigorous financial discipline, focus on cash generation, continued exit from non-strategic activities, and the reduction in gearing which was at 57 % in 2003 and which we aim to reduce to around 50% by the end of 2004.

2004: A NEW YEAR OF GROWTH

We have excellent growth drivers for the year ahead. We continue the strong, innovative momentum with a number of new launches: new leather goods products such as the Damier Geant line, the Théda bag and an entire jewelry line at Louis Vuitton, a new perfume for women at Dior, a new fragrance for men at Guerlain, an array of watch and jewelry creations, and the new Ellipse Cognac from Hennessy are just

some examples. All of these launches will be supported by strong communication campaigns.

We will also continue to develop our worldwide distribution network. Louis Vuitton, which celebrates its 150th anniversary this year, has just opened its largest store in the world, in New York. We will further accelerate our breakthrough into new growth markets and regions: China, where the economy is booming, is a market with considerable potential for cognac, fashion and perfumes. Russia also holds promise, notably for Sephora, which has already been very successful in several Central and Eastern European countries. In India, Louis Vuitton will consolidate its position, after having opened its first store last year, being a pioneer in this country as it was in Japan at the end of the 1970s.

These initiatives and developments are already well underway, allowing us to face the months ahead with confidence. Our outlook is further strengthened by the quest for excellence shared by everyone involved with the Group. With these factors in mind, LVMH has set itself the target of significant increase in operating income for 2004.

Bernard Arnault
Chairman and CEO



Historical palisade: during the renovation and expansion of its Champs Elysées store, Louis Vuitton covered the 900 square meters of façade with two huge trunks. On the evening of December 31, 2003, a canvas banner marking the 150th anniversary of the brand was unfurled on the Champs Elysées side.

FINANCIAL HIGHLIGHTS

SIGNIFICANT GROWTH IN ALL INDICATORS

Net sales (EUR million)

12,229 12,693 11,962

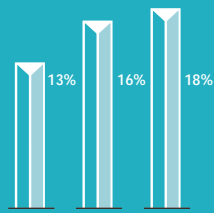


2001 2002 2003

Income from operations (EUR millions)

Operating margin (in %)

1,560 2,008 2,182



2001 2002 2003

Net income before amortization of goodwill and unusual items (EUR million)

334 818 1,023



2001 2002 2003

Net income (EUR million)

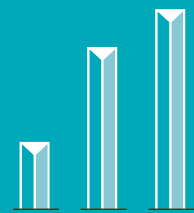
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2001 2002 2003

Earnings per share before amortization of goodwill an unusual items (EUR)

0.68 1.67 2.09



2001 2002 2003

Net sales by business group

(EUR million)	2001	2002	2003
Wines and Spirits	2,232	2,266	2,116
Fashion and Leather Goods	3,612	4,207	4,149
Perfumes and Cosmetics	2,231	2,336	2,181
Watches and Jewelry	548	552	502
Selective Retailing	3,493	3,337	3,039
Other businesses and eliminations	113	(5)	(25)
Total	12,229	12,693	11,962

Dividend per share including tax credit (EUR)

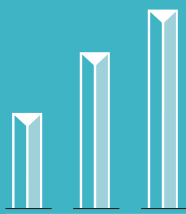
1.13 1.20 1.28



2001 2002 2003

Cash flow from operations (EUR million)

919 1,518 1,949



2001 2002 2003

Capital expenditures⁽¹⁾ (EUR million)

984 559 578



2001 2002 2003

(1) Acquisitions of intangible and tangible long-term assets.

Income from operations by business group

(EUR million)	2001	2002	2003
Wines and Spirits	676	750	796
Fashion and Leather Goods	1,274	1,280	1,311
Perfumes and Cosmetics	149	161	178
Watches and Jewelry	27	(13)	(48)
Selective Retailing	(213)	20	106
Other businesses and eliminations	(353)	(190)	(161)
Total	1,560	2,008	2,182

(EUR million)	2001	2002	2003
Stockholders' equity ⁽²⁾	8,701	8,842	8,769
Net financial debt to equity ratio	95%	73%	62%
Net financial debt to adjusted equity ⁽³⁾	79%	66%	57%

(2) Includes minority interests.

(3) After deduction of the market value of the equity in Bouygues and treasury shares.

North America
344 STORES

- 1 WINES AND SPIRITS
- 170 FASHION AND LEATHER GOODS
- 17 PERFUMES AND COSMETICS
- 5 WATCHES AND JEWELRY
- 151 SELECTIVE RETAILING

France
277 STORES

- 4 WINES AND SPIRITS
- 65 FASHION AND LEATHER GOODS
- 11 PERFUMES AND COSMETICS
- 8 WATCHES AND JEWELRY
- 189 SELECTIVE RETAILING

Rest of Europe
401 STORES

- 156 FASHION AND LEATHER GOODS
- 3 PERFUMES AND COSMETICS
- 8 WATCHES AND JEWELRY
- 234 SELECTIVE RETAILING

Japan
232 STORES

- 204 FASHION AND LEATHER GOODS
- 3 PERFUMES AND COSMETICS
- 24 WATCHES AND JEWELRY
- 1 SELECTIVE RETAILING

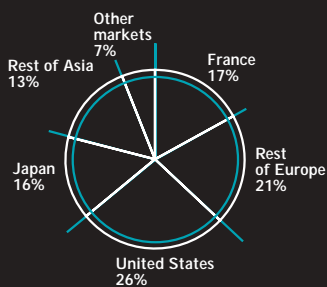
Rest of Asia
287 STORES

- 192 FASHION AND LEATHER GOODS
- 5 PERFUMES AND COSMETICS
- 6 WATCHES AND JEWELRY
- 84 SELECTIVE RETAILING



Top of the Oriental Pearl Tower, the television tower in Shanghai.

Net sales by geographic region



Latin America
16 STORES

- 16 FASHION AND LEATHER GOODS

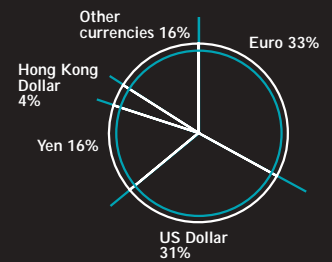
Africa and Middle East
6 STORES

- 6 FASHION AND LEATHER GOODS

Pacific region
29 STORES

- 19 FASHION AND LEATHER GOODS
- 1 WATCHES AND JEWELRY
- 9 SELECTIVE RETAILING

Net sales by currency



HIGHLIGHTS

Interview with Antonio Belloni,
Group Managing Director



IF YOU HAD TO SUM UP 2003 IN A FEW KEY POINTS, WHAT WOULD YOU SAY?

ANTONIO BELLONI: Firstly, the good earnings in 2003 are the direct result of the investments made in our leading brands, which create recurring value and continue to gain market share. Secondly, in all our business activities, we are seeing the emergence of "rising star" brands and markets that represent our future growth drivers. Another key point is the control of structural costs, which has enabled us to free up funds to invest more in communications. Last but not least, all that was possible thanks to the creativity and responsiveness of our employees, the true competitive advantage of LVMH.

WHAT ARE SOME EXAMPLES OF RISING STARS?

A.B.: Krug and Ruinart, which have exceeded their goals in their key markets; Celine, which is clearly

confirming its new momentum; Marc Jacobs, whose success continues year after year; Pucci, which the designs of Christian Lacroix have quickly propelled back to center stage; Chaumet, Montres Dior and Benefit Cosmetics, which are performing extraordinarily well. I can also mention Sephora in the United States, which has successfully adapted its concept to the market, and is now managing its expansion with a profitable business model.

DOES THE TERM "CREATIVITY" REFER TO THE COMMERCIAL SUCCESS OF THE NEW PRODUCTS?

A.B.: It is actually one way of measuring it. At Louis Vuitton, 17% of revenues in leather goods are made from new products. In perfumes and cosmetics, new products account for 20% of total revenues. But creativity—a central issue for our Group just as much as quality is—covers a lot of other aspects: the archi-

ture and ambiance of our stores, our advertising campaigns, the events that we create, innovation in manufacturing processes, marketing approaches that target the aspirations of new consumers ... All the employees of LVMH contribute to our successes, through their talent and creativity.

CHINA IS ONE OF THE NEW TERRITORIES WHERE LVMH IS INVESTING HEAVILY. ARE THOSE EFFORTS PAYING OFF?

A.B.: In continental China, cognac is the strongest contributor to sales revenues and has good prospects for expansion. In 2003, business in the Fashion and Leather Goods and Perfumes and Cosmetics groups accelerated growth. This was the result of the investments we made with a long-term view. Louis Vuitton, for example, opened its first boutique in China ten years ago, acting as a driving force in the development of a business approach that did not exist previously – directly owned luxury stores. Our perfume and cosmetics brands have also worked patiently to establish name awareness and build an effective operating model. We have now a solid foundation to capitalize on the rise on the new Chinese elites who aspire to the lifestyle embodied by our products.



INNOVATION STRENGTHENS LVMH LEADERSHIP IN 2003

In a difficult economic climate, LVMH maintains its lead thanks to its strong policy of innovation. The enthusiasm aroused by the *Multico*, *Cherry Blossom* and *Suhali* lines by Louis Vuitton, the success of the new Christian Dior skin-care products, the launches of *L'Instant de Guerlain*, *Very Irresistible Givenchy* and *Kenzo-Air*, the innovations in timepieces and jewelry, the *Aquagraph* by TAG Heuer, *Chronomaster Open* by Zenith, the *Frisson* collection by Chaumet... and many other initiatives illustrate the creativity of the Group's brands and are contributing to gains in market share in all its business groups.

LVMH EXPANDS ITS GLOBAL PRESENCE

In 2003, LVMH continued to increase the power of its retail network. The number of stores rose from 1,526 in 2002, to 1,592. Louis Vuitton has expanded its locations in China, opened its first store in India, innovated in Tokyo in the Roppongi Hills district, the most popular area among young Japanese, and has created a stir in New York in February 2004 by opening its largest store in the world on Fifth Avenue. Sephora has expanded its presence in Poland and set up shop in Russia. Moët Hennessy has established new distribution subsidiaries in Belgium and Australia and has the most powerful distribution network in the American market.



MOËT HENNESSY INVESTS IN HIGH-END VODKA

Thanks to its partnership with Millennium, Moët Hennessy is increasing its portfolio of premium brands with the Belvedere and Chopin prestige vodkas. That investment is bolstering LVMH's presence in the high-end wines and spirits segment, the most dynamic in the market.

TWO NEW DESIGNERS JOIN LVMH



Antonio Marras, one of the main Italian avant-garde designers, has been put in charge of the creative revival of the Kenzo Womenswear collections in September 2003. His first collection, presented in March 2004, is getting an enthusiastic response.



To sustain the expansion of the Givenchy's menswear business, Ozwald Boateng, a young designer trained on Savile Row, London's tailor district, was named Creative Director for Givenchy Men in December 2003.

LVMH CONTINUES TO SELL NON-STRATEGIC ASSETS

As part of its strategy to concentrate on its highest potential brands, LVMH disposed of several non-strategic assets in 2003. The US licenses developed for designers Michael Kors, Marc Jacobs and Kenneth Cole were sold in April. The Hine cognac company was sold in late June, the Canard-Duchêne brand in September and the Tajan auction house in late December. LVMH also sold off the Bliss company in the USA and the Ebel timepiece company in early 2004.

The new Louis Vuitton building, located at the corner of prestigious 5th Avenue and 57th Street in New York, opened in February 2004. The store covers four floors totaling 1,200 square meters. The glass facade evokes the Damier motif by Louis Vuitton while capturing the light.

The objectives of the Board of Directors, the strategic body of LVMH, are to ensure the sustainable development of the value of the company, to adopt the major strategies that guide its management, to verify the fair and accurate presentation of information about the company, and to protect its corporate assets.

As part of its mission, the Board of Directors supports the priority objective of LVMH management, which is, as it always has been, to ensure the continuous growth of the Group and a steady increase in value for its shareholders.

The Board of Directors has adopted a Charter that spells out the membership, mandates, operations and responsibilities of the Board of Directors.

The Board of Directors has two committees, the membership, role and mandates of which are defined by internal procedural rules.

The Board of Directors' Charter and the rules of the committees are provided to every candidate for the position of director, and to the permanent representative of any legal entity, before he assumes his duties.

BOARD OF DIRECTORS

The Board of Directors is made up of sixteen members, six of whom are independent and free of any interests with respect to the Company.

Members of the Board of Directors must personally own at least five hundred registered shares of LVMH.

The Board of Directors met four times in 2003, with an average attendance rate of 90%. The Board approved the annual and interim financial statements

and reviewed the Group's major strategic guidelines, budget, and the issue of a bond, as well as various agreements with affiliated companies.

LVMH paid a total of 969,450 euros in directors' fees to the members of its Board of Directors. These fees were distributed among the directors and advisor in accordance with a distribution key defined by the Board of Directors that takes into account the duties performed on the Board and in the Committees.

PERFORMANCE AUDIT COMMITTEE

The Performance Audit Committee is primarily responsible for making certain the accounting principles followed by the Company are in compliance with generally accepted accounting principles and for reviewing the parent company and consolidated financial statements before they are submitted to the Board of Directors.

It is currently made up of four directors, three of whom are independent. Its members and Chairman are appointed by the Board of Directors.

The Committee met five times in 2003. All the meetings except for one were attended by all members, as well as by the Auditors, the Chief Operating Officer, the Chief Financial Officer, the Advisor to the Chairman, the Management Control Director, the Internal Audit Director, the Accounting Director, the Senior Vice President Taxes and the General Counsel.

In addition to reviewing the corporate and consolidated financial statements, the work of the Committee includes reviews of the internal audit, certain agreements with affiliated companies,

the status of the request for proposals to replace the Statutory Auditors, and valuations of the Group's brands and goodwill.

NOMINATING AND COMPENSATION COMMITTEE

The responsibilities of the Nominating and Compensation Committee are listed below:

- recommendations on the distribution of Directors' fees paid by the Company, as well as compensation, in-kind benefits and stock options granted to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Managing Director of the Company,
- opinions on candidates for the positions of Director, Advisor to the Board or membership on the Executive Committee of the Group or the general management of its principal subsidiaries, on the compensation and in-kind benefits granted to the Directors and Advisors of the Company by the Company or its subsidiaries, and on fixed or variable, immediate or deferred compensation and incentive plans for senior executives.

The Committee has three members, two of whom are independent. Its members and its Chairman are appointed by the Board of Directors.

The Committee met three times in 2003 with all its members in attendance. It issued recommendations on the compensation and awarding of stock options to senior executives, and issued an opinion on the compensation awarded to some Directors by the Company or its subsidiaries. It also issued an opinion on the applications for Board positions.

ADVISORY BOARD

The Shareholders' Meeting may, on the recommendation of the Board of Directors, appoint a maximum of nine Advisors.

The Advisors are drawn from the shareholders based on individual merit, and form an Advisory Board.

They are appointed for a three-year term that ends immediately after the Shareholders' Meeting called to approve the financial statements for

the previous fiscal year, which is held during the year in which an Advisor's term expires.

Advisors are invited to attend Board of Directors' meetings and participate in the deliberations in an advisory capacity; their absence does not affect the validity of these proceedings.

COMPENSATION POLICY

Part of the compensation paid to members of the Executive Committee and key operations personnel is based on the generation of cash, income from operations, and the return on capital employed for the business groups and companies headed by the respective executives, as well as on their individual performance. The variable portion generally represents between one-third and one-half of their compensation.

BOARD OF *D*IRECTORS AND GENERAL MANAGEMENT

BOARD OF DIRECTORS

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim⁽¹⁾
Vice Chairman

Antonio Belloni
Group Managing Director

Delphine Arnault
Jean Arnault
Nicolas Bazire
Nicholas Clive Worms⁽¹⁾
Diego Della Valle⁽¹⁾
Michel François-Poncet⁽¹⁾
Albert Frère
Jacques Friedmann⁽¹⁾
Pierre Godé
Gilles Hennessy
Patrick Houël⁽²⁾
Arnaud Lagardère⁽¹⁾
Lord Powell of Bayswater
Felix G. Rohatyn
Hubert Védrine⁽¹⁾⁽²⁾

*(1) Independant Director.
(2) Nominated at the General Meeting of Shareholders of May 13, 2004.*

ADVISORY BOARD MEMBER

Kilian Hennessy⁽¹⁾

PERFORMANCE AUDIT COMMITTEE

Michel François-Poncet⁽¹⁾
Chairman

Antoine Bernheim⁽¹⁾
Nicholas Clive Worms⁽¹⁾
Gilles Hennessy

NOMINATING AND COMPENSATION COMMITTEE

Antoine Bernheim⁽¹⁾
Chairman

Albert Frère
Kilian Hennessy⁽¹⁾

STATUTORY AUDITORS

COGERCO-FLIPO
represented by Henri Lejetté

ERNST & YOUNG AUDIT
Represented by Gabriel Galet

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman & Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development & Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion & Leather Goods

Pierre Godé
Advisor to the Chairman

Jean-Jacques Guiony
Finance

Patrick Houël
Finance

Concetta Lanciaux
*Advisor to the Chairman, Synergies,
President LVMH Italy*

Pierre Letzelter
Sephora

Christophe Navarre
Wines & Spirits

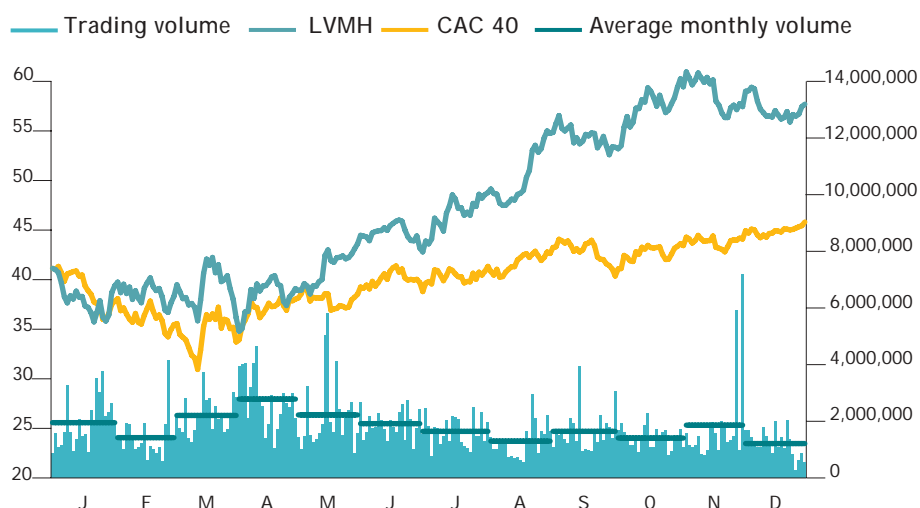
Philippe Pascal
Watches & Jewelry

Daniel Piette
LV Capital

Bernard Rolley
Operations

THE LVMH SHARE PERFORMS REMARKABLY WELL ON THE STOCK MARKET

Comparison between LVMH share price and CAC 40 since January 1, 2003



ONE OF THE BEST PERFORMERS IN THE CAC 40

After the serious geopolitical tensions that marked the first half of the year, the appearance of SARS (Severe Acute Respiratory Syndrome), and the decline of the US dollar, the economic outlook improved thanks to a quick end to the war in Iraq and an economic recovery in the United States and Asia. Following a three-year negative trend, the international stock markets performed significantly better against the backdrop of this improved economic outlook. In particular, the CAC 40 and the DJ-EuroStoxx50 gained 16%, while the Dow Jones Industrial average rose 25% over the year.

In 2003, the LVMH share performed remarkably well on the stock market, posting a gain of 47%. After a stable performance over the first three months, demonstrating outstanding resistance in a difficult environment, the share price continued its strong upward trend until the end of the year. This performance is even more noteworthy when compared with the CAC 40 Index. LVMH outperformed the CAC 40 by over 25% for the second consecutive year, outperforming it by 27% in 2003 to close the year at 57.70 euros.

At year-end, the market capitalization of LVMH was 28.3 billion euros, making it the tenth largest on the

Paris stock exchange. LVMH is included in the principal French and European indices used by fund managers: CAC 40, DJ-EuroStoxx 50, MSCI Europe, FTSE Eurotop 100, Euronext 100.

LVMH shares are listed on the Premier Marché of Euronext Paris (Reuters code: LVMH.PA, Bloomberg code: MC FP; and ISIN code FR0000121014). In addition, options on LVMH shares are traded on the Paris Monep options exchange.

LVMH is among the French companies recognized by the three principal US, French and European socially responsible investment indices.

AN UNUSUALLY GOOD RETURN FOR THE SHAREHOLDER

An LVMH shareholder who invested 1,000 euros on January 1, 1999 would have 2,009 euros at December 31, 2003, factoring in a one-for-ten stock allotment in June 1999 and reinvested dividends. The initial investment would, therefore, have grown an average 15% a year.

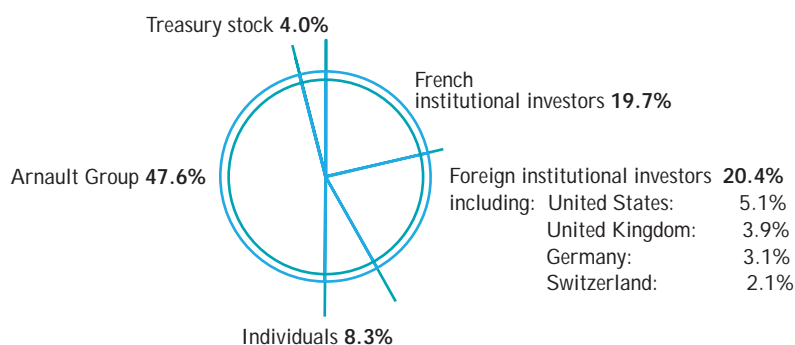
A PROGRESSING DIVIDEND

	2003	2002	2001	2000	1999
Net dividend*	0.85	0.80	0.75	0.75	0.68
Dividend including tax credit*	1.275	1.20	1.125	1.125	1.02
Payout rate	41%	48%	110%	43%	46 %

* Adjusted for a five-for-one stock split in July 2000 and a one-for-ten bonus allotment in June 1999.

CAPITAL STRUCTURE

(Euroclear France survey on bearer shares at year-end 2003)



STOCK BUY-BACK PROGRAM

LVMH has implemented a stock buy-back plan to buy back up to 10% of its capital. This plan was approved at the Shareholders' Meeting of May 15, 2003, and was registered with the *Commission des Opérations de Bourse* (COB). From January 1 to December 31, 2003, LVMH SA sold a net total of 4,355,000 of its own shares. The current stock buy-back plan was approved by the COB under No. 03-0316 on April 25, 2003.

BREAKDOWN OF CAPITAL AND VOTING RIGHTS AT DECEMBER 31, 2003

	Number of shares	Number of voting rights	% of capital	% of voting rights
Financière Jean Goujon ⁽¹⁾	207,821,325	407,303,575	42.42%	59.52%
Others ⁽²⁾	282,116,085	277,000,667	57.58%	40.48%
Total	489,937,410	684,304,242	100.00%	100.00%

(1) At December 31, 2003, the Arnault Group held a 47.56% equity stake, including its 42.42% stake in Financière Jean Goujon.

(2) At December 31, 2003, there were 19,578,292 shares of treasury stocks with no voting rights.

At December 31, 2003, LVMH had 191,169 shareholders, including 179,816 individual shareholders.

SHARE DATA

(In euros)	2003	2002	2001	2000	1999
Number of shares outstanding	489,937,410	489,937,410	489,901,115	489,858,345	97,957,650
Market capitalization (in millions)	28,269	19,181	22,388	34,535	43,562
High*	61.55	61.60	75.50	98.70	91.48
Low*	33.97	31.61	28.40	66.50	30.86
Year-end close*	57.70	39.15	45.70	70.50	88.94
Average daily trading volume	2,036,835	2,077,048	1,539,004	981,926	257,027
Average daily capital trades (in millions)	93.9	98.9	80.9	82.6	65.0

* Share prices adjusted for a one-for-ten stock allotment on June 21, 1999 and a five-for-one stock split on July 3, 2000.

BECAUSE THEIR TRUST IS ESSENTIAL TO THE GROUP'S STRATEGY AND LONG-TERM DEVELOPMENT, LVMH PAYS PARTICULAR ATTENTION TO ITS COMMUNICATION WITH SHAREHOLDERS.

FULL AND REGULAR REPORTING

Every year, LVMH uses a variety of communication means in order to provide its investors with regular, clear and transparent reporting. The annual report is available to anyone upon request. Both the abbreviated annual report, published in March, and the six-month interim report presenting the June 30 earnings are widely distributed as soon as results are announced. In 2004, for the second straight year, LVMH was awarded a Top Com Corporate Business prize for the quality of its annual report.

LVMH also organises meetings for shareholders, financial advisers and asset managers.

The website www.lvmh.com provides ready and easy access to a wide range of information which is regularly updated. It is an ideal source for news about the Group and its brands at any time.

The section especially designed for shareholders targets the financial community and provides easily accessible, complete and clear information in real time – information on the current share price, a calendar of major events (earnings announcements, shareholders' meetings, dividend payments), press releases and publications. Earnings announcements and annual shareholders' meetings are systematically rebroadcast over the Internet, both live and recorded. LVMH received the Boursoscan prize for the best website in 2003.

THE SHAREHOLDERS' CLUB – AN EFFORT TO FORM CLOSER TIES

Designed in 1994 for its individual French speaking shareholders who are particularly interested in getting better acquainted with the Group, the LVMH Shareholders' Club gives members the opportunity to learn more about the Group, its activities and its brands.

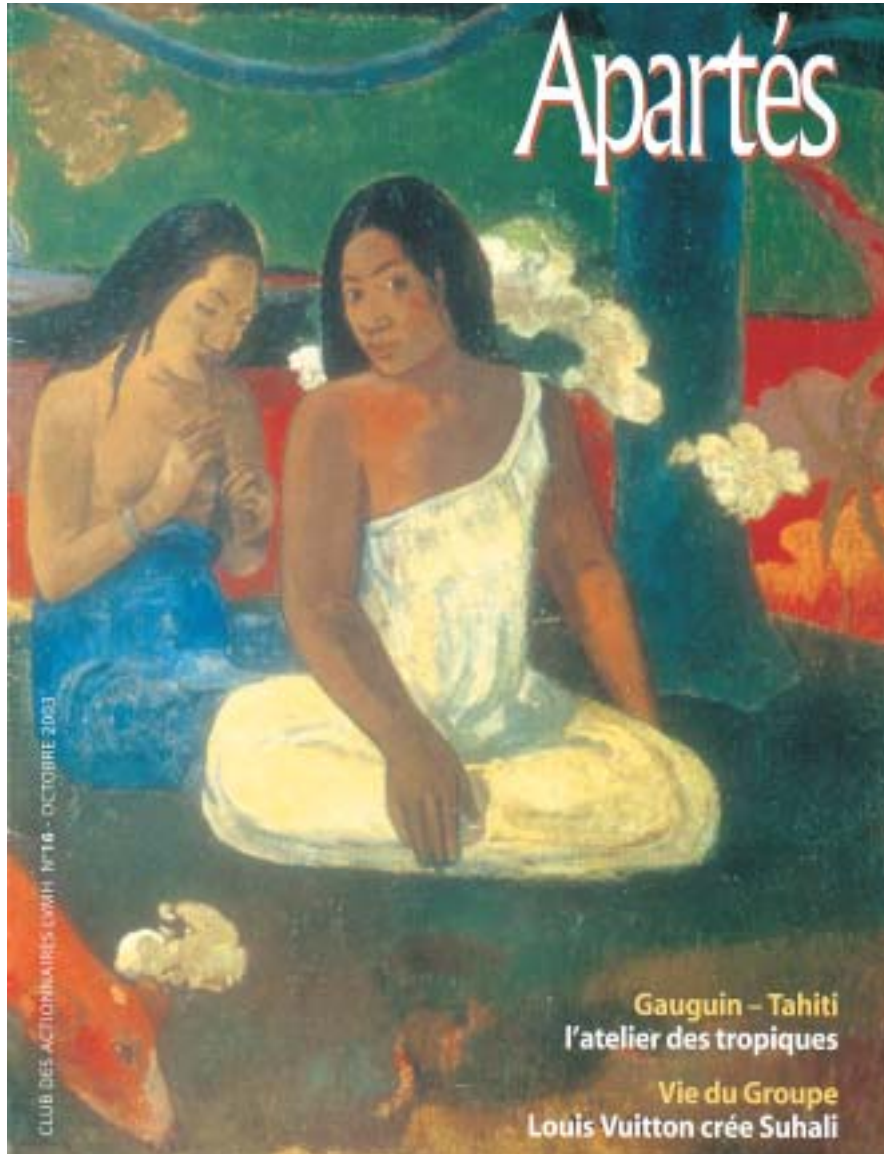
Club members receive the magazine *Apartés*, published in French, which provides news about the Group, articles on new products, and interviews.



Members can order certain LVMH products that are available and deliverable in France and are eligible for discounted subscriptions to La Tribune, Investir, Connaissance des Arts and Le Monde de la Musique. Membership also provides special access to sites that give tours, such as wineries and wine cellars, and VIP passes to art exhibits supported by LVMH as part of its corporate sponsorship program. The "Gauguin- Tahiti – L'atelier des tropiques" (Gauguin- Tahiti – The Workshop of the Tropics) exhibit at the Grand Palais last autumn was a tremendous success with our shareholders.

CONTACT

Investor and shareholder relations
Telephone: + 33 1 44 13 21 21



A genda 

Wednesday, March 3, 2004

Publication of 2003 annual earnings

April 2004

Publication of first quarter 2004 net sales

Thursday, May 13, 2004

Annual Shareholders' Meeting

Wednesday, May 19, 2004

2004 Payment of 2003 dividend

July 2004

Publication of second quarter 2004 net sales

Thursday, September 9, 2004

Publication of 2004 half-year earnings

October 2004


Publication of third quarter 2004 net sales

January 2005

Publication of 2004 annual net sales

WINE & SPIRITS





**ANOTHER RECORD
YEAR FOR
MOËT HENNESSY**

WITHIN LVMH, **MOËT HENNESSY** HOLDS ALL THE WINES AND SPIRITS COMPANIES, WHICH ARE SERVED BY A POWERFUL INTERNATIONAL DISTRIBUTION NETWORK. THESE EMBLEMATIC BRANDS, TRUE SYMBOLS OF LUXURY, MARKET EXCEPTIONAL PRODUCTS WORLDWIDE, MAKING **MOËT HENNESSY** THE WORLD LEADER IN PRESTIGIOUS WINES AND SPIRITS.

MOËT HENNESSY IS ALSO DEVELOPING HIGH-END WINES FROM THE WORLD'S MOST RENOWNED WINE REGIONS.

STRATEGY AND OBJECTIVES

Interview with Christophe Navarre,
President of the Wines
and Spirits business group



WHAT ARE THE FACTORS THAT HELPED ACCOUNT FOR THE SHARP INCREASE IN WINES AND SPIRITS OPERATING INCOME IN 2003?

CHRISTOPHE NAVARRE : These are all factors which, for the past several years, have contributed to our strategy to create value. In the first place, we are focusing our efforts primarily on the image and distribution of our leading brands in key markets. At the same time, within each individual company, we are improving the product mix, i.e., the percentage of sales made for high-end products with high margins. This approach reflects a strong trend in the market, the growth of premium and super-premium segments. In the United States notably, these are remarkably fast-growing segments.

WHY SELL THE HINE AND CANARD-DUCHÈNE BRANDS ON THE ONE HAND, AND THEN MAKE AN ACQUISITION IN THE VODKA BUSINESS?

C.N. : These disposals are all part of the business of managing our brand portfolio. We want to concentrate on our leading brands, those brands that create value today, while we prepare for the future with high-potential brands. Our portfolio is now balanced and refocused on strategic assets. Our investment in the vodka segment corresponds to our strategy of growth and gains in market share in super premium spirits. In the United States, Belvedere has created the prestige vodka segment, with a price at around 30 dollars. This market is extremely promising.

HAS THE RESTRUCTURING OF THE DISTRIBUTION NETWORK BEEN COMPLETED?

C.N. : This is a project we are going to continue. In 2003, we created new distribution subsidiaries in Belgium and Australia. Last year, we also worked to prepare for the merger of the distribution networks in Great Britain and Italy. With regard to Italy, this merger has been in effect since January 1, 2004. For Great Britain, the merger will be completed during the second quarter of 2004.

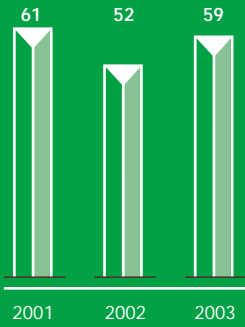
In the United States, in partnership with Diageo, we consolidated the Moët Hennessy brands distributed by our subsidiary Schieffelin & Somerset and the Diageo brands with a single distributor in over thirty key states. We now have a sales force of 2000 dedicated specifically to our portfolio. This makes it the most powerful distribution network in the US market, which should help us accelerate the growth of our brands.

EUR million	2001	2002	2003
Net sales	2,232	2,266	2,116
Income from operations	676	750	796

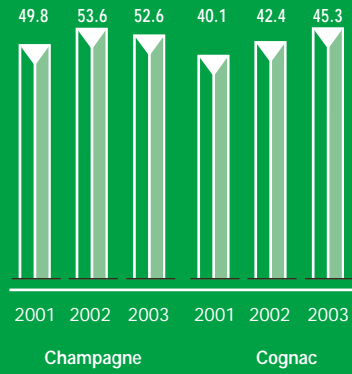
HIGHLIGHTS

- In 2003, the Wines and Spirits group posted organic growth of 5% and recorded a strong increase in its operating margin.
- Moët Hennessy established two distribution subsidiaries in Belgium and Australia.
- Wines developed in wine-producing regions outside France are now being handled by a new company, Moët Hennessy Wine Estates.
- In line with the Group's strategy of focusing on its leading brands, the Hine cognac brand and the Canard-Duchêne champagne business were sold.
- Sales of champagne brands were particularly strong in the United Kingdom as well as Japan. In the United States, Veuve Clicquot and Krug performed remarkably well.
- Hennessy continued its strong growth in the United States and performed extremely well in China and Taiwan.

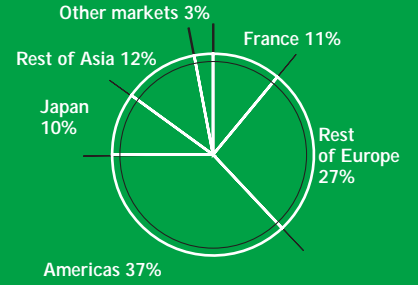
Investments
EUR million



Sales volume
(millions of bottles)



Net sales by geographic region
%



Ellipse or the essence of savoir-faire: Hennessy's latest creation is a blend of seven exceptional eaux-de-vie, selected over generations by the seven cellar masters, reflecting the history of the House—a blend of the seven greatest successes from two centuries of distilling.

THE WINES AND SPIRITS GROUP FOCUSES ON THE **GROWTH OF ITS LEADING BRANDS IN KEY MARKETS AND RECORDS STRONG GROWTH IN PROFITABILITY.**

In 2003, the Wines and Spirits business group posted organic growth of 5%. On a constant consolidation basis, volume sales of champagne and cognac continued to increase. The operating margin improved substantially, rising from 33% to 38%, thanks to excellent control of supply costs and increased operating efficiency, especially in distribution. In a context of high currency volatility, an effective currency hedging policy also contributed to this performance.

The business group continued its strategy to increase value. A steady pricing policy and an increase in advertising and marketing expenditures for the leading brands in priority markets helped to gain market share for Moët Hennessy in high-end segments.

The Moët Hennessy global distribution network, the power and efficiency of which are a major competitive advantage, was further strengthened with the addition of two new distribution subsidiaries in Belgium and in Australia. In the United States, in partnership with Diageo, the development of sales teams exclusively dedica-

ted to Moët Hennessy with sole distributors in the principal states continued smoothly.

In 2004, Moët Hennessy will continue to pursue its value-creation strategy in order to solidify its position as the world leader in prestige wines and spirits.

CHAMPAGNE AND WINES

The unpredictable climate in 2003 contributed to a highly unusual grape harvest in Champagne, but one of unhoped-for quality. Most wine growers, as well as the principal LVMH champagne houses, had a small harvest, but one of great quality, which in terms of volume is below the official yield for the *appellation*.

The loss from the 2003 harvest can be offset with inventories of the quality reserve from prior harvests, thus preventing a production crisis for Champagne, and also demonstrating the merits of the control mechanisms implemented some twenty years ago.

With this 2003 harvest, the four-year inter-professional contract between wine growers and champagne houses expires. Thus, the year 2004 will be especially important and the Moët Hennessy champagne "houses" will work to renew their grape supply contracts under the best terms and conditions.





MOËT & CHANDON

In 2003, the Moët & Chandon brand consolidated its position as the world's leading champagne company. It was highly successful commercially and in terms of image in high-growth markets such as the United Kingdom and Japan, and continued to apply its value-creation strategy in all countries accompanied by significant increases in sale prices.

THE STRONG VITALITY OF THE PREMIUM VINTAGES

The Moët & Chandon premium vintages also demonstrated remarkable vitality. *Brut Impérial Rosé* performed extremely well in all countries, helping to give the brand a contemporary look, which was deployed in France through a display campaign at key consumer locations. New campaigns for the vintage wines and *Nectar Impérial*, especially in the United States, also helped to account for the strong performance of the premium segment.

The Moët & Chandon's commitment in September 2003 to hold the Moët Cup in San Francisco Bay between the two finalists of the last Louis Vuitton Cup, Alinghi and Oracle, generated extremely high visibility in the United States. The brand's participation in the world of fashion also continued with events like the "Moët House" in Tokyo and targeted projects with opinion leaders like the "Moët Fashion Tribute" in London and the "Young Designers Debuts" dedicated to young Berlin designers.



ET et CHANDON à Epernay
Fondée en 1743

Champagne
Dom Pérignon
Vintage 1996



12,5% VOL.

750 ml

et CHANDON à Epernay
Fondée en 1743

Champagne
Dom Pérignon
Vintage 1996



12,5% VOL.

750 ml

Brut

MAISON FONDÉE EN 1743
EPERNAY - FRANCE



DOM PÉRIGNON

In 2003, Dom Pérignon continued its expansion founded on the values of luxury, excellence, and authenticity in the principal markets. The brand consolidated its value-creation strategy for Dom Pérignon White and Dom Pérignon Rosé and the rare vintage wines from the *Oenothèque* collection.

Dom Pérignon confirmed its commitment with its worldwide network of depositories--hotels, restaurants, wine cellars, thus reinforcing the support of those who recommend and act as ambassadors for the brand in all countries. The best performances were achieved in Great Britain and Japan.

Carefully targeted public relation campaigns also boosted the popularity of Dom Pérignon. One such campaign was the launch of Dom Pérignon *Rosé* in England around a special collection of rose pink jewelry. The brand presented exclusive, original events in Japan such as the "Atelier Dom Pérignon", which brought together designers from different luxury segments with the Dom Pérignon cellar master.

MERCIER

Mercier, the leading brand in France and the benchmark for celebrations with friends and champagne, continued to expand in the traditional restaurant channel thanks to its *Les Lieux de Toujours* (Places for All Times) program implemented with selected restaurant partners.



The Mercier wine cellars, the first on the tour of the Champagne Region, drew 133,000 visitors in 2003.

RUINART

The oldest house in Champagne, founded in 1729, continued to grow, hitting all-time records on the French market. It also strengthened its position in its principal international markets, notably in Italy, the United Kingdom and Germany, where it posted double-digit growth.

This growth is all the more remarkable because Ruinart has been pursuing its value-creation strategy by focusing on its premium vintages, especially its new Ruinart *Blanc de Blancs* and Ruinart *Rosé*. The premium segment grew 22% in France and 36% abroad. A new bottle design was added to the Ruinart Rosé line.

The quality of Ruinart wines was again recognized by the industry with special mention at the latest London International Wine Challenge in May 2003. Four gold medals were awarded to the brand vintages, and its cellar master was elected "Best sparkling wine oenologist" for the year 2003 by an international panel of journalists and wine industry professionals.



VEUVE CLICQUOT

In 2003, Veuve Clicquot confirmed its remarkable vitality with another record year of strong growth in the United States, the United Kingdom and Japan. The brand consolidated its positions in all key markets. *Carte Jaune*, its famous trademark, and value-added products like vintage wines and the prestigious vintage *La Grande Dame* posted growth rates that allowed Veuve Clicquot to successfully continue its policy to add value to its portfolio.

INNOVATIVE AND SEDUCTIVE COMMUNICATIONS CAMPAIGNS

Marketing expenditures were increased as part of the brand's communications policy to make innovation a top priority, with campaigns like the *Clicquot Ice Box 2003*, the international extension of the *Clicquot Paint Box*, the Halloween events, and the International Businesswoman's prize. A daring and elegant new worldwide advertising campaign based on Madame Clicquot's actual signature was designed for *Carte Jaune*. The launch of the 1996 vintage was hailed by the trade press and customers alike, who stressed the excellent quality of the wine and its exceptional storage potential. Finally, a complete new marketing plan was introduced for *La Grande Dame*, which included new, even more elegant, packaging and a new gift case, and was greeted enthusiastically by the sales network and the press.



In Australia, the Netherlands and Mexico, Moët Hennessy continued to merge its sales networks. Italy and the United Kingdom will follow in 2004.

KRUG

By concentrating its growth in the major strategic markets, Krug surpassed its 2003 objectives. Significant growth was achieved in Japan, Great Britain and the United States, as well as in Southeast Asia.

The year 2004 will see a continuation of this policy of growth in value, backed by strong product initiatives and intensive marketing and promotional efforts.

CHANDON ESTATES

Chandon Estates recorded strong growth in profitability in 2003. This performance was due to a general increase in volumes and to productivity gains that generated a sharp improvement in net sales and operating income.

The implementation of the strategy for Chandon Estates still and sparkling wines, generally targeted toward the leading brands and key markets, yielded good results.

The *Terrazas de los Andes* range of still wines from Argentina performed very well with steady growth in sales volumes. The *Chandon* brand made further inroads in key markets such as Argentina, the United States, Australia and Brazil.



GREAT WINES FROM THE NEW WORLD

New Zealand was hit with freezing temperatures in November 2002, compromising 40% of the Marlborough Valley harvest. Thus **Cloudy Bay** lost the production from newly mature vines. However, the quality of the wine was very good, partly because of the new pressing facility installed for the 2003 harvest. The available volumes of this prestigious wine were distributed among customers worldwide, helping to stabilize sales compared with 2002.

Cape Mentelle confirmed its status as a world class wine, with the famous Margaret River label, solidifying its success in the United States, Japanese and Asian markets.

Newton, a California vineyard, had a tough year in a region subject to downward price pressures, but results were very encouraging in the rest of the United States.

Mount Adam, an Australian wine from Barossa Valley, continued its consolidation plan, with a redefined product line adapted to consumer expectations in its domestic market and in Japan, the target of its growth strategy.



CHATEAU D'YQUEM

In 2003, Château d'Yquem marketed its 1998 vintage, a wine remarkable for its delicacy and elegance.

At the same time, promotional campaigns were stepped up to expand the international brand recognition of this exceptional label and to develop ideas for consumption based on gourmet dishes from past centuries.

The 2003 harvest began early in Yquem on September 17 and ended quickly on September 26. This atypical harvest will long be viewed as an exception, the result of an abnormal summer and a total blight. All these factors point to a very good vintage.

COGNAC AND SPIRITS

Cognac distillation from the 2003 harvest, which was stable, compared with the previous harvest, fell below current output from the Cognac Region. Regional cognac inventories are down, but still do not correspond structurally to needs. Stocks of Hennessy are well adapted for distribution of its sales in terms of different qualities of cognac.

The vineyard in the delimited region, with around 75,000 hectares planted, is still too large compared with the current output from the region to provide sufficient income per hectare for the wine growers. However, the inter-professional association decided to raise the quantity normally used to produce wine which, for the 2003 harvest, was raised from 6 to 7 hl

of pure alcohol per hectare. The restructuring of the Charentes vineyard is scheduled to continue in the next few years to bring production areas back into balance.

HENNESSY

With further growth of 5% in volume sales in 2003, Hennessy consolidated its undisputed position as the world leader in cognac.

HENNESSY INTENSIFIES ITS POPULARITY IN THE UNITED STATES AND GAINS MARKET SHARE IN ASIA.

The commercial successes in the United States and Asia, the brand's recovery in Japan and Europe, combined with a solid manufacturing and operating performance enabled Hennessy to make further improvements in its operating margin and profitability in an economy hard hit by the currency effect.

In the United States, sales of *V.S.* continued to rise thanks to strong brand recognition in the African-American community. Sales of *V.S.O.P.* grew even faster, at a rate of over 10%, due to the policy to create value for the brand initiated a few years ago. The power of its distribution network and its strong advertising presence proved decisive factors in this growth, which enhanced the brand's leadership position.

Thanks to its strong brand image and the relevance of its strategic choices, the position of Hennessy cognacs, once the SARS epidemic was eradicated, quickly gained ground in Asia.





BELVEDERE



Pomarańczowa

Infused with real fruit

ORANGE FLAVORED VODKA
DISTILLED AND BOTTLED IN POLAND
BY POLSKIE ZYKARDOW

IMPORTED

40% ALC/VOL (80 PROOF) 750 ml

BELVEDERE

VODKA

DISTILLED AND BOTTLED IN POLAND
BY POLSKIE ZYKARDOW

IMPORTED

IMPORTED BY MILLENNIUM IMPORT CO.
MINNEAPOLIS, MINNESOTA USA

40% ALC/VOL (80 PROOF) 750 ml



BELVEDERE



Cytryna

Infused with real fruit

CITRUS FLAVORED VODKA
DISTILLED AND BOTTLED IN POLAND
BY POLSKIE ZYKARDOW

IMPORTED

40% ALC/VOL (80 PROOF) 750 ml



Hennessy consolidated the recognition and image of its *X.O.*, which has become the regional benchmark for high-end brands. *V.S.O.P Privilège* is emerging as the most popular of contemporary spirits, giving the brand a notable gain in market share.

The Prestige line, consisting of *Private Reserve*, *Paradis Extra* and *Richard Hennessy*, backed by major advertising and promotional investments, boosted Hennessy's position in this profitable segment.

In Japan, where the market is generally down, major new initiatives were introduced in 2003 to promote *V.S.O.P Privilège* and *X.O.* Hennessy continued to dominate the premium segment.

In China, Hennessy made full use of its new retail model and was able to consolidate its leadership in this promising high-growth market. The entire product line, especially *X.O.*, benefited from this momentum.

Taiwan proved to be a major source of satisfaction in 2003. Sales of *V.S.O.P Privilège* and *X.O.* increased substantially.

STRONG GROWTH OF RUSSIA IN THE EUROPEAN MARKET

In Russia and in the CIS, after an exceptional year in 2002, Hennessy again posted strong growth in 2003. This was due to improvements in its retail network and the high visibility of the brand as the result of major expenditures on advertising and promotions. In Ireland, its his-

toric bastion, Hennessy maintained its exceptional market share for *V.S.* (over 85%) despite the general decline in sales following the 40% hike in excise taxes on spirits.

Backed by the excellence of its distribution network, Hennessy will continue to pursue its value strategy in 2004 and will continue to spend significant amounts on advertising and promotions to bolster its position as a market leader in premium spirits. The creation of *Ellipse*, a prestigious new cognac made from a blend of seven outstanding eaux-de-vie, will help to promote Hennessy's image of excellence with rare cognac enthusiasts.

BELVEDERE AND CHOPIN

Following the acquisition in 2002 of 40% of Millennium LLC, the importer of Belvedere and Chopin vodkas to North America, and of the Polmos Zyrardow distillery in Poland, Moët Hennessy continued to invest in luxury vodkas to support the growth of the Belvedere and Chopin brands. Millennium bolstered its positions in the United States with over 500,000 cases of Belvedere and Chopin vodka distributed, a 20% volume increase. The new promotional campaign created for Belvedere was quite impressive, and the highly awaited launch of the Belvedere flavored vodkas offers very good prospects for growth in 2004 in a fast-growing market. Investments by Moët Hennessy in 2003 also raised to thirty the number of countries where subsidiaries or agents of the group now distribute these two luxury vodka brands.



F & L ASHION EATHER GOODS

NEW GAINS IN MARKET SHARE IN A DIFFICULT CONTEXT

THE FASHION AND LEATHER GOODS GROUP INCLUDES **LOUIS VUITTON**, THE WORLD'S TOP LUXURY BRAND, **DONNA KARAN**, **FENDI**, **LOEWE**, **CELINE**, **KENZO**, **MARC JACOBS**, THE **GIVENCHY** AND **CHRISTIAN LACROIX** COUTURE HOUSES, **THOMAS PINK**, **PUCCI**, **BERLUTI** AND **STEFANOBI**. THIS EXCEPTIONAL GROUP OF BRANDS BORN IN EUROPE AND THE UNITED STATES, HAS A WORKFORCE OF NEARLY 17,000, 20 WORKSHOPS AND 828 STORES AROUND THE WORLD. WHILE RESPECTING THE IDENTITY AND STRATEGY OF EACH OF ITS BRANDS, THE BUSINESS GROUP PROVIDES A POWERFUL INFRASTRUCTURE AND SHARED RESOURCES. THE WEBSITE ELUXURY.COM IS ALSO PART OF THE FASHION AND LEATHER GOODS BUSINESS GROUP.

STRATEGY AND OBJECTIVES

Interview with Yves Carcelle,
 President of the Fashion
 and Leather Goods business group



WITH 38 % GROWTH IN DOLLARS IN THE UNITED STATES, HOW DO YOU EXPLAIN THIS SPECTACULAR BREAKTHROUGH BY LOUIS VUITTON IN 2003?

YVES CARCELLE : First of all, you have to remember that our presence in the United States is not recent. At the end of the nineteenth century, Louis Vuitton was already selling his trunks in New York and, right after World War I, the brand was already in American department stores. In 1980, the first independent store opened--on 57th Street in New York. The growth we are now seeing in the United States is the direct result of the major expenditures we have devoted to this market over the last five years in terms of new stores and communications. Fifteen years ago, the customers who purchased our products in the United States were foreigners for the most part, mainly Japanese. Today those customers are nearly 90% American, which demonstrates the success

and the deep roots of our brand in the country. Furthermore, we have just kicked off the celebrations marking our 150th anniversary with the grand opening in February 2004 of our largest store in the world, a true Louis Vuitton house, on the corner of Fifth Avenue and 57th Street in New York, a stone's throw from the original location. This is a strong symbol of our long-term commitment.

LOUIS VUITTON IS INVESTING IN CHINA IN EARNEST. IS CHINA REALLY THE NEW LUXURY EL DORADO?

Y.C. : We were pioneers, opening our first store in 1992 in Beijing. Today we have ten. In the meantime, we have worked year after year to achieve brand recognition, so the growth in sales we are now experiencing is the result of years of preparation. Today Chinese consumers and travelers spend more in our boutiques than the Japanese. The Chinese-speaking world (i.e.,

continental China, Hong Kong and Taiwan), including purchases made during travel, already represents Louis Vuitton's fourth largest customer. We plan to continue investing in China – in 2004, for example, a global store will open in Shanghai – because it offers tremendous potential, provided we adjust our pace to that of the country's economic renaissance.

COULD YOU BRING US UP-TO-DATE ON TRENDS IN THE BRANDS NOW BEING EXPANDED OR REDEPLOYED?

Y.C. : These companies are investing selectively after restructuring their organizations for maximum efficiency, and defining their profitable growth models. Donna Karan is returning to profitable growth. Fendi continues to demonstrate its creativity and to invest in the quality of its retail network in order to face the future on a solid foundation. Celine's performance clearly reflects its new growth momentum. Finally, in 2003, several smaller brands have taken off. For example, Marc Jacobs, Berluti, and Pucci (with strong increases in net sales since they entered the Group) all reported exceptional growth.

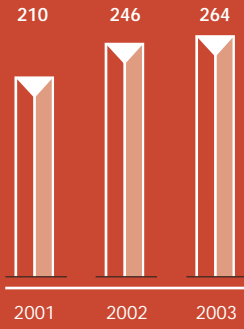
EUR million	2001	2002	2003
Net sales	3,612	4,207	4,149
Income from operations	1,274	1,280	1,311

HIGHLIGHTS

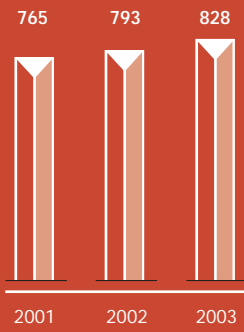
- Louis Vuitton recorded double-digit organic growth, with an unusually strong performance in the United States and China. This performance, combined with exceptional profitability, gives Louis Vuitton even more of an edge in its market.
- In 2003, Louis Vuitton established a presence in India for the first time, in New Delhi, and opened a store with a new design in the Roppongi Hills district of Tokyo, the center of the city's night life. In February 2004, the brand opened its largest store in the world on Fifth Avenue in New York, where it launched its new Damier Géant luggage line on an exclusive basis.
- The other brands of the business group proved highly resilient in an unusually tough economic climate. Celine turned in an excellent performance, driven by the success of its new products. Marc Jacobs, Pucci and Berluti all reported double-digit organic growth.
- Two talented designers have joined the group. Antonio Marras will be in charge of revamping the Kenzo women's ready-to-wear line, and Oswald Boateng was named Artistic Director of the Givenchy men's ready-to-wear line.

Investments

EUR million

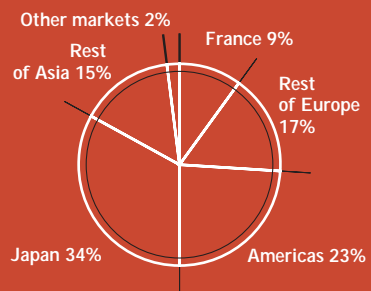


Number of stores



Net sales by geographic region

%





Senda by Loewe will become the trademark line of the Spanish brand.

EXCEPTIONAL VITALITY AND RESPONSIVENESS

The brands of the Fashion and Leather Goods business group demonstrated exceptional vitality and responsiveness in the tough economic and monetary climate of 2003, and gained market share against their competitors. With this robust performance, the business group recorded organic growth of 9% and increased its operating margin to 32%, up two points over 2002.

Louis Vuitton, the leading brand of the business group, continued to increase its edge over its competitors.

The smaller brands continued their strategic repositioning, and several reported outstanding growth in 2003, thus confirming their potential.

LOUIS VUITTON

Very strong demand from local customers throughout the year drove the double-digit organic growth of Louis Vuitton, which posted record sales in 2003 and again increased its income from operations despite negative currency effects. Growth was particularly robust in the United States and China. Backed by its very strong performance in 2003, the world's top luxury brand again increased its lead in its market.


NEW PRODUCTS ENJOY CONSIDERABLE SUCCESS

The strong momentum for innovation at Louis Vuitton was one of the essential drivers of growth, exemplified by the huge success of the *Cherry Blossom*, *Multico* and *Eye Love Monogram* leather goods lines, a result of the creative partnership between Marc Jacobs and Japanese artist Takashi Murakami; the launch of the *Suhali* line of leather goods, sculpted in valuable and rare goatskin, and the creation of the *Cuir Epi* soft leather products.

Other factors contributing to the brand's performance were its media presence with two major advertising campaigns featuring Eva Herzigowa in the spring and Jennifer Lopez in the fall, as well as the expansion of the retail network with eighteen new stores around the world. Louis Vuitton established a presence in India for the first time, in New Delhi, and opened two new stores in China (Shenzhen Citic and Guangzhou La Perla) and a store with a highly original format in the Roppongi Hills district of Tokyo, the center of night life in the city. As of December 31, 2003, Louis Vuitton had 317 stores.

At year-end 2003, the closing of the Champs Elysées store in Paris for expansion resulted in an extremely spectacular exterior with a façade featuring two huge trunks made of Monogram fabric.

To keep pace with the growth in sales, Louis Vuitton opened its Condé and Ducey plants, raising the number of its production workshops to thirteen.



One model from the Louis Vuitton 2004 spring-summer ready-to-wear collection. The new Theda handbag by Louis Vuitton is shown here in Mini-Monogram fabric and lambskin.



AN EXCELLENT OUTLOOK FOR 2004,
 THE 150TH ANNIVERSARY OF LOUIS
 VUITTON

In 2004, Louis Vuitton will step up its innovation policy with the creation of a new line of luggage for men, *Damier Géant*, available in two colors, tan and sable, the launch of the *Theda* and *Leonor* handbags unveiled at the 2004 spring-summer ready-to-wear fashion show, the development of the watch segment, and the launch of a full line of jewelry.

As in 2003, Louis Vuitton products will be backed by major media investments. In addition, throughout the year, there will be public relations events celebrating the 150th anniversary of the fashion house, providing an opportunity to remind customers of its roots in tradition and innovation and exceptional expertise. The first major event, which received heavy media coverage, was held in February at the grand opening of the New York store on Fifth Avenue, the largest Louis Vuitton store in the world.

The brand will continue to expand its retail network by opening stores in Shanghai, Los Angeles and Tokyo (Ginza). New Louis Vuitton buildings will also be inaugurated: after New York, the newly expanded Champs Elysées store in Paris, followed by Hong Kong in 2005.

DONNA KARAN

In 2003 Donna Karan continued to focus on greater retail selectivity, especially in American department stores, limiting its presence to stores and locations with the greatest reputation for quality. It also worked on its product line, to improve quality and consistency with its image, an image that connotes a modern international lifestyle symbolized by the city of New York, from which it derives its roots and its inspiration.

The new collections proved highly popular, generating good press coverage, and several emblematic products sold extremely well. Donna Karan also began the long-term job of developing its accessories lines, a major growth vector for the coming years.

With strong managerial teams, a clearly defined strategy, and a stronger but simplified organization, Donna Karan is now in an ideal position to launch its future expansion with the benefit of a balanced and profitable business model.

FENDI

Fendi continued its repositioning strategy and devoted major expenditures to renovation and the selective expansion of its retail network. The network included 97 stores as of December 31, 2003.





A 500 square meter store, a new flagship address for the brand in Japan, opened in September in the One Omotesando building in Tokyo.

The success of its new products and the implementation of a high profile advertising campaign showcasing its image of luxury and sophistication contributed substantially to increased sales in the second half of the year, especially in the fourth quarter. Fendi turned in its best performance in Japan, in the other Asian countries, and in Great Britain.

In 2004, Fendi will continue to strengthen its organization while investing in on-going improvements in its retail network. It will also continue to develop innovative products in leather goods and shoes.

LOEWE

Loewe continued its strategy of upgrading its product line, capitalizing on its core business and its exceptional expertise in leather work. Its new, extremely contemporary hand bag collections, especially the *Senda*, *Amazona* and *Cadena* lines, met with tremendous success in its principal markets in Japan, Asia and Spain (Loewe's country of origin). To promote these new creations, an advertising campaign was launched and catalogs were created. Loewe recorded a strong growth in net sales at constant currency rates, with a significant up-turn in the fourth quarter.

Other highlights in 2003 included a new boutique in Tokyo at One Omotesando and the extension of Loewe's boutique in Selfridge's department store in London. Based on the changes already made and continued efforts to update

its products, the outlook for Loewe is for even stronger growth in 2004.

CELINE

The year 2003 proved to be an excellent one for Celine, which posted double-digit organic growth and a particularly outstanding performance in Japan, one of its key markets. The brand reaped the benefits of its strategy in leather goods, clearly confirming its new vitality, driven by the success of its *Boogie* and *Poulbot* handbags.

Celine continued to expand its store network, with the inauguration of a new prestigious address in Tokyo, in the One Omotesando building. The brand also opened "leased departments" in Japan (Isetan Shinjuku and Kyoto) and a new boutique in Hong Kong on Peking Road. The Cannes, Beverly Hills and Hong Kong Pacific Place stores were renovated. At year-end 2003, Celine had one hundred controlled stores.

KENZO

For Kenzo, highlights in 2003 included the opening of a store in the flourishing Pont Neuf business district in Paris. This store features on four floors Kenzo's entire product line, including women's, men's and children's collections, accessories, fragrances and cosmetics. The corporate offices and all the teams also moved to this new address.

Antonio Marras, whose sensitivities and inspiration are very close to the Kenzo spirit and values, was assigned the task of redesigning the women's ready-to-wear line. His first collection, presented in March 2004, was very well received.



TRENDS IN THE OTHER BRANDS OF THE BUSINESS GROUP

The other brands of the business group, which are now in an expansion phase or a repositioning phase, have each pursued their own priorities, making highly selective and targeted investments. They proved highly resilient in the tough economy of 2003, and several of them made remarkable progress, thus confirming their potential.

Marc Jacobs recorded exceptional growth thanks to its excellent performance in the United States, and to its commercial expansion in Japan and Asia.

Givenchy focused on the expansion of its men's ready-to-wear line, which now accounts for a major portion of its sales revenues and, for the first time, turned over these collections to a designer. Oswald Boateng joined the company in December and will present his first collection in July 2004.

Thomas Pink continued to expand its lines of men's and women's shirts and its accessories with remarkable success in the United States. This British House also launched a new visual identity and renovated its store concept.

Christian Lacroix, one of the most talented haute couture designers, is bringing his creativity to new territories. Under the licensing agreements signed in 2003, his House is preparing to launch its first Men's line and a collection of women's lingerie.

The success of the collections created by Christian Lacroix accounted in large part for the increase in **Pucci's** sales. The Florence store was renovated, and new boutiques were opened with immediate success in London and Saint-Tropez.

Berluti maintained a steady pace of growth. In 2003, two new lines of shoes were created, *Tatouage* and *Piercing*, an accessories collection was introduced, and a fourth boutique was opened in Osaka, Japan.





C & P PERFUMES COSMETICS

GROWTH CONTINUES TO OUTPACE THE MARKET

LVMH IS ACTIVE IN THE PERFUME AND COSMETICS SECTOR WITH THE MAJOR FRENCH HOUSES OF **CHRISTIAN DIOR, GUERLAIN, GIVENCHY AND KENZO.**

IN ADDITION TO THESE WORLD-RENOWNED BRANDS, THIS BUSINESS GROUP ALSO INCLUDES BENEFIT AND FRESH, TWO YOUNG, HIGH-GROWTH AMERICAN COSMETICS COMPANIES, THE PRESTIGIOUS ITALIAN BRAND **ACQUA DI PARMA, PARFUMS LOEWE,** DEVELOPED FOR THE SPANISH FASHION AND LEATHER GOODS COMPANY, AND MAKE UP FOR EVER, A FRENCH COMPANY SPECIALIZING IN PROFESSIONAL MAKE-UP.

STRATEGY AND OBJECTIVES

Higher growth thanks to strong innovation and geographic expansion



THE PERFUMES AND COSMETICS BUSINESS GROUP IS FOCUSING PRIMARILY ON EXPANDING THOSE BRANDS WHICH MAKE UP THE FOUNDATION OF ITS GROWTH AND EARNINGS POTENTIAL.

Glamour, emotion, elegance, pleasure, excellence... From the eternal image of French luxury to the most daring contemporary products, the LVMH perfume and cosmetics brands are priceless assets. In a market in which the incredible number of new products, some of which are redundant, can leave the consumer weary and confused, each of our brands cultivates the values that forge its identity and designs strategies to stand out from the competition. This means revitalizing the great classics that prolong their exceptional success and reassert the legitimacy of the brand. It also means innovations that provide real added value, a strong promotional policy,

and modernized merchandising. By focusing its investments on growing its foundation brands, the Perfumes and Cosmetics business group regularly achieves greater-than-market growth and increases its profitability.

INNOVATION FUELED BY SUBSTANTIAL RESEARCH AND DEVELOPMENT RESOURCES IS A KEY FACTOR IN THE LVMH COSMETICS STRATEGY.

Research & Development play a major role in this strategy. The brand teams in the perfume and cosmetics group are now working under one roof at the LVMH laboratories. This concentration of resources and skills, in coordination with European, US and Asian partners, allows LVMH to conduct in major applied research that benefits all our brands in this sector. It gives each brand a particular expertise, such as product safety, and provides a pool of innovations that can

contribute to all projects. In the area of skincare products, research products focus on anti-aging, body care and bleaching products much favored by Asian customers. In the make-up segment, research teams are working on the interactions between skin and light, researching new pigments and polymers and new processes. A large number of new products generating strong sales resulted from these efforts.

ENTERING NEW HIGH-GROWTH MARKETS GENERATES MAJOR GROWTH DRIVERS.

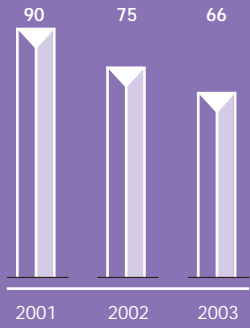
The Asian markets (Japan, China, Korea, and Taiwan) are regions in which the Perfumes and Cosmetics business group has posted strong growth in the past several years. A long-standing presence in this region of the world (for example, Parfums Christian Dior was one of the first LVMH brands to establish a presence) has given the brands an opportunity to further promote their image and adapt their strategy to specific consumer trends. Russia is also a vector country for the future, a market in which the LVMH brands have a solid market share and are stepping up their activities.

EUR million	2001	2002	2003
Net sales	2,231	2,336	2,181
Income from operations	149	161	178

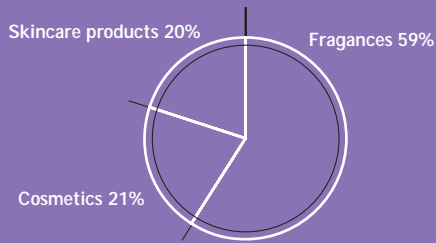
HIGHLIGHTS

- By concentrating on developing its strategic brands, the Perfumes and Cosmetics business group is outpacing its industry in terms of sales and sharply increasing its operating margin.
- The successful launches in the second half of the year of the perfumes L'Instant by Guerlain, Very Irresistible Givenchy and KenzoAir proved to be one of the major growth drivers in 2003.
- The US licenses developed for designers Michael Kors, Marc Jacobs and Kenneth Cole were sold in the first half of 2003. In early 2004, LVMH has also disposed of the Bliss brand.
- Parfums Christian Dior unveiled its new strategic skincare approach under the name DiorScience, with the introduction of Capture R60/80™, an anti-wrinkle product that is extremely successful.
- The American brand BeneFit Cosmetics, with very strong growth and a high profitability, is confirming its potential as a rising star.

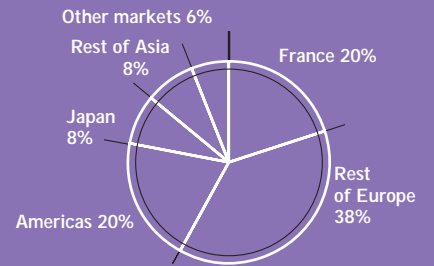
Investments EUR million



Breakdown of net sales by product category



Net sales by geographic region %



MOMENTUM GROWTH FUELED BY INNOVATION, SUBSTANTIAL GROWTH IN PROFITS

The performance of the brands of the Perfumes and Cosmetics business group in the high-growth markets, in Japan and Korea in particular, partially offset the loss of net sales related to the global economic downturn in the first half of 2003. These advances helped keep net sales at first-half 2002 levels on a constant consolidation scope and currency basis. In the second half, the excellent performance by Parfums Christian Dior combined with perfumes introduced by the other French brands, helped drive sales, which accelerated sharply in the final months of the year. Over the full year, the Perfumes and Cosmetics business group posted organic growth of 4%, again well outpacing the global market.

Operating income rose 11%. In a context of strong promotional investments, this growth was greater than sales growth, reflecting the success of all the French perfume brands in meeting their objectives and improving their profitability.

As part of the strategy to concentrate resources on the most profitable brands, the US licenses developed for designers Michael Kors, Marc Jacobs and Kenneth Cole were sold in the first half of 2003. LVMH also disposed of the American brand Bliss in early 2004.

In order to take advantage of the high potential of the Asian countries, particularly for skincare products, and to boost current growth, the business group is focusing on marketing and communications and is also increasing its structural investments. A new logistics hub for use by all the brands will be established in Singapore in 2004.

For 2004, the objective of the Perfumes and Cosmetics group is to continue to increase net sales and to achieve substantial growth in income from operations.

PARFUMS CHRISTIAN DIOR

This business group's leading brand confirmed its vitality throughout the year, and accelerated growth in the final quarter. It was helped by booming sales in Japan and by expansion in new high-growth countries such as Russia, China and Korea.

This excellent performance was backed by strong promotional campaigns and the many creative successes of Parfums Christian Dior, in particular the popular perfume *J'adore*, sales of which continue to grow five years after it was introduced, new make-up items such as the *Diorskin* foundation and the *Dioreyes* product line, and by new developments in the skincare lines, to which a great deal of work was devoted in 2003.



Capture R60/80™, the new flagship skincare product from Parfums Christian Dior, combines highly effective anti-aging properties over the short and long term and extremely comfortable textures.

This line is based on a fundamental discovery and an exclusive new formulation from Laboratoires DiorScience.

The name "Capture" evokes a wealth of images, expressing both the possibility of triumph over time and captivation by beauty.



PARFUMS CHRISTIAN DIOR ACHIEVES A REMARKABLE SKINCARE BREAK-THROUGH.

Parfums Christian Dior has defined and introduced, under the name DiorScience, a new strategic approach to skincare, with strong growth potential. The launch of *Capture R60/80™* early in the year, the culmination of a major project in the DiorScience laboratories, met with outstanding success, which enhanced the brand's image and credibility in the area of skincare.

Parfums Christian Dior also reorganized its skincare product portfolio to improve impact and consistency. Packaging was redesigned for better visibility in perfume shops and department stores. The *Move* line introduced in 2002 with *Hydra-Move*, was expanded with the introduction of *Energy-Move* and *Nutri-Move*, three products that meet the three essential needs of skincare – hydration, radiance and nutrition.

In order to boost sales of men's fragrances, a new version of *Higher*, an addition to the fragrance created in 2001, was introduced in September 2003, under the artistic direction of Hedi Slimane, the designer of the Christian Dior men's collections.

In 2004, Parfums Christian Dior will continue its innovation policy and, as it did in 2003, will back it with substantial advertising investments. Major new products will be introduced in all



product categories. A new item in the *Capture* line, *Capture First Action* was introduced in early 2004. As with its skincare efforts in 2003, the company will enhance the appeal of its make-up lines designed with more synergy and increasingly close creative cooperation with the Christian Dior high *couture* collections. A new fragrance for women will be introduced in September.

The "classics" of Parfums Christian Dior will continue to be promoted, particularly the perfumes *J'adore* and *Fahrenheit*, for which new campaigns will be designed.

In order to boost the popularity of the brand, a new sales stand concept with sleek modern lines based on the world of high fashion, will gradually be set up in department stores.

GUERLAIN

Despite the global economic downturn, Guerlain had an excellent year in 2003 because it refocused its strategy and investments on its traditional values, and because of the work initiated in 2002 to improve its organization. Guerlain thus met its growth objectives and significantly improved its profitability.



L'INSTANT BY GUERLAIN PROVES TO BE ONE OF THE MOST SUCCESSFUL PRODUCT LAUNCHES IN 2003.

In the perfume sector, the first half of the year featured the launch of a light version of the best-selling perfume *Shalimar*. In the second half, *L'Instant de Guerlain*, a major new women's fragrance evocative of the House's creations, quickly proved to be one of the most successful product launches in the world. Its success sharply boosted year-end sales, making a noticeable contribution to the company's performance in 2003.

Guerlain confirmed its expertise in skincare by pursuing and developing its leading line *Issima*. New items were added to the *Substantific* skincare program and *Happylogy*, an innovative line, was launched.

In 2004, Guerlain's objective is further growth and profitability. The principal growth drivers will be the full-year performance of *L'Instant*, further development of the *Happylogy* line and the *Divinora* make-up collections, a new breakthrough in anti-aging care with *Issima Success Laser*, and the launch of a men's fragrance in the fall.

PARFUMS GIVENCHY

For Parfums Givenchy, the year 2003 was primarily marked by an offensive in the perfumes segment, with the reintroduction of *L'Interdit*,



the House's historic perfume, an expansion of the *Amarige* line, and particularly, the global success of *Very Irresistible Givenchy*, the House's new trademark fragrance. This new fragrance for women is perfectly in keeping with the brand's values and is backed by a commercial in which the young American actress Liv Tyler becomes, after Audrey Hepburn, the contemporary incarnation of the Givenchy woman.

In 2004, Parfums Givenchy will profit from the deployment of *Very Irresistible* and will continue to update its product offerings, with a new design for its skincare lines. It will solidify its goals in make-up. Previously tested successfully in Japan, Givenchy's new *Le Makeup* line, which is highly creative in terms of textures, colors and packaging ("the make-up concentrate"), was launched in March. It is a full line of products with 151 products items, and new items will be added to the line as seasons and styles change. This new line will be promoted by a major advertising campaign with Liv Tyler as ambassador. The product launch will be accompanied by a new sales stand concept in department stores, one with a contemporary look suggestive of luxury and purity.

No Complex, a new line of body care products capitalizing on the expertise of the Givenchy Spa will also be introduced in 2004.



PARFUMS KENZO

Parfums Kenzo had a highly successful year with many new developments. The first half saw a new focus on *l'Eau* by Kenzo for both men and women, with new bottles and a new advertising message, as well as the opening of LaBulleKenzo, a selling space devoted to fragrances, *Kenzoki* skincare products and massages in the Pont-Neuf building in Paris renovated by LVMH.

In the second half of the year, Parfums Kenzo introduced a new fragrance in its *Flower* line and a new men's fragrance *KenzoAir*, a blend of vetiver and star anise, which had a very promising start, helping to boost sales substantially at the end of the year.

Backed by these developments and the innovations planned for the coming months, Parfums Kenzo is in a good position to pursue growth in 2004.

TRENDS IN THE OTHER BRANDS OF THE BUSINESS GROUP

Parfums Loewe, which joined the Perfumes and Cosmetics business group in 2002, achieved strong growth in 2003. This brand is a leader in the selective market in Spain and is helping to increase the group's market share in that country.

Acqua di Parma also reported significant growth, fueled by new product development and expanded retail outlets.

The two young American cosmetics companies retained by LVMH had an excellent year in 2003.

BeneFit Cosmetics intensified its extremely profitable growth with rising sales both in its country of origin and in Great Britain, where it confirmed the outstanding success it has achieved since it entered the British market in 2001.

Fresh now has a full line of make-up, fragrances and natural skincare products and five shops – four in the United States and a new one successfully unveiled in Paris in 2003.





Athena
Body So Fine

Litter

high
beam

by Benefit

Baume Velouté
pour le Corps

Velvet
Body Balm

100g Net Wt. 4.0 oz

benefit

mandelion

dr. fee

SILKY LIP BALM
BAUME LÈVRES
SOYEUSES
benefit
100g Net Wt. 3.5 oz

Benefit
Lump!

BAUgal



WATCHES & JEWELRY

A STRONGER IDENTITY FOR EACH BRAND AND A SEARCH FOR EXCELLENCE

THE MOST RECENT LVMH BUSINESS GROUP INCLUDES A PORTFOLIO OF HIGH-QUALITY WATCH BRANDS WITH HIGHLY COMPLEMENTARY POSITIONING. **TAG HEUER**, THE WORLD'S LEADING MAKER OF LUXURY SPORTS WATCHES AND CHRONOGRAPHS; **ZENITH**, AN UPSCALE MANUFACTURE FAMOUS FOR ITS EL PRIMERO MOVEMENT; **DIOR WATCHES**, OFFERING COLLECTIONS INSPIRED BY THE CREATIONS OF THE FASHION HOUSE; **CHAUMET**, THE PRESTIGIOUS HISTORIC JEWELER OF PARIS' PLACE VENDÔME; **FRED**, THE CREATOR OF CONTEMPORARY JEWELRY PIECES; AND **OMAS**, THE ITALIAN DESIGNER OF WRITING INSTRUMENTS. **DE BEERS***, A JOINT VENTURE CREATED IN JULY 2001, IS SOLIDIFYING ITS POSITIONING AS A DIAMOND JEWELER. FINALLY, THE WATCH DIVISION HAS DEVELOPED WITH **LOUIS VUITTON** THE TAMBOUR WATCH COLLECTION, DEMONSTRATING THE CAPACITY OF LVMH TO GENERATE EFFECTIVE SYNERGIES AMONG BUSINESS GROUPS.

* In 2003, De Beers LV activities are consolidated in Other activities.

STRATEGY AND OBJECTIVES

Interview with Philippe Pascal,
President of the Watches
and Jewelry business group



THE WORLD TIMEPIECE MARKET HAS JUST BEEN THROUGH A TWO-YEAR SLOWDOWN. HOW DO YOU JUGGLE THE DUAL NEED TO DEAL WITH THIS ECONOMIC SITUATION AND TO CONTINUE INVESTMENTS TO EXPAND THE LVMH BRANDS?

PHILIPPE PASCAL : We have both reduced structural costs and maintained sales and marketing expenditures by carefully targeting strategic countries, based on the priorities of each brand. Our size, our limited number of brands, and our experience in luxury products mean that we are more responsive and pay closer attention to each brand strategy. In contrast to the giants in this sector, which manage a large number of brands, we decided to focus on fewer, more complementary brands, and sold Ebel. In a difficult competitive environment, the major risk would be to allow our products to become commonplace. Each brand has clarified its market positioning and refined its strategy. Each one is building its

own DNA and solidifying its identity.

WHICH MEANS?

PH.P. : Each house is implementing with determination its mission to achieve excellence in its business, by intensifying everything that expresses its essence, its uniqueness, especially in terms of creativity, without compromise. An overall spirit of inventiveness, daring and passion contribute to the appeal, but also to the timeless nature of our products. One example is the process that led Zenith to develop its Chronomaster Open, launched in 2003. This innovation, which coincides perfectly with the mission of Manufacture Zenith, reveals the heart of its famous El Primero automatic movement through an opening chiseled in the etched watch face. Twenty-one patents have been filed to reveal the beating of the chronograph at 36,000 vibrations. A technical and esthetic revolution. The

success of this fascinating watch in the world of high-end timepieces proved equal to the efforts deployed.

WHAT ARE YOUR OBJECTIVES IN 2004?

PH.P. : In 2004, in a market recovery, our brands will reap the benefits of their continuing efforts for innovation and improved productivity. With the sale of Ebel, we are going to concentrate our resources on a portfolio of very complementary watch brands, each of which offers high potential in its market segment. We continue to target our investments very carefully and measure the results. Our objective is to achieve substantial improvement in the profitability of this business group. I am confident this will happen, because we have set up very strong management teams, at the brands and in the markets, who are imbued with the entrepreneurial spirit, who share a passion for watches and jewelry, and for design, and who demonstrate anticipation and discipline in execution. In this new sector for LVMH, we are affirming our position as a determined player and creator of value. The expertise acquired in the last three years will also allow us to accelerate growth for watch and jewelry, particularly at Christian Dior and Louis Vuitton.

EUR million	2001	2002	2003
Net sales	548	552	502
Income from operations	27	(13)	(48)

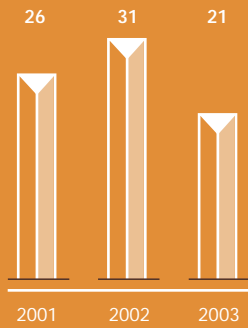
HIGHLIGHTS

- After a tough year for the world watch market, a summer upsurge in sales resulted in organic growth of 7% in net sales for the Watches and Jewelry group in the final quarter.
- TAG Heuer and Montres Dior continued to penetrate the markets in China and India.
- Ateliers Horlogers in La Chaux-de-Fonds doubled its production capacity to meet the demand for Louis Vuitton, Dior and Fred watches.
- De Beers opened its first boutiques in Japan in September 2004.
- A number of new products were launched successfully by each brand.
- Chaumet entered Korea in the form of a joint venture.

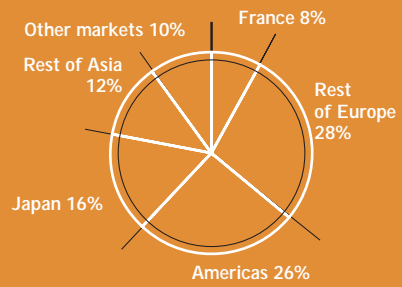


Link Tiger Woods by TAG Heuer.

Investments EUR million



Net sales by geographic region %



White gold and diamond cufflinks from the Toile de give line, from the new designer jewelry collection by Chaumet.

Inspired by nature, this new collection evokes the ephemeral qualities of dawn when nature is transformed into a precious jewel.



AN ENCOURAGING YEAR-END

In 2003, for the second straight year, the jewelry and timepiece market was faced with an unusually difficult economy. The crises in the Middle East and the SARS epidemic in Asia adversely affected sales in the principal tourism regions. Furthermore, the decline of the dollar and the yen and the increase in the Swiss franc generated an increase in the value of the watch supply, confining their appeal to a more limited number of customers.

Faced with this situation, the Watches and Jewelry group reduced structural costs, optimized inventories within its distribution chain, and focused its resources on priorities in each brand and in strategic countries. With this approach, marketing expenses were maintained, and a number of new products were successfully launched.

Net sales remained at 2002 levels on a like-for-like basis (down 9% on a current currency basis). Unfavorable currency trends accounted in large part for the decline in operating income, in the absence of significant hedging between the Swiss franc, the dollar and the yen.

In a remarkable achievement, Dior Watches and Chaumet recorded double-digit sales growth in 2004. In the fourth quarter, the branch recorded organic growth of 7% in net sales, primarily the result of TAG Heuer's steady return to growth.

TAG HEUER

TAG Heuer, the world's leading company for luxury sports watches and chronographs, is a profitable brand which, in the past two years, has been refocusing its product line, closely controlling distribution and improving its merchandising.

In 2003, TAG Heuer recorded a decline in net sales, due largely to unfavorable foreign exchange effects. Because of the brand's vitality, it quickly benefited from the market recovery observed in the second half of the year. Thus, in the third quarter, it posted double-digit organic growth. Its performance was particularly dynamic in the English-speaking markets, one of its priority targets.

EXCELLENCE AND PERFORMANCE: TAG HEUER CONTINUES ITS MISSION OF CREATIVE TIMEPIECE INNOVATION.

Inspired by the values in the world of sports--excellence, performance and precision-- the brand pursued its mission of creative timepiece innovation in 2003, rolling out the multi-function *Microtimer*, which is accurate to one thousandth of a second, and the *Chrono 2000 Aquagraph*. It also successfully relaunched its historic *Link* line, partnered with Tiger Woods. In the legendary classic line, the *Autavia* was added to the collection of historic models *Monaco*, *Monza* and *Carrera*, equipped with mechanical movements. Lastly, in December, TAG Heuer launched the new *Formula 1*, a col-



TAGHeuer

WHAT ARE YOU MADE OF ?



TIGER WOODS AND HIS LINK AUTOMATIC WATCH

SWISS AVANT-GARDE SINCE 1860

lection of sports watches and chronographs designed for young, very active customers, in line with the brand's values. Kimi Räikkönen, the young Formula One racing driver with the McLaren Mercedes team, who contributed his expertise to the creation of the *Formula 1*, is its ambassador.

In addition to the projects in the racing world (F1 time-keeping, partnership with McLaren Mercedes), TAG Heuer successfully invested in the golfing world by teaming up with Tiger Woods, the world's top player, who will now be working with the company to develop certain watch models.

In 2004, TAG Heuer will continue to focus on highly targeted growth and, reflecting its leading-edge positioning, will unveil major new watch innovations at the Basel Trade Show.

ZENITH

Since it joined LVMH, Manufacture Zenith has been reinventing itself.

Moving from its position as maker and supplier of legendary mechanical movements, Zenith is gradually developing its new image as a manufacturing brand, specializing in high-end mechanical watches and chronographs.

AN AUTHENTIC CONTEMPORARY AESTHETIC

Faithful to its origins, the Zenith style reflects a truly modern aesthetic, illustrated in 2003 by the introduction of highly valued models: the *Chronomaster Open* that reveals, in a tremendous technical feat, the inner workings of the El Primero movement, and the *Chronomaster Star*, created for women customers. These two designs have been praised by the press and specialized retailers.

The Zenith watch staff was strengthened to develop the design of more complex timepieces, such as the Quantième Perpétuel models, introduced in 2003. At the same time, Zenith Manufacture continued to develop special timepieces, primarily for the brands of the LVMH Group.

While in the traditional markets of continental Europe, the company's transformation resulted in a temporary decline in net sales, Zenith reported strong growth in Asia and the United States, markets it has only recently entered.

En 2004, Zenith is expected to boost net sales significantly with the success of its new collections and continued reliance on a strong innovation policy. In particular, new highly awaited movements, including a Tourbillon, will be presented at the 2004 Basel Trade Show, along with a new women's automatic watch that should prolong the success of the *Chronomaster Star* introduced in 2003.



DIOR WATCHES

For the past three years, Dior Watches has reported regular double-digit growth in sales in the highly competitive fashion watch segment. Developed in collaboration with the studios of the Dior Couture fashion house, these collections are spreading the Dior name around the world. The *Riva Sparkling* and *Malice Sparkling* collections continue to grow.

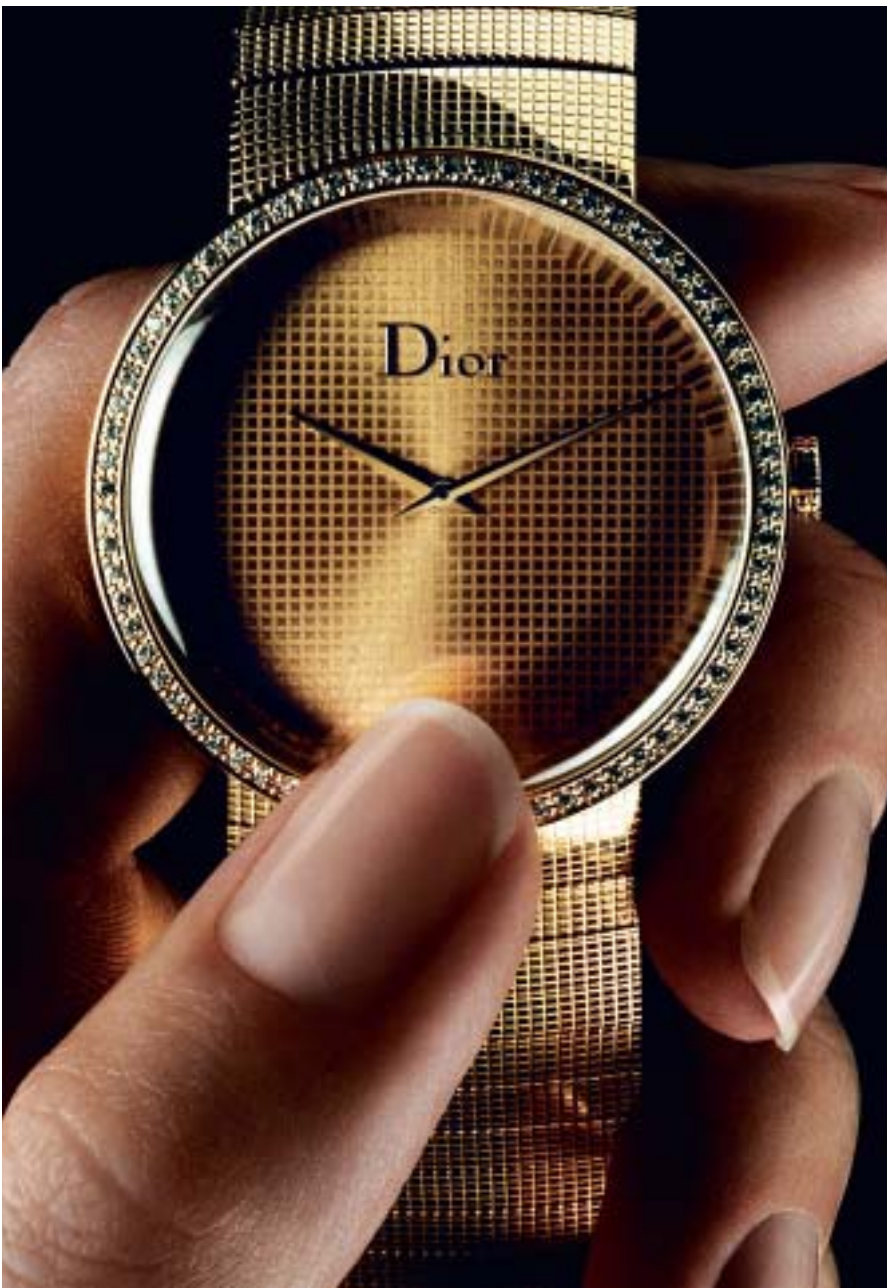
In 2003, sales were driven dramatically by the Dior *Admit it*, the new *Chris 47* developed by John Galliano, and the *D de Dior* watch created by Victoire de Castellane, at the same pace as the seasons of the fashion house.

In 2004, this momentum will accelerate with the launch of a Men's line created by Hedi Slimane. New furniture and display cases will be installed in early 2004 throughout all Dior Watches sales outlets, Dior boutiques and retail partners.

CHAUMET

Chaumet, a prestigious Place Vendôme jeweler, continued its targeted expansion in Asia and Europe. In a sluggish global market, Chaumet again posted strong growth in both the jewelry and watch segments.

Rich with an incomparable history, the brand bases its strategy on perfect innovation, inspired and elegant, backed by promotional campaigns that showcase innovation and tradition. In 2003, Chaumet relaunched its *Liens* product line, designed the high-end jewelry line *Frisson*, and launched *Dandy*, a line of men's mechanical watches available in yellow gold, pink gold or steel.





The Frisson collection by Chaumet: Sophie Marceau wears the Toile de givre white gold, diamond and pink beryl Solitaire and earrings.

In Europe, store renovations began with the assistance of architect Jean-Michel Wilmotte and will continue in 2004. Two boutiques were opened, one in Geneva and a franchise in Barcelona.

In 2003, Chaumet sales rose significantly in Japan, both in its boutiques and in department store "shop-in-shops". Business was also brisk in Korea and France. In Korea, Chaumet created a joint venture with its agent to better control its growth.

In 2004, Chaumet will continue to open sales outlets at a steady pace in its priority markets in Asia, Japan, Korea and Taiwan. In addition, a few stores will be opened in Russia and the Middle East under local partnerships.

New watch and jewelry items will be added to existing lines.

FRED

Fred, a decidedly contemporary jeweler, continued its redeployment, closing unprofitable shops in the United States and implementing a profitable expansion in Japan.

The new *Move One* line of watches boosted sales of timepieces in the boutiques and with the brand's retail partners.

In 2004, new corners and "shop-in-shops" will be opened in Japan. The brand will present new, original models of rings and pendants designed to appeal to young customers. A line of diving watches will also be added to the *Move One* watch line.



OMAS

Omas, the famous Bologna craftsman, specializing in luxury pens, is basing its growth on the image of its exceptional expertise, the use of noble materials and intensified creativity.

Omas posted strong sales growth in 2003 in a sluggish global market as a result of marketing expenditures focused exclusively in Italy, France and the United States, the largest markets for writing instruments, and promotional efforts primarily devoted to its trademark *360* product line.

DE BEERS*

De Beers entered the Japanese market with the opening of three boutiques located in Tokyo department stores: Matsuya in Ginza, Takashimaya in Nihonbashi, and Isetan in Shinjuku.

Opened in September 2003, the three stores with different customer bases provided an opportunity to measure the reactions of a very demanding Japanese market and to adjust the product line accordingly.

The first year of operation of the flagship store in London, at the corner of Bond Street and Picadilly, was extremely encouraging in a very slow local jewelry market.

December sales were particularly steady, both in London and in Tokyo, where the diamond authenticity and the creativity of the collections are highly valued. The year 2004 will be devoted to improving the performance of existing stores and preparing the vectors of long-term profitable growth.



** In 2003, De Beers LV activities are consolidated in Other activities.*





selective

retailing

FURTHER PROGRESS IN PROFITABILITY

THE SELECTIVE RETAILING BUSINESS IS ORGANIZED TO PROMOTE A SALES ENVIRONMENT THAT SHOWCASES THE IMAGE AND STATUS OF LUXURY BRANDS. THE BUSINESS IS PRESENT IN EUROPE, THE UNITED STATES AND ASIA AND FOCUSES ON TWO SEGMENTS-- TRAVEL RETAIL

(SALES OF LUXURY PRODUCTS TO INTERNATIONAL TRAVELERS), THE BUSINESS OF **DFS** AND **MIAMI CRUISELINE**, AND SPECIALIZED RETAILING CONCEPTS REPRESENTED BY **SEPHORA** AND THE DEPARTMENT STORES, CONSISTING OF **LE BON MARCHÉ** AND **LA SAMARITAINE**, TWO PRESTIGIOUS PARIS ESTABLISHMENTS.



STRATEGY AND OBJECTIVES
Interview with Pierre Letzelter,
President of the Sephora group



DESPITE BEING UNUSUALLY HARD HIT BY THE 2003 ECONOMIC DOWNTURN, SELECTIVE RETAIL COMPANIES MANAGED TO MEET THEIR OBJECTIVES. WHAT WERE THE KEY FACTORS IN THIS IMPROVED PERFORMANCE?

PIERRE LETZELTER : We owe these results to the strong responsiveness of our teams and to dynamic, disciplined management. The hard work we devoted to the strategies implemented over the past several years is bearing fruit. Our brands have more efficient organizations, more attractive merchandising and a higher quality of service in the different markets in which we operate. Whether in the competitive world of travel retail or in specialized selective retailing, we made strides in both productivity and competitiveness. We are maintaining our course. Improved profitability was our number one priority and will remain so in 2004.

WHAT ARE SEPHORA'S KEY BENEFITS IN THE US FRAGRANCE MARKET, TRADITIONALLY DOMINATED BY DEPARTMENT STORES?

P.L. : This is a new marketing concept, involving unheard of openness and freedom. It attracts a young, educated customer base. In addition, it is very selective. In cosmetics, for example, we focus on retailing creative, imaginative brands that offer new services and real skincare qualities, while driving the latest trends. These brands are riding a wave of popularity; and we are helping to expand them by selling them and holding special product demonstrations for them.

HAS SALES ADVICE AND SERVICE BEEN DEVELOPED IN THE UNITED STATES?

P.L. : This was one of our major initiatives in 2003. We created an in-house school in the United States. Our employees receive extremely thorough training

on products, customer service, and sales techniques. This approach is an integral part of our philosophy. The objective of each Sephora store is to be the best in its area with the best location, the most attractive product offering and the best customer service. Sephora's goal is not to be the biggest but the best.

WHAT IS THE OUTLOOK FOR SELECTIVE RETAILING IN 2004?

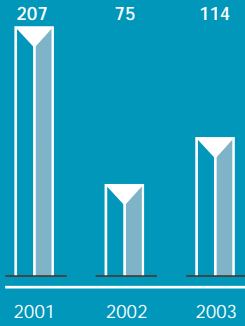
P.L. : DFS is expected to benefit from the travel recovery, particularly from the rapid expansion of Chinese tourism, which is a major growth driver. Miami Cruiseline is in the best position to solidify its presence in the cruise ship market. Sephora will continue to expand its profitable business model on both sides of the Atlantic and will continue to grow in Central Europe, where it has met with extremely promising success. Le Bon Marché is enhancing its appeal and has sound prospects for regular growth. La Samaritaine, which is in an investment phase, will complete most of the work required for its new store design by September 2004.

EUR million	2001	2002	2003
Net sales	3,493	3,337	3,039
Income from operations	(213)	20	106

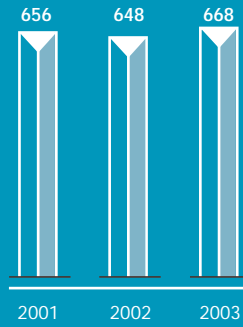
HIGHLIGHTS

- In line with objectives, DFS posted a profit in 2003 despite the decline in international tourism in the first half of the year resulting from the war in Iraq and the SARS epidemic.
- Le Bon Marché increased its market share in Paris department stores and began the renovation of its women's fashion department.
- Within the context of its new positioning, La Samaritaine continued to convert its sales spaces and to revamp its product offering.
- Sephora had an excellent year. In Europe, the brand's profitability improved dramatically. In the United States, it posted positive operating income and cash flow for the first time.
- Sephora developed its store network in Poland by teaming up with the oldest selective perfume chain in the country, and opened its first store in Moscow thanks to a local partnership.

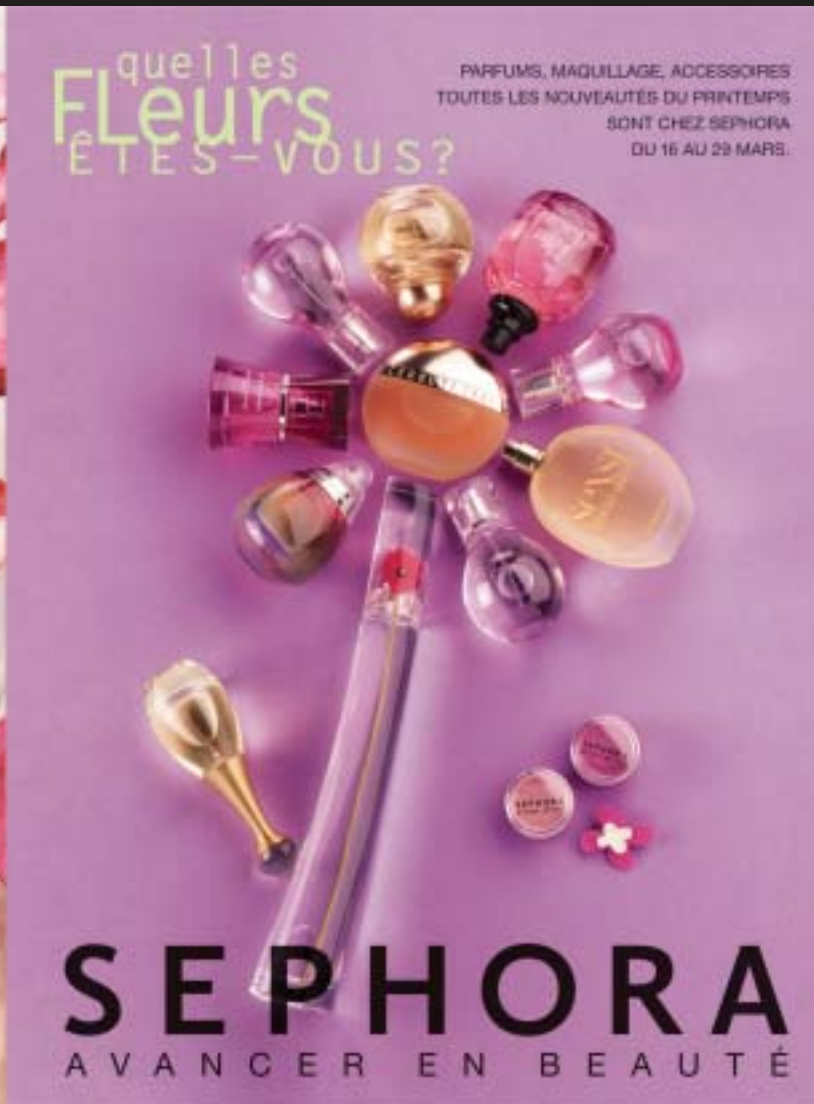
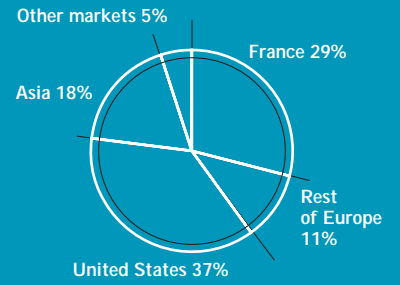
Investments
EUR million



Number of stores



Net sales by geographic region
%





DFS

Sales by DFS in 2003 were down from the previous year. After a robust start to the year, tourist numbers were affected by the war in Iraq and especially by the SARS epidemic, which interrupted travel to Asia in the second quarter. Despite a turnaround during the year, business in 2003 remained slow compared with previous years.

A STREAMLINED STRUCTURE, GOOD DRIVERS OF GROWTH

In this context, DFS stepped up efforts to improve productivity and cut structural costs. The most substantial savings were made on overhead costs and thanks to renegotiated concession costs to adjust them to lower passenger flows. By absorbing the negative impact of a decline in sales, these efforts allowed the company to post a profit, as it did in 2002.

In January 2003, DFS opened a new Galleria in Singapore. Both stores recently opened at the Okinawa airport in Japan were expanded.

In 2004, DFS should benefit from the recovery in the travel business, a trend that is still fragile given the uncertain geopolitical climate. Its top priority is to return to a growth trend in sales in its major stores in Hawaii, Hong Kong, Singapore and Guam.

At the same time, future development will benefit from two new major opportunities --the opening of a new Galleria in Okinawa in 2005, and the increase in the number of travelers from the

People's Republic of China, who will become the largest passenger flows in the coming years. Certain DFS functions have just been transferred at the right time to Singapore and Hong Kong, to bring them closer to the company's most promising markets.

MIAMI CRUISELINE

Taking advantage of the growing cruise ship market, Miami Cruiseline posted significant growth in sales, income from operations and cash flow. Several other factors helped to account for this performance, including improved logistics, cost-cutting, and increased visibility on ships.

In 2004, with the introduction of more efficient inventory management and merchandising, Miami Cruiseline will continue to improve its performance.

SEPHORA

Sephora had an excellent year in 2003, achieving all its objectives despite the global economic downturn. While the performance and profitability of Sephora Europe continued to improve, the company's US operations reported positive income from operations and cash flow for the first time. Confirming the relevance of its controlled growth strategy, the company is now able to finance its expansion.

At December 31, 2003, Sephora had a global network of 500 stores. A total of fourteen stores were opened in Europe and eight in the United States during the year in the cities and countries where Sephora has the best prospects for profitable growth.

Le teint

SEPHORA CONTINUES TO MOVE INTO PROMISING NEW TERRITORIES IN EUROPE.

Sephora Europe continued the work initiated in its stores to enhance the quality of customer service and assistance, focusing on its expertise in skincare. The introduction in France of the Sephora customer loyalty card, designed to promote closer ties with customers, proved highly successful. A loyalty card was also introduced in Poland in late 2003.

As a partner with leading brands, Sephora also attempts to stand out from its competitors by offering more select and exclusive brands sought by customers who are up on the latest trends, and by expanding, under its store brand, several product lines that combine creativity, quality and attractive prices.

Sephora boosted its leading position in Poland by teaming up with the country's oldest selective perfume chain. This added seven new perfume shops in strategic locations, raising the Sephora network in Poland to 41 stores. In Russia, an agreement was also signed with a partner and the first Sephora store opened in Moscow in December 2003. Under the agreement, the existing network can be completed with store openings under the Sephora banner. After Poland,

Romania and the Czech Republic, this opens up a promising new territory in a region of the world where the market is booming.

IN THE UNITED STATES, THE ROBUST PERFORMANCE BY SEPHORA CONFIRMS THE SUCCESS OF AN INNOVATIVE APPROACH.

On a same store basis, Sephora continued to post double-digit growth, well above trends in the specialized retailing industry. While confirming strong sales growth in a sluggish economy, the brand achieved its targets for profitability and cash generation, reaping the benefits of the work already devoted to streamlining its network, cutting costs and increasing the productivity of its stores.

The Times Square store in New York, which was renovated in 2002, has become the Sephora flagship store. Sephora also improved its performance in San Francisco, opening a store in a new location on Powell Street.

Sephora was named "Retailer of the Year" for the beauty industry in the United States. This honor rewards both its undeniable commercial success and the innovative character of its approach, especially in merchandising and the promotion of creative young brands, one of Sephora's special assets driving its popularity in the US market.



The rapidly growing website Sephora.com expanded into Canada in October 2003.

In 2004, Sephora will continue to expand its profitable business model in the United States and Europe. The pace of store openings should pick up slightly, with around twenty planned for Europe and fifteen for the United States.

LE BON MARCHÉ

Over the past few years, Le Bon Marché has emerged as the most exclusive department store in Paris, a true benchmark for French and international customers attracted by beauty and quality.

In a tough market for Paris department stores in 2003, le Bon Marché again increased its market share, thereby confirming its unique positioning compared with its competitors.

In order to prepare the growth drivers for the next few years, in 2003 Le Bon Marché began the renovation of its women's fashion departments, a project that will continue in 2004. New restaurants serving light food were created in the *Grande Epicerie* (Picnic Café), and in the women's fashion department (Delicabar, "*Chic Snack*"). These new initiatives are tremendously successful, and enhance the store's appeal.

LA SAMARITAINE

A change in format, a change in nature, and a change in customers were the three approaches widely initiated in 2003 by La Samaritaine.

A major plan to reorganize the store's sales space was launched to concentrate its operations in its main building. The store size will be reduced from 45,000 square meters in 2001 to 30,000 square meters. In 2004, the sales space freed up will be leased to third parties.

La Samaritaine also continued to introduce products reflecting its market positioning as a new player in fashion and design, now focusing primarily on a clientele living in the central districts of the Right Bank and eastern Paris.

In 2004, the reorganization will be completed, with the opening of a vast men's department in the basement of the main store. In the fall of 2004, with the inauguration of the new Samaritaine, the brand will enjoy new prospects of growth for the future.

rive gauche, qui cherche un cadeau
se découvre une âme d'artiste

OUVERT DIMANCHES
7, 14 ET 21 DÉCEMBRE*

■ L E
B O N
M A R
C H É
RIVE GAUCHE

0 1 1 2 3 4 5 6 7 8 9 1 0 1 1

S A M M A R I T A I N E



MM MAGASIN ÉVOLUTIF



SUSTAIN DEVELO

A photograph of a vineyard during harvest. In the foreground, several workers are seen from behind, tending to the vines. One worker in the center wears a bright yellow jacket. To the right, a worker wears a dark vest over a red shirt. In the background, a green harvester is visible, and another worker in a blue shirt is on the left. The vines are dense and green, with some clusters of grapes visible. The sky is clear and blue.

ABLE PMENT

OUR COMMITMENTS

A COMMITMENT TO CITIZENSHIP

To implement, for the benefit of the largest number, a patronage program the components of which reflect and transmit our fundamental values.

To provide active support for major causes, fund humanitarian projects and public health challenges, and develop initiatives for young people.

SOCIAL POLICY

To encourage all our employees to reach their full career potential, showcase the diversity and the wealth of human resources in our companies in all the countries where we operate, and encourage initiatives in these areas.

Outside our own company, to contribute to the knowledge and preservation of our businesses and our know-how as artisans and designers.

ENVIRONMENT

To work together to preserve the resources of the planet, to design and develop products that respect the environment, to report on our policies and projects and the progress achieved in meeting our objectives.

To contribute to environmental protection above and beyond those factors directly related to our operations, by entering into active partnerships with cooperating business groups, local authorities and associations.

ECONOMIC PERFORMANCE

To combine economic growth and respect for sustainability criteria, which are represented for our luxury businesses by the values of creativity and excellence. To apply our creative passion to a genuine *art de vivre* to which our customers aspire.

To strengthen our position as a global leader, and to be the benchmark in the management and development of luxury brands.

In 2003, Bernard Arnault, Chairman and Chief Executive Officer of LVMH, joined the United Nations Global Compact. Under this initiative launched by UN Secretary General Kofi Annan, signatories make a commitment to apply and promote nine principles in the areas of human rights, labor and the environment.

THE VALUES OF LVMH

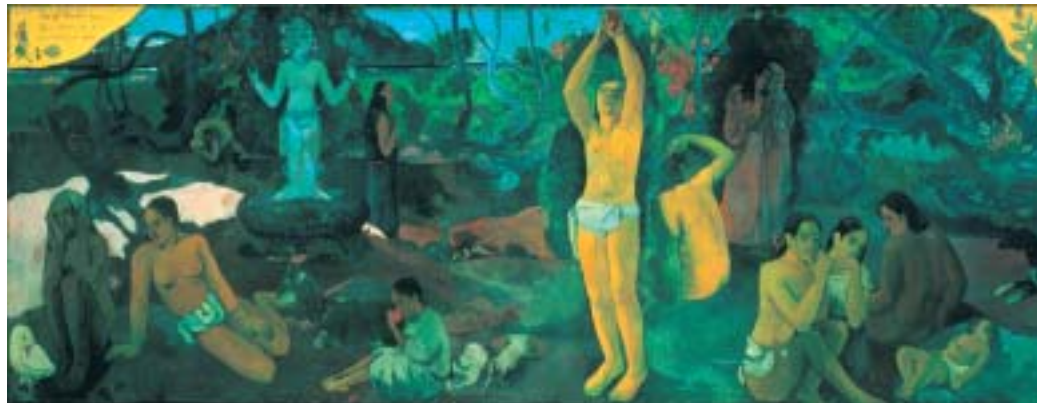
INNOVATION AND CREATIVITY. Because our trades, so akin to art, are creative, because technological innovation plays an essential role in their timelessness.

EXCELLENCE. Because the best elements of luxury embodies craftsmanship, and because we always owe quality to our customers.

BRAND IMAGE ENHANCEMENT. Because this image is an inestimable and irreplaceable asset and because each message must be worthy of the brand.

ENTREPRENEURSHIP. Because our leadership position naturally requires that we have a long-term vision and set the most ambitious goals for our teams.

LEADERSHIP-BE THE BEST.



Paul Gauguin – Where do we come from? What are we? Where are we going?
© Réunion des Musées nationaux 2003



A PATRONAGE FOR CULTURE, YOUTH AND HUMANITARIAN ACTION

TO BRING TO LIFE A CORPORATE ACTION FOR THE BENEFIT OF THE LARGEST NUMBER, THE COMPONENTS OF WHICH REFLECT AND TRANSMIT OUR FUNDAMENTAL VALUES: THIS IS THE FOUNDATION OF THE PATRONAGE PROGRAM DEVELOPED BY LVMH.

Thanks to its success, LVMH in 1990 was able to begin developing an innovative and original patronage policy. This is an appropriate approach, because it expresses the values shared by its brands and that form the basis for their success without infringing on their own communications and philanthropic activities. This is also a useful process, because the message LVMH wants to convey through projects benefiting as many people as possible is the importance of an active role in supporting our historical, artistic and cultural heritage, young people, and major humanitarian causes.

ENRICH AND EXPAND OUR ARTISTIC HERITAGE

The first component of the LVMH policy focuses on our artistic heritage. This means the restoration of historic buildings, additions to the collections of major museums, encouragement for

contemporary design, and a contribution to major national exhibits. In 2003, the Group supported the renovation of the Throne Room at the Correr Museum in Venice and the "Gauguin-Tahiti – L'atelier des Tropiques" (Studio in the Tropics) exhibit presented at the Grand Palais in Paris.

YOUTH AND SOCIAL SOLIDARITY

The second thrust of the LVMH policy focuses on youth in France and around the world. Students from elementary school all the way through high school and college benefit from educational programs designed and initiated by the Group so that they have access to the best of the arts, especially the plastic arts and music. Since 1997, nearly 16,000 children between the ages of seven and twelve have attended the LVMH "Discovery and Learning" classes held at the same time as the exhibits supported by the Group.

Encouraging the talent of tomorrow is another objective, which led in 1994 to the creation of the LVMH Prize for young artists, awarded every year on the occasion of the exhibits supported by the Group. In ten years, a total of seventy scholarships have been awarded to students in art schools in France and around the world.

The philanthropic efforts of LVMH also

have a humanitarian component, with support for public health and medical research projects*.

STRENGTHENING THE TIES WITH THE LOCAL COMMUNITIES

Although LVMH's corporate patronage is largely carried out in France, it also proves, through concrete actions, that it is aware of its responsibilities as a global company. For example, over one hundred foreign art schools are participating in the competition for the tenth Young Artists' Prize in honor of Paul Gauguin. The winners are hosted by French schools so they can be supplementing their academic program by learning about our culture.

Corporate sponsorship also helps the Group become part of the local community in the various countries where it operates. In China, for example, LVMH gave a stage curtain designed by Olivier Debré to the Grand Theatre of Shanghai. This effort to enrich and expand the Chinese cultural heritage is but one example among many of LVMH's cultural contributions in Asia. The contributions of LVMH are an additional asset for the companies in the Group that want to establish a lasting presence in the region and forge ties with local communities.

* See page 75

A CORPORATE COMMITMENT POLICY



LVMH IS A GROUP COMPOSED OF ABOUT FIFTY BRANDS OPERATING IN VARIOUS BUSINESS SEGMENTS. SOCIAL COHESION IS ONE OF THE KEY FACTORS IN ITS SUCCESS. IN THE LAST SEVERAL YEARS, THE GROUP HAS IMPLEMENTED AN INNOVATIVE INTERNAL AND EXTERNAL CORPORATE POLICY THAT IN LARGE PART EXPLAINS THE COMMITMENT OF ITS EMPLOYEES. LVMH DEFENDS THE VALUES OF A RESPONSIBLE CITIZEN GROUP. INTEGRITY, EQUITY, SOLIDARITY AND A RESPECT FOR ETHICAL RULES IN BRAND MANAGEMENT AND EMPLOYEE DEVELOPMENT ARE REQUIREMENTS THAT THE GROUP DEMANDS FROM ITSELF EVERY DAY AND SHARES WITH ALL ITS EMPLOYEES WORLDWIDE. IMPLEMENTING THESE VALUES IS ONE OF THE DAILY RESPONSIBILITIES OF MANAGERS AND SENIOR EXECUTIVES IN ALL LVMH COMPANIES.

DEVELOPING TEAMS FOCUSED ON EXCELLENCE

ONE OF THE FACTORS DRIVING THE GROWTH OF THE GROUP IS ITS RECRUITMENT AND PROFESSIONAL DEVELOPMENT POLICY. ITS KEY VALUES ARE TO IDENTIFY TALENT, TO VALUE THE ACQUISITION OF LASTING PROFESSIONAL SKILLS, AND TO ENCOURAGE THE INDIVIDUAL ACCOMPLISHMENTS OF THE MEN AND WOMEN IT EMPLOYS WORLDWIDE.

IDENTIFYING TALENT

Throughout the year, the companies of the LVMH Group takes part in meetings organized on the campuses of engineering schools, business schools and design schools, as well as schools that specialize in the expertise specific to its businesses. Presentations, conferences, forums, participation in educational programs, hosting interns,

and sponsoring young artists and designers are all opportunities, for the companies in the LVMH Group, both to identify and develop talent and to publicize the richness of each business line.

VALUING PROFESSIONAL EXPERTISE AND ENCOURAGING INDIVIDUAL ACCOMPLISHMENT

LVMH is dedicated to developing business line expertise through training, mobility and cross-fertilization of know-



The 2003 Festival d'Hyères Women's Wear Prize went to Sandrina Fasoli.
© Etienne Tordoir.

HELPING AND TRAINING TOMORROW'S DESIGNERS

Since 1999, the Group has been sponsoring the Festival International des Arts de la Mode in Hyères. This event, held in the south of France each year, offers promising young designers the opportunity to present their first collections before a jury of professionals and in presence of many fashion journalists. In 2003, four designers and one photographer were awarded prizes by the fashion and photography juries. Some of the young fashion designers discovered during previous Hyères festivals are now pursuing professional careers in the fashion field. They include names such as Viktor & Rolf, Alexandre Matthieu, Oscar Suleyman, Sébastien Meunier, Xavier Delcour and others.

how (cross-brand project groups and inter-company operating networks). The objective is to make LVMH a true learning organization in which each employee can develop individually and professionally.

CUSTOM TRAINING

LVMH companies offer a broad range of training programs to allow both management and employees to develop their professional skills and their specific business line expertise as artisans and creators and to share a common vision. Training workshops are chosen on the basis of the needs and specific features of the business lines of each brand and are organized by the training centers of each business segment. These training programs are facilitated by outside trainers as well as by in-house specialists.

In addition, the Group holds orientation workshops designed to familiarize new employees with the culture of the Group companies, its values, its basic management principles and the knowledge of its brands. Over 11,000 employees received such training in 2003.

MANY PROFESSIONAL CAREER OPPORTUNITIES WORLDWIDE

One of the assets of the LVMH group is that it brings together companies that have a strong identity and business expertise in very diverse fields. Consequently, there are many professional career opportunities that match the skills and aspirations of each employee.

Today over half of the management positions are filled by internal transfers. Nearly 40% of these transfers are to another company in the Group; one move out of six is to another country.



A group of participants at work at LVMH House during "The Art of Luxury Branding" forum.

SHARING THE "VISION" AND BEST PRACTICES

In late 1999, LVMH opened the LVMH House in London, a management and innovation center specifically dedicated to the professional development of Group executives.

Each year, this meeting place welcomes more than 400 participants from all over the world for forums focused on global strategy issues, such as leadership, new technologies, or innovation and creativity.

Since 2003, the LVMH House has offered a new Forum on "The Art of Luxury Branding", i.e. how a luxury brand is created and developed; how to protect its identity. These are but a few of the topics discussed in this Forum.

RETAINING THE BEST

The Group ensures that its companies apply compensation formulas that are best suited to involving employees in the growth strategy. For instance, profit-sharing plans have been implemented in all LVMH companies.

In addition, the number of beneficiaries of LVMH stock options has doubled since 2000. The originality of this program lies in the fact that stock options are granted each year based on individual performance.

Finally, an innovative shareholding plan known as *OPAL - Options for All* was launched in May 2001. Under this plan, over 44,500 LVMH employees have each received 25 shares.



A DYNAMIC SOCIAL POLICY

A TRUE COMMITMENT TO SOCIETY IS EXPRESSED INSIDE AND OUTSIDE THE COMPANY. **JOB CREATION, EQUAL OPPORTUNITY AND COMMUNITY SUPPORT** ARE EVEN MORE NATURAL FROM A GROUP WHOSE MISSION IS TO PROMOTE AN "ART OF LIVING" AND A **MESSAGE OF EXCELLENCE** THROUGHOUT THE WORLD.

A GROUP THAT CREATES AN EXCEPTIONAL NUMBER OF JOBS

Because of its policy of selling products that carry the label "made in France", a guarantee of quality and excellence, LVMH is one of the few groups that can guarantee growth in industrial employment in France. Louis Vuitton recently built two new plants in France in areas with a very high unemployment rate – Sainte Florence in Vendée and Ducey in La Manche.

The initiatives of Louis Vuitton in creating plants and jobs in France are one component of its commitment to the sustainable integration of the brand within local communities, and also serve to support the company's growth over the long term.

Because of the steady growth in our brands, many sales jobs have been created in all the countries where we operate, particularly in the expanded network of directly owned stores.

EQUAL OPPORTUNITY IN FRANCE AND INTERNATIONALLY

Concerned with observing equal rights and equal opportunity, in the spirit of the agreements of the International Labor Organization, the companies of the LVMH group offer everyone, without discrimination, the opportunity to achieve their professional goals.

For example, women represent two-thirds of the workforce employed by Group companies. This significant percentage reflects the type of products and the attractive nature of our business lines as well as the career opportunities and professional satisfaction that companies like ours can offer women. Thus 67% of the employees hired in France in 2003 were women.



"It is all about the senses, and intuition: you need to be a craftsman to work like this. We almost consider ourselves artists, or creators."

Jacques Péters, Veuve Clicquot Cellar Master.



LVMH ENCOURAGES THE PASSION OF YOUNG PEOPLE FOR ASIA.
 Created in 1986, the LVMH Scholarships for Asia program sends five students from France's top schools to do a study tour on a topic of their choice in an Asian country. The 2003 LVMH Scholarships for Asia award ceremony was held at the Cultural Center of the Japanese Embassy in Paris with a number of prominent persons in attendance, including several representatives from the diplomatic community.

ENCOURAGING LEARNING AND PROFESSIONAL QUALIFICATIONS

LVMH has a permanent policy of hiring people with few qualifications and then training them for several months in the processes and techniques used to manufacture its products. Acquiring and mastering this kind of craftsmanship takes years of learning in most of our businesses, especially those related to leather work, fashion, wine growing and wine-making, and watch-making.

Our companies have also developed international training centers for sellers and product demonstrators.

Finally, since 1999, LVMH has teamed up with the Second Chance Foundation whose mission is to provide technical and human support to persons in financial difficulty.

SOCIAL AND CULTURAL ACTIVITIES

In 2003 in France, the LVMH group of companies devoted a budget of 9 million euros to social and cultural activities for employees, e.g., contributions to the works council to organize trips, sponsorship of book and DVD libraries, photography or painting clubs, grants for sports activities, participation in healthcare programs, etc.

A COMMITMENT TO SOLIDARITY

LVMH demonstrates its belief in active community involvement in favor of the largest number, by providing ongoing support to major humanitarian and public health causes and to medical research in France and worldwide.

These projects involve three primary areas:

- Childhood: the Foundation of the

Hospitals of Paris – Hospitals of France, the "Pont-Neuf" Foundation, the "Save the Children" Foundation in Japan, etc.

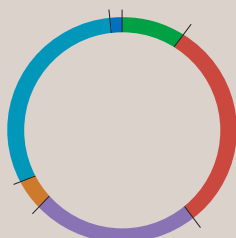
- Medical Research: the Pasteur Institute, Cancer Research, the Parkinson's Disease Foundation, New York, USA, etc.

- Humanitarian and Social Causes: the Claude Pompidou Foundation, the "Universal Brotherhood" Foundation, the "Robin Hood Foundation", New York, USA, etc.

In addition to the activities carried out in these areas by the Group itself, the companies also develop their own initiatives.

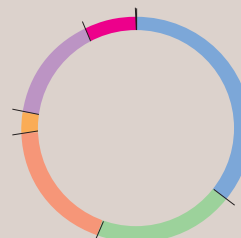
Average work force by business group

Wines and Spirits	4,908
Fashion and Leather Goods	16,709
Perfumes and Cosmetics	13,010
Watches and Jewelry	2,309
Selective Retailing	17,123
Other Activities	901
Total	54,960



Average work force by geographic region

France	19,600
Europe (excl. France)	10,913
North America	10,434
South America	1,612
Asia Pacific	8,327
Japan	4,074
Total	54,960





COMMUNICATIONS: SHARING VALUES AND KNOW-HOW

LVMH IS A PROFESSIONAL COMMUNITY OFFERING A **BROAD RANGE OF SKILLS AND EXPERTISE** THAT COMPLEMENT AND ENRICH EACH OTHER. OVER TIME, THE GROUP HAS BUILT A **COMMUNITY OF KNOW-HOW AND VALUES** THAT SERVE DAILY AS A POINT OF REFERENCE. INTERNAL COMMUNICATIONS PLAY A KEY ROLE IN THIS INTERACTIVE PROCESS TO **TRANSMIT AND SHARE**.

LVMH is dedicated to providing information to its employees. Its internal communication policy is organized around three major vectors:

- To promote and encourage a top-down and bottom-up information process in each of the companies, based on regular information meetings conducted by management, annual conventions, and messages from the Chairmen, all of which contribute to a climate conducive to corporate dialogue.
- To strengthen the sense of belonging to the Group and share the core values underlying its success by communicating to all employees its strategic orientations and the culture of each of its brands and by showcasing the skills of its business lines through the orientation workshops mentioned above, by distributing its in-house publication LVMH Magazine abroad, and the internal informational magazines of its different companies.

- To facilitate the flow of "business" or "operational" information through a number of intranet or extranet sites, sometimes specifically addressing the employees of the company concerned, one inter-company function or else the entire LVMH workforce.

AN ACTIVE EXTERNAL COMMUNICATIONS POLICY

Updated constantly in real time, the LVMH website receives over 400,000 hits per month.

In addition to corporate and financial data, the site gives all the latest news about the LVMH brands (new products, events and other information) as well as corporate patronage activities.

The pages devoted to human resources and to job offers are among the most frequently visited sites (60% of the pages hit) and give web-surfers an opportunity to discover the wealth and appeal of the Group's brands, and to learn about the wide range of career prospects available in the companies and, of course, to apply for job openings on-line.



www.lvmh.com

WORKING WITH THE COMMUNITY

Moët Hennessy became a partner for the 20th Heritage Day Even (*Journées du Patrimoine*), showcasing exceptional locations for the general public.



Doors opened on the Moët Hennessy Vineyards
© Moët Hennessy 2003

The brands as prestigious as Moët & Chandon, Hennessy, Veuve Clicquot Ponsardin, Ruinart and Mercier took part in this event for the first time.

These prestigious brands have developed their know-how in the heart of our native soils and, as such, represent a unique heritage— one that is synonymous with the *art de vivre à la française*.

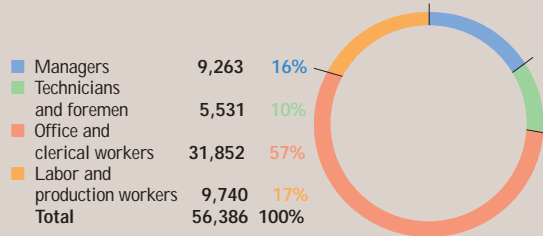
Whether in Champagne or in the Cognac region, these great Houses displayed a few of their remarkable sites, some of which have never been opened to the public, such as country inns, museums, the Abby of Hautvillers, where Dom Pérignon lived, parks, gardens, wine cellars, vineyards and distilleries.

By offering guided tours during those two days, Moët Hennessy opened the doors of its Houses, estates and vineyards to lovers of history, culture and the arts.

EMPLOYMENT DATA

THE INFORMATION BELOW INCLUDES ALL EMPLOYEES, INCLUDING EMPLOYEES OF THE JOINT VENTURES

Workforce by professional category at December 31, 2003 (includes both regular and temporary personnel)



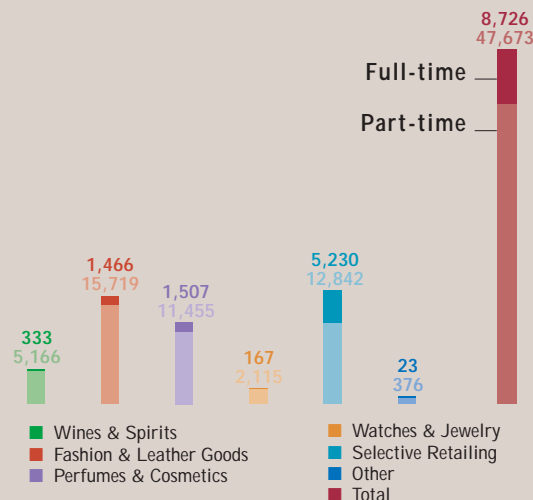
The total workforce under regular and temporary employment contracts at December 31, 2003 was 56,386 employees, including 8,726 part-time employees, i.e. 15% of the total.

This workforce at December 31, 2003 includes 50,340 regular employees and 6,056 temporary employees. It represents 51,173 full-time equivalent employees.

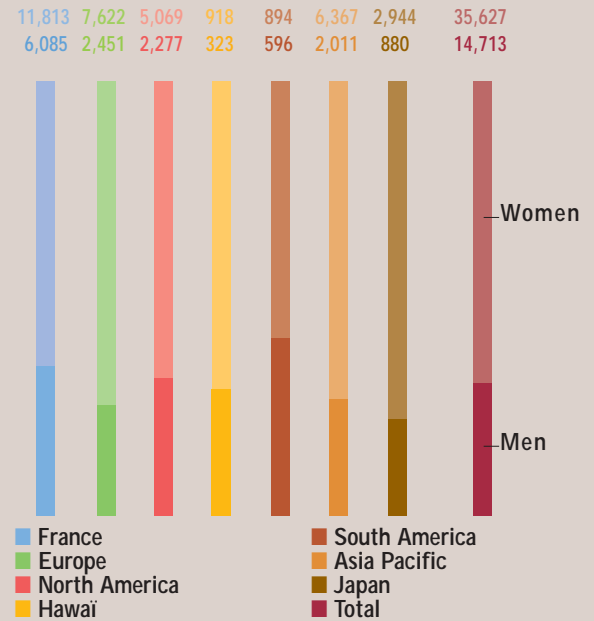
Breakdown between women and men and classification (regular employees only)

	Women	Men
Managers	54%	46%
Technicians and foremen	69%	31%
Office and clerical workers	80%	20%
Labor and production workers	61%	39%
Total	71%	29%

Breakdown of full-time and part-time workforce by business group



Breakdown between women and men by geographic region (regular employees only)



Other Indicators

• Promotions

338 technicians and foremen were promoted to management positions last year, while 508 labor and production workers and employees were promoted to technical or supervisory jobs.

• Training

– 63.1% of our full-time equivalent workforce, or around 32,000 employees, received at least one day of training during the year.

– The average number of training days per person was 2.3 days.

– 45,127,824 euros was spent on training last year, which represents more than 800 euros per person or 2.8% of the worldwide payroll excluding employee profit sharing.

– The total number of training days was 113,967, equivalent to 570 persons in training full time throughout 2003. This represents one out of every 88 persons employed by the Group.

– Nearly 11,000 people underwent an integration session in 2003.



PRESERVING THE ENVIRONMENT

VISION AND STRATEGY

BECAUSE OUR BUSINESSES ARE PROFOUNDLY LINKED TO NATURE, RESPECT FOR THE ENVIRONMENT HAS ALWAYS BEEN AT THE HEART OF THE EFFORTS OF THE COMPANIES IN THE GROUP AND THE VALUES THAT DRIVE THEM. IT IS A CORNERSTONE OF THE LVMH MISSION—TO PROMOTE QUALITY AND THE “ART DE VIVRE” WORLDWIDE AS EXEMPLIFIED BY ITS PRODUCTS. THE ENVIRONMENTAL CHARTER ADOPTED IN 2001 LAYS OUT THE GROUP’S CONCRETE COMMITMENTS IN THIS AREA: TO AIM FOR A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE, TO FOSTER A COLLECTIVE PURPOSE, TO CONTROL ENVIRONMENTAL HAZARDS, TO FOLLOW-THROUGH ON PRODUCT DISPOSAL, AND TO MAKE COMMITMENTS OUTSIDE THE COMPANY.

RELATIONSHIP BETWEEN LVMH AND THE ENVIRONMENT

Like any human activity, the Group’s operations have an impact on the envi-

ronment that varies depending on the type and scope of activity. For almost all companies, those activities are:

- consumption of **energy** to operate equipment, lighting and heating of buildings or certain specific operations (cold-stabilization of wine, distillation of cognac);
- consumption of **raw materials** necessary for making the packaging: glass, cardboard, plastic, metals to a lesser extent;
- production of **waste** at the sites;
- air pollution and energy use when merchandise is being **shipped**.

Wines & Spirits and Perfumes & Cosmetics have other specific aspects, such as consumption of **water**, which is an essential resource for hygiene of materials and equipment that come into contact with the product or for survival of vines (irrigation of vines in Australia, New Zealand, Argentina and California) and production of **liquid waste** rich in organic matter. Only the Wines & Spirits sector can have an impact connected with **soil** use for growing vines.

STRONGER ENVIRONMENTAL COMMITMENT FROM LVMH

LVMH formed its environmental department in 1992 and Bernard Arnault chose to affirm its commitment in 2001 by signing the “Environmental Charter.” The Charter asks each com-

pany of the Group to make a commitment to set up an effective environmental management system, review product-related environmental issues together, manage risks and use the best environmental practices.

A member of the Orée Association, LVMH is also committed to respecting the principles of its Charter⁽¹⁾ which has been in place since 2001.

ORGANIZATION WITHIN THE GROUP

The environment department is under the authority of the Financial Manager, who is a member of the executive committee.

Its role is:

- to steer the environmental policy of the Group’s companies, based on the LVMH Charter;
- to monitor regulations and technology;
- to create and develop environmental management tools;
- to help companies to anticipate risks;
- to train and sensitize employees at every level of the hierarchy;
- to define and consolidate environmental indicators;
- to work with the various stakeholders (associations, rating agencies, government offices...).

(1) The Orée Charter is available at the association’s website: <http://www.oree.org>.

The companies have one or more correspondents who come together in the "LVMH Environment Commission," which is run by the environment department, who exchange information and good practices through quarterly meetings and a Group Environment Intranet, which everyone can access. The environment department also participates regularly in the executive committees of the companies.

Each company is responsible locally and provides its own environmental management system, which sets forth the principles of the LVMH Environment Charter, according to its activity and with a view toward ongoing improvement. It can choose whether or not to orient itself toward ISO 14001 or EMAS environmental certification.

THE GROUP AND THE STAKEHOLDERS

Since 2003, LVMH has chaired the OREE association, which it has been a member of for 10 years. OREE brings together companies, local governments and associations to brainstorm together and create tools to improve environmental awareness.

The Group is also part of the environment committees of many national professional associations (Institut de Liaison des Entreprises de la Consommation [ILEC], Organisation pour la Responsabilité Sociale des Entreprises [ORSE], Association pour le Management des Risques et des Assurances de l'Entreprise [AMRAE], Association Française des Entreprises Privées [AFEP]), and European associations (Association des Industries de Marques [AIM]). Moët Hennessy also sits on the Board of Directors of the Adelphe organization, and LVMH is a shareholder of ECOPAR (Eco-Emballages), two entities that help local governments to sort and recycle household packaging waste.

The Group's environment department has regular relationships with consumer and environmental protection associations, either directly through formal or informal one-time meetings,

or through the organizations listed above in which the Group is active.

The champagne and cognac companies put their environmental expertise to work for the local community by participating in the technical commissions of the professional sector or by consciousness-raising actions: in November 2003, Hennessy's environmental manager spoke on the topic "The environment, a challenge for the wine-making sector" to 200 professionals and elected officials from the Charente region. Interested by the initiative of the champagne bottle "carbon balance" that the Veuve Clicquot Ponsardin company did in 2002, the Comité Interprofessionnel des Vins de Champagne (CIVC) conducted a study covering the entire Champagne region in 2003.

The Group is a publicly traded company and, throughout the year, receives questionnaires from shareholders, investors or rating agencies to which it must respond: accordingly, 11 questionnaires with a significant environmental component were handled in 2003.

In addition to these forms of interaction with stakeholders, anyone can query the Group about environmental issues over the Internet at environnement@lvmh.fr.

EVOLUTION OF ENVIRONMENTAL MANAGEMENT IN THE GROUP'S COMPANIES

IMPROVEMENT IN ENVIRONMENTAL MANAGEMENT SYSTEMS

The companies must produce their own environmental policy specific to their activity and set goals for themselves. Those that so desire can choose to have their management system certified by a third party, such as Jas Hennessy & Co, which in 1998 was the first company in the world to receive ISO 14001 certification in the Wines & Spirits sector; this has been renewed twice since and is valid for all its sites.

In December 2003, the Louis Vuitton Malletier workshop in Barbera, Spain, received ISO 14001 certification, as did all sites of the Krug and Veuve Clicquot Ponsardin companies in February 2004.

(2) Calculation of greenhouse gas emissions at each stage of the product's life.



With its environmental awareness workshops, the Jardin d'Acclimatation offers young city dwellers real access to nature: getting to know what gardeners do, medicinal herbs, the rhythm of the seasons, how natural pigments are made, etc. All these workshops enable children to draw a connection between the plant world and everyday use, introducing them little by little to the importance of having respect for nature. In 2003, 4,600 children in nursery and elementary school participated in those workshops.



The Louis Vuitton site in Ducey, Normandy, has developed its environmental management system by conducting an environmental analysis of the site (identifying the environmental impact of the site's activities), establishing an environment committee and devising an environmental plan.

Concern for the environment is at the heart of the staff management system. At Hennessy, annual environmental protection goals are incorporated into the management performance evaluation system. Veuve Clicquot Ponsardin has included an environmental indicator (based on water consumption and heating-related energy consumption) in calculating the profit-sharing that gives employees a stake in the company's performance.

ENVIRONMENTAL REPORTING: IMPROVING THE SCOPE OF COVERAGE AND REFINEMENT OF DATA

The upward flow and consolidation of environmental data were set up in 1999 in the largest companies and were extended to include all of them. In 2003, the scope covered:

- the production sites and warehouses throughout the world that are owned and operated outright for the companies that have production activity;
- boutiques located in France and operated outright for the distribution companies, i.e. Sephora, La Samaritaine and Le Bon Marché boutiques;
- the main administrative sites in France.

The scope does not include the fleets of vehicles that are owned outright by the companies and are used for staff travel.

Accordingly, it covers 365 sites (versus 306 in 2002). Data from just 20 of those sites is missing from it, the impact that they have on the environment being not significant in comparison with the Group's total impact.

The major changes with respect to 2002 were:

- addition of main administrative sites in France;
- improvement in data collection: incorporation of data from sites that were not provided in 2002: Château d'Yquem, three sites in Loewe, the two subsidiaries of Hennessy and Rossimoda;
- sale of companies consolidated in 2002 and withdrawn in 2003: Canard Duchêne, Ebel.

GREATER STAFF AWARENESS

In 2003, a bilingual version of the environment intranet was made available online, which all employees can access. This year, the companies of nearly all branches of the Group stepped up the training and consciousness-raising for their internal staff: 8,159 hours were devoted to it; compared to 2002, that figure is a 30% increase.

For example, Moët & Chandon organized environmental consciousness-raising sessions for 563 people, all functions and all departments combined (Marketing, Human Resources, Operations, Administration, etc.). Totalling more than 1,700 hours in 2003, they were part of an operation to sensitize all Moët & Chandon employees that was conducted from 2002 to early 2004.

In 2003, all Hennessy, Moët & Chandon and Veuve Clicquot Ponsardin employees received an environmental consciousness-raising guide. It lists

“green actions” to be taken at home and in the workplace to limit everyone’s impact on the environment: conserving energy, sorting trash, limiting use of forms of transportation that pollute (aircraft and automobile), reducing noise.

The logistics platform of Kami, a subsidiary of Kenzo, offered all its employees (250 people, including permanent, fixed-term and temporary employees) the “Sustainable Development Game,” a card game that offers multiple-choice questions and answers on important environmental and sustainable development issues.

“Sustainable Development Week” from June 2 to 6, 2003 was an opportunity for many environmental consciousness-raising actions within the Group:

- Holding company: environmental consciousness-raising sessions on the topics “the environmental impact of the Group’s products” and “the use of nature in the Group’s products”;
- Moët & Chandon: rotating exhibits at the main entrances about sorting industrial waste, renewable energies and transportation, giving out flyers with household-related information: regulation of individual heating, hazardous household waste, organization of conferences on sustainable viticulture, and distributing a daily environment newsflash on the company’s Intranet;
- Parfums Christian Dior: contest at the Saint Jean de Braye site, consciousness-raising by printing information about the environment on the paper napkins that are distributed in the company’s cafeteria, training in sorting trash and distribution of booklets;
- Kenzo Parfums: communication about the environment on the company’s intranet, which all employees can access.

CONTINUED ENVIRONMENTAL AUDITS

In 2003, 20 environmental audits were conducted at the sites internally or by outside parties (insurance companies, ISO 14001 auditors, etc.), i.e. seven more than the previous year. An “audit” is an assessment—done at one or more sites of the same company—of the status of any environmental problems encountered there: handling of waste, water, energy, environmental management, etc.

In order to improve its environmental policy, Celine has for instance conducted an environmental audit of its production site in Italy, which enabled it to produce an environmental action plan for 2004.

In addition to these audits, at their sites the companies can periodically conduct numerous compliance checkings on a specific point of environmental regulation (e.g. checking of waste sorting). In addition to those verifications, since 2003 there has been a review of environmental regulatory compliance by insurance companies, which included an environmental component when fire engineering inspections were conducted at Group company sites. About 30 inspections were conducted in 2003.

This action will be reinforced in 2004 by forming a team of about **12 environmental internal auditors**, who are to conduct environmental management and/or compliance audits.



Guide for “green actions”

More detailed information on the guidelines of the Global Reporting Initiative and the indicators for the environmental impacts of the Group’s operations are provided in the 2003 LVMH reference document, which is available on request, and can also be found on the “LVMH and the environment” page on the Group’s website at www.lvmh.com.



CONSOLIDATED FINANCIAL STATEMENTS 2003

THE CONSOLIDATED
FINANCIAL STATEMENTS
PRESENTED IN THE FOLLOWING
PAGES ARE ABBREVIATED.

LVMH

MOËT HENNESSY • LOUIS VUITTON

CONSOLIDATED KEY FIGURES

(EUR millions)	2003	2002	2001	2000	1999
KEY CONSOLIDATED DATA					
Net sales	11,962	12,693	12,229	11,581	8,547
Income from operations	2,182	2,008	1,560	1,959	1,547
Income before income taxes	1,618	1,317	667	1,692	1,435
Net income before amortization of goodwill, and unusual items	1,023	818	334	846	738
Net income	723	556	10	722	693
Current assets	7,924	7,927	9,552	10,192	7,740
Common stock	147	147	147	147	147
Stockholders' equity ⁽¹⁾	7,034	7,070	6,901	7,031	6,704
Net assets	8,769	8,842	8,701	8,512	7,781
Current liabilities	6,118	6,601	8,026	9,562	8,374
Short-term debt	2,116	2,578	4,003	5,568	4,600
Long-term debt	4,207	4,554	5,402	3,498	3,085
Balance sheet total	20,543	21,417	23,832	23,192	20,734
Net cash provided by operating activities before changes in current assets and liabilities	1,949	1,518	919	1,214	1,051

(EUR)

EARNINGS PER SHARE

Net income before amortization of goodwill, minority interests and unusual items ⁽²⁾	2.09	1.67	0.68	1.75	1.53
Net income ⁽²⁾	1.48	1.14	0.02	1.49	1.43

DIVIDEND PER SHARE⁽²⁾⁽³⁾

Interim	0.22	0.22	0.22	0.22	0.20
Balance	0.63	0.58	0.53	0.53	0.48
Dividend	0.85	0.80	0.75	0.75	0.68

(1) Prior to allocation of income.

(2) Figures have been adjusted to reflect retroactively the bonus share distribution of June 1999 (one new share for ten shares held as of this date), and the five-for-one stock split of July 2000.

(3) Excluding the special French tax credit on dividends.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

ASSETS (EUR millions)	2003	2002	2001
CURRENT ASSETS			
Cash and cash equivalents	823	812	795
Short-term investments	231	60	622
Treasury shares	427	544	1,046
Trade accounts receivable	1,375	1,327	1,538
Deferred income taxes - net	451	555	544
Inventories and work-in-progress	3,415	3,427	3,655
Prepaid expenses and other current assets	1,202	1,202	1,352
TOTAL	7,924	7,927	9,552
INVESTMENTS AND OTHER ASSETS			
Investments accounted for using the equity method	49	68	77
Unconsolidated investments and other investments	848	869	1,386
Treasury shares	404	362	318
Other non-current assets	338	511	467
Goodwill and similar intangible assets - net	3,410	3,631	3,516
Brands and other intangible assets - net	3,902	4,199	4,308
Property, plant and equipment - net	3,668	3,850	4,208
TOTAL	12,619	13,490	14,280
TOTAL	20,543	21,417	23,832

LIABILITIES AND STOCKHOLDERS' EQUITY (EUR millions)	2003	2002	2001
CURRENT LIABILITIES			
Short-term borrowings	1,245	2,304	3,765
Accounts payable	1,639	1,429	1,401
Accrued expenses and other current liabilities	2,302	2,533	2,622
Income taxes	61	61	-
Current portion of long-term debt	871	274	238
TOTAL	6,118	6,601	8,026
DEFERRED INCOME TAXES - NET	158	125	169
LONG-TERM LIABILITIES			
Long-term debt, less current portion	4,207	4,554	5,402
Other long-term liabilities	1,133	1,073	1,250
Repackaged notes	158	222	284
TOTAL	5,498	5,849	6,936
MINORITY INTERESTS IN SUBSIDIARIES	1,735	1,772	1,800
STOCKHOLDERS' EQUITY			
Common stock	147	147	147
Additional paid-in capital	1,736	1,736	1,736
Cumulative translation adjustment	(623)	(222)	(140)
Retained earnings	5,774	5,409	5,158
TOTAL	7,034	7,070	6,901
TOTAL	20,543	21,417	23,832

★ In 2003, LVMH successfully continued to improve its financial position and lighten its balance sheet. Strong cash flow from operations, asset disposals and, to a lesser extent, the decline of the US dollar against the euro all contributed to a tangible reduction in net financial debt.

★ At December 31, 2003, LVMH's consolidated balance sheet totaled 20.5 billion euros, down 4% compared to 21.4 billion euros at December 31, 2002.

★ Investments and other fixed assets totaled 12.6 billion euros, against 13.5 billion euros at the end of 2002; this represented 61% of the balance sheet total compared to 63% one year earlier.

★ Tangible and intangible assets were down at 11.0 billion euros compared to 11.7 billion euros at year-end 2002. This was the result of moderated capital expenditures, concentrated on the store network and of disposals: Canard Duchêne, Hine cognac, perfumes and cosmetics licenses for Michael Kors, Marc Jacobs and Kenneth Cole, etc., as well as the impact of the US dollar's decline against the euro.

★ Investments, treasury shares and other non current assets were down slightly to 1.6 billion euros, compared to 1.8 billion euros one year earlier.

★ Inventories remained stable at 3.4 billion euros, unchanged from December 31, 2002. The change reflects the strength of year-end sales as well as the favorable effect of foreign exchange

rates despite the continuing reconstitution of Louis Vuitton, Moët & Chandon and Hennessy inventories.

★ Cash and short-term investments increased slightly to 1.1 billion euros, compared to 0.9 billion euros one year earlier.

★ Group stockholders' equity, before appropriation of earnings, remained stable at 7.0 billion euros. Minority interests were also stable at 1.7 billion euros. Pursuant to earlier agreements and reducing off-balance sheet commitments, additional minority interests in Fendi were acquired in 2003. This was offset by the minority contribution to the DFS common stock increase in March and by minority shareholders' interest in annual earnings.

★ Total stockholders' equity and minority interests amounted to 8.8 billion euros, representing 43% of the balance sheet total.

★ At the end of December, long-term liabilities and deferred income taxes totaled 5.7 billion euros, 4.4 billion euros of which were financial debt. Their relative weight in the balance sheet remained unchanged at 28%.

★ Long-term resources stood at 14.4 billion euros, and exceeded total fixed assets.

★ Current liabilities amounted to 6.1 billion euros at December 31, 2003, compared to 6.6 billion euros at the end of 2002, this being primarily due to the reduction in short-term borrowings and

the current portion of long-term debt, which stood at 2.1 billion euros compared to 2.6 billion euros one year earlier. The percentage of short-term liabilities in the balance sheet total was down slightly at 30% compared to 31% at the end of 2002.

★ At December 31, 2003, short and long-term financial debt, net of short-term investments and cash totaled 5.4 billion euros. This represented a gearing of 62% compared to 73% at December 31, 2002.

★ The debt reduction program initiated at the end of 2001 with the disposal of the Gucci equity stake therefore continued to make progress in 2003, as net debt fell by 1.1 billion euros.

★ After deducting the market value of the equity stake in Bouygues and treasury shares not allocated to option plans, net debt totaled 5.0 billion euros or 57% of stockholders' equity and minority interests.

★ Long-term debt accounted for 80% of the total net financial debt.

★ Confirmed lines of credit totaled approximately 4.4 billion euros. Only 0.7 billion euros were drawn at December 31, 2003. Thus, the amount of undrawn confirmed lines of credit substantially exceeded the commercial paper program, whose outstanding amount was reduced to 0.4 billion euros at December 31, 2003, compared to 1.4 billion euros one year earlier.

CONSOLIDATED STATEMENT OF INCOME

(EUR millions except earnings per share, stated in EUR)	2003	2002	2001
NET SALES	11,962	12,693	12,229
Cost of sales	(4,171)	(4,563)	(4,654)
GROSS MARGIN	7,791	8,130	7,575
Marketing and selling expenses	(4,401)	(4,705)	(4,568)
General and administrative expenses	(1,208)	(1,417)	(1,447)
INCOME FROM OPERATIONS	2,182	2,008	1,560
Financial expense - net	(233)	(294)	(459)
Dividends from unconsolidated investments	18	8	21
Other income or expenses - net	(349)	(405)	(455)
INCOME BEFORE INCOME TAXES	1,618	1,317	667
Income taxes	(488)	(350)	(192)
Income (loss) from investments accounted for using the equity method	1	(18)	(42)
NET INCOME BEFORE AMORTIZATION OF GOODWILL, MINORITY INTERESTS AND UNUSUAL ITEMS	1,131	949	433
Amortization of goodwill	(300)	(262)	(168)
Minority interests	(108)	(131)	(99)
Unusual items - net	-	-	(156)
NET INCOME	723	556	10
NET INCOME BEFORE MINORITY INTERESTS	831	687	100
NET INCOME BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	1,023	818	334
EARNINGS PER SHARE BEFORE AND AFTER DILUTION			
Earnings per share before amortization of goodwill and unusual items	2.09	1.67	0.68
Earnings per share	1.48	1.14	0.02
Number of common shares and share equivalents	489,844,910	488,852,554	488,072,374

ACTIVITY REVIEW FOR THE YEAR ENDED DECEMBER 31, 2003

★ Consolidated net sales for 2003 totaled 11,962 million euros, down 6% on last year. On a constant currency basis, net sales rose 4% despite the impact of the war in Iraq and the SARS epidemic in Asia, which impacted performances in the first half of 2003.

★ The change in the Group's scope of consolidation resulted in a 1 point drop in net sales. The main changes are as follows: within Wines and Spirits, the sale of Hine at the end of June 2003, then Canard-Duchêne at the end of September 2003; within Fashion and Leather Goods, the first-time consolidation of Rossimoda in 2003; within Perfumes and Cosmetics, the sale of Hard Candy and Urban Decay in December 2002, as well as the sale of US licenses for Michael Kors, Marc Jacobs and Kenneth Cole in April 2003; and the consolidation on a proportional basis of the De Beers LV joint venture as of January 1, 2003.

★ Net sales for Wines and Spirits were down 7% on last year. Excluding currency and consolidation scope impacts, net sales increased 5%. These figures, which excluded Millennium as it was consolidated on an equity basis, reflect a 1% volume increase in champagne sales on a comparable consolidation basis, and a 5% increase for cognac. Champagne posted double-digit growth in the UK and Japanese markets, while cognac posted its highest growth in the United States and Greater China (People's Republic of China, Hong Kong and Taiwan).

★ Net sales for Fashion and Leather Goods dropped by 1%, but posted a 10% increase on a constant currency basis. Louis Vuitton recorded double-digit growth on a constant currency basis compared to 2002, due in particular to high growth in the United States: up 38% (excluding Hawaii) and Japan: up 13%.

The other main brands of this group posted significant growth in net sales in the second half of 2003 after a first half

slowed down by a depressed worldwide economy.

★ Net sales for Perfumes and Cosmetics declined by 7%. On a constant currency and consolidation scope basis, net sales were up 4%. Highlights for 2003 include the successful launches of L'Instant by Guerlain and Very Irresistible by Givenchy, as well as the continued growth of the leading lines J'Adore and Capture by Dior and Flower by Kenzo. These performances have been achieved thanks to sustained growth in Japan and Asia despite a difficult "travel retail" environment.

★ Net sales for Watches and Jewelry dropped 9% on last year. On a constant currency basis and taking into account the decline in the sale of components to third parties, 2003 net sales were unchanged from 2002. This activity, which particularly suffered from the sluggish European economy, showed signs of recovery in the fourth quarter of 2003, with renewed sales growth compared to the same period in 2002.

★ Selective Retailing net sales were down 9%, but increased 1% on a constant currency basis. Within this business group, DFS was particularly affected during the first half of the year by the war in Iraq and the effects of the SARS epidemic on the tourism market in Asia. However, DFS sales improved significantly as from September resulting in performances in November and December 2003 exceeding those posted in the same period in 2002. Miami Cruise line sales were up 13% on last year. In the United States, Sephora recorded double-digit sales growth on a comparable store basis. Paris department stores suffered from the economic slowdown and La Samaritaine continued to work on the renovation and repositioning of its flagship store.

★ Other Activities include the Media business group, which posted a 3% drop in net sales, and the De Beers LV joint venture. De Beers LV, which was consolidated on a proportional basis in 2003,

is developing its sales in its London store and its "shop in shop" in a selection of Japanese department stores.

★ The relative contribution of each business group to total net sales has changed little compared to last year: the percentage of Wines and Spirits and Perfumes and Cosmetics remained steady, each representing 18% of total net sales; Watches and Jewelry also remained stable with 4% of total net sales, while Fashion and Leather Goods increased from 33% to just under 35% in 2003; Selective Retailing dropped from 26% to 25% compared to last year.

The breakdown of net sales by invoicing currency was also largely unchanged: the Euro zone increased from 32% to 33%, while the US dollar fell by 1 point to 31%, the yen remained stable at 16% and the Hong Kong dollar represented 4% of total net sales.

Changes in net sales by geographic region as a percentage of total net sales were as follows: France remained stable at 17%, Asia (excl. Japan) dropped by 2 points to 13% following the SARS epidemic, and the United States fell by 1 point to 26%. Europe (excluding France) and Japan increased by 1 point to 21% and 16% respectively.

★ Gross margin amounted to 7,791 million euros, representing 65% of net sales, up 1 point from 2002, due principally to the favorable impact of currency hedging but also to industrial productivity gains.

★ Marketing and selling expenses totaled 4,401 million euros, down 6% on 2002. On a constant consolidation scope and currency basis, these expenses rose 4%, which was partly driven by the opening of new stores and partly by sustained investments in advertising and promotion, particularly for Louis Vuitton.

★ General and administrative expenses totaled 1,208 million euros, down 15% on a reported basis and 8% on a comparable consolidation scope and

currency basis. These expenses represent 10% of sales, down 1 point on 2002.

★ Group income from operations jumped 9% to 2,182 million euros. This upsurge is partly due to the rigorous control of all costs, which decreased by over 8%, 2 points higher than the drop in net sales. Income from operations over net sales rose by 18%, up 2 points on 2002.

Income from Wines and Spirits operations climbed 6% to 796 million euros. A firm sales pricing policy and gains from foreign currency hedging limited the negative impact of exchange rate fluctuations.

Income from Fashion and Leather Goods operations increased 2% to 1,311 million euros, despite the sluggish global economy. In addition to the rise in Louis Vuitton earnings, the business group benefited from a sharp increase in the earnings of Marc Jacobs, Céline and the luxury goods Internet site e-Luxury.com.

Perfumes and Cosmetics posted income from operations of 178 million euros, up 11% on 2002. This significant upswing was due to a combination of the sustained performances of Parfums Christian Dior, improved earnings of Guerlain and BeneFit Cosmetics and the reduced impact of the losses of US licenses.

Watches and Jewelry posted a loss from operations of 48 million euros, down 35 million euros on 2002. These results are due to the highly unfavorable economic context in the first half of 2003, as the turnaround in the fourth quarter of 2003 only marginally offset the losses of the first half of the year. A significant share of these losses was posted by Ebel, the sale of which was decided at the year-end.

Income from Selective Retailing operations climbed sharply from 20 million euros in 2002 to 106 million euros in 2003. DFS generated income from operations

in 2003 despite the negative impacts of the drop in global tourism observed mid-year. Furthermore, Sephora posted a sharp rise in earnings, particularly in the United States, while the earnings of Miami Cruiseline increased more than two-fold.

★ 2003 operating losses from Other Activities amounted to 161 million euros, down 15% on 2002. In addition to the headquarter costs, this heading also includes the losses of the Media business group, which posted a slight increase in activity at the year-end. The joint venture with De Beers, also included under this heading, is currently in the investment, marketing and commercial phases.

★ Financial expenses declined from 294 million euros in 2002 to 233 million euros in 2003 due to a combined drop in the Group's average net debt and interest rates.

★ Other income and expenses included, in particular, the following items: losses from the disposal of activities totaling 139 million euros, which mainly concern Ebel, accelerated asset depreciation totaling 77 million euros, regarding, in particular, capitalized lease commitments exceeding their market value, an additional 33 million euro depreciation of the equity stake in Bouygues, income of 55 million euros from the release of provisions and the disposal of LVMH treasury shares, and finally, restructuring charges of 127 million euros. These restructuring charges concern the rationalization of the Wines and Spirits retailing networks in Europe and the United States; the increased selectivity of the Perfumes and Cosmetics points of sale, particularly in the United States; the closure or re-sizing of the industrial units in Italy and Switzerland by the Watches and Jewelry business group, and finally the transfer from San Francisco to Singapore and Hong Kong of DFS's administration and management functions.

★ The average corporate tax rate for 2003 was 30%, up slightly on the previous year's rate following the inclusion in 2002 of losses generated by the negative effects of the unfavorable economic environment on certain businesses.

★ The Group income from investments accounted for using the equity method totaled 1 million euros, and represents LVMH's share of the earnings of Millennium, Bonhams and DFS joint ventures.

★ Net income before amortization of goodwill and unusual items stood at 1,023 million euros, up 25% on 2002.

★ Amortization of goodwill totaled 300 million euros, against 262 million euros from last year. This increase was due to changes in the Group's consolidation scope, notably the acquisition of Millennium in July 2002, the acquisition of minority interests in Fendi in the second half of 2002 and in 2003, the acquisition of an additional stake in Acqua Di Parma, the first-time consolidation of Rossimoda, as well as the accelerated depreciation of Laflachère and Make Up For Ever.

★ Minority interests totaled 108 million euros compared to 131 million euros in 2002, which is chiefly due to the rise in Wines and Spirits earnings, in which Diageo holds a 34% stake, and the positive impact of the DFS recent common stock issuance.

★ Net income totaled 723 million euros, up 30% on last year.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR millions)	2003	2002	2001
I. OPERATING ACTIVITIES			
Net income	723	556	10
Minority interests	108	131	90
Equity interest in undistributed earnings of associated companies, net of dividends received	5	17	46
Depreciation and amortization	914	1,019	1,356
Change in provisions	11	(386)	658
Change in deferred taxes	130	(142)	(304)
Gain (loss) on disposal of fixed assets or treasury shares	58	323	(937)
Net cash provided by operating activities before changes in current assets and liabilities	1,949	1,518	919
Inventories and work-in-progress	(222)	33	(358)
Trade accounts receivable	(1)	64	128
Accounts payable	88	82	(25)
Other current assets and liabilities	28	257	(90)
Net change in current assets and liabilities	(107)	436	(345)
Net cash provided by operating activities	1,842	1,954	574
II. INVESTING ACTIVITIES			
Purchases of brands and other intangible assets	(70)	(80)	(80)
Purchases of property, plant and equipment	(508)	(479)	(904)
Sale of non-financial fixed assets	82	177	149
Acquisitions of investments	(78)	(92)	(445)
Reclassification between investments and short-term investments	-	-	(677)
Proceeds from sale of unconsolidated investments	13	92	2,122
Change in other non-current assets	19	(182)	(431)
Net effect of acquisitions and disposals of consolidated companies	(209)	(160)	(628)
Net cash provided by (used in) investing activities	(751)	(724)	(894)
III. FINANCING ACTIVITIES			
Shares of minority interests in proceeds from issuances of common stock	70	13	38
Change in treasury shares	196	516	(13)
Dividends and interim dividends paid by the parent company (including related tax)	(374)	(349)	(343)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(74)	(23)	(171)
Proceeds from short-term borrowings and long-term debt	1,452	523	2,469
Principal repayments on short-term borrowings and long-term debt	(2,114)	(2,408)	(2,294)
Change in listed securities	(170)	182	880
Net cash provided by (used in) financing activities	(1,014)	(1,546)	566
IV. EFFECT OF EXCHANGE RATE FLUCTUATIONS	(18)	(18)	2
Net increase/decrease in cash and cash equivalents	59	(334)	248
Cash and cash equivalents at beginning of year (net of bank overdraft)	544	878	630
Cash and cash equivalents at year-end (net of bank overdraft)	603	544	878
Non-cash transactions:			
- Lease financing operations	2	3	16

The statement of cash flows shows the change in cash (net of bank overdraft) and cash equivalents consisting of short-term investments that can be readily converted into cash, excluding listed securities.

As of December 31, 2003, net cash and cash equivalents, as shown in the statement of cash flows, amount to 603 million euros. The reconciliation of this amount and the cash and cash equivalents account as shown in the balance sheet is as follows :

EUR millions	31 december, 2003
Non quoted short term investments	32
Cash	823
Bank overdrafts	(252)
Net cash and cash equivalents	603

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

★ The consolidated statement of cash flows shown opposite brings details of the main cash flows in 2003.

★ The Group's net cash provided by operating activities before changes in current assets and liabilities amounted to 1,949 million euros, compared to 1,518 million euros one year earlier, representing a 28% increase.

★ Working capital requirements increased to 107 million euros. In particular, the increase in inventories increased cash requirements by 222 million euros, primarily due to the reconstitution of Louis Vuitton, Moët & Chandon and Hennessy inventories. Tight controls are kept on accounts receivable and accounts payable, as accounts receivable only generated a cash requirement of 1 million euros over the year, while accounts payable made a positive contribution of 88 million euros to net cash.

★ In total, net cash provided by operating activities was largely positive at 1,842 million euros.

★ Net cash used in investment activities – capital expenditures and acquisitions less disposals – generated an outflow of 751 million euros.

★ The Group's capital expenditures accounted for 578 million euros, compared to 559 million euros in 2002. This stability is a reflection of the continued selectivity in investments and the focus on the Group's core brands, beginning with Louis Vuitton.

★ Financial investments (acquisitions of other investments and change in non-current assets) represented 59 million euros over the year, and the net effect of acquisitions and disposals of consolidated companies resulted in

another 209 million euros. Specifically, the cash impact for the Group of the purchases and the installment payments of some minority interests in Fendi amounted to 277 million euros, as well as the purchase of minority interests in Rossimoda and La Brosse & Dupont which totaled 71 million euros. Conversely, the disposal of previously consolidated companies produced an inflow of 160 million euros. This amount primarily reflects the disposal of the fashion activities of Michael Kors and the perfumes and cosmetics licenses for Michael Kors, Marc Jacobs and Kenneth Cole, together with the sale of Hine cognac and Canard Duchêne champagne.

★ Disposals of fixed assets (non-financial assets and unconsolidated investments) increased cash by 95 million euros. This amount is mainly due to the sale of real estate assets.

★ The contribution of minority shareholders in DFS to the common stock issuance totaled 70 million euros.

★ Sales of treasury shares by the Group, net of acquisitions, generated proceeds of 196 million euros over the year.

★ In 2003, LVMH S.A paid 374 million euros in dividends, excluding treasury shares, of which 271 million euros related to the final 2002 dividend paid in June and 103 million euros to the 2003 interim dividend paid in December. In addition, the minority shareholders of consolidated subsidiaries received a total of 74 million euros in dividends.

★ Cash surpluses, after all operating and investment activities, and after payment of dividends, amounted to 909 million euros.

★ This largely positive cash balance enabled the Group to amortize significant amounts of existing borrowings for an amount of 2,114 million euros and to limit new borrowing issuances.

★ Bond issues and new borrowings provided 1,452 million euros. Specifically, the Group issued a 7-year public bond for a nominal amount of 750 million euros. In addition, it continued to diversify its investor base and take advantage of opportunities through private placements issued under its Euro Medium-Term Notes program, for a total of 447 million euros.

★ Debt reduction was directed at short-term borrowings as a priority. Notably the outstanding portion of the commercial paper program was reduced by 1,002 million euros in 2003.

★ At the close of the operations for the year, the net cash position stood at 603 million euros.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	EUR millions						
	Capital stock	Treasury shares	Common stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustment	Stockholders' equity
AS OF DECEMBRE 31, 2002	489,937,410	370,000	147	1,736	5,409	(222)	7,070
Final dividend paid on 2002 income					(271)		(271)
Long-term investment in LVMH shares		(370,000)			16		16
Interim dividend paid on 2003 income					(103)		(103)
Foreign currency translation					723	(401)	(401)
Net income							723
AS OF DECEMBRE 31, 2003	489,937,410	-	147	1,736	5,774	(623)	7,034



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