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MOËT HENNESSY • LOUIS VUITTON

# **Annual Shareholders' Meeting**

**May 15, 2003**

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**Bernard ARNAULT**

## 2002 : A winning strategy

- Gained market share
- Improved profitability
- Increased cash flow
- Reduction of debt

2002 objectives exceeded  
in operating income  
and debt reduction

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**Patrick HOUËL**

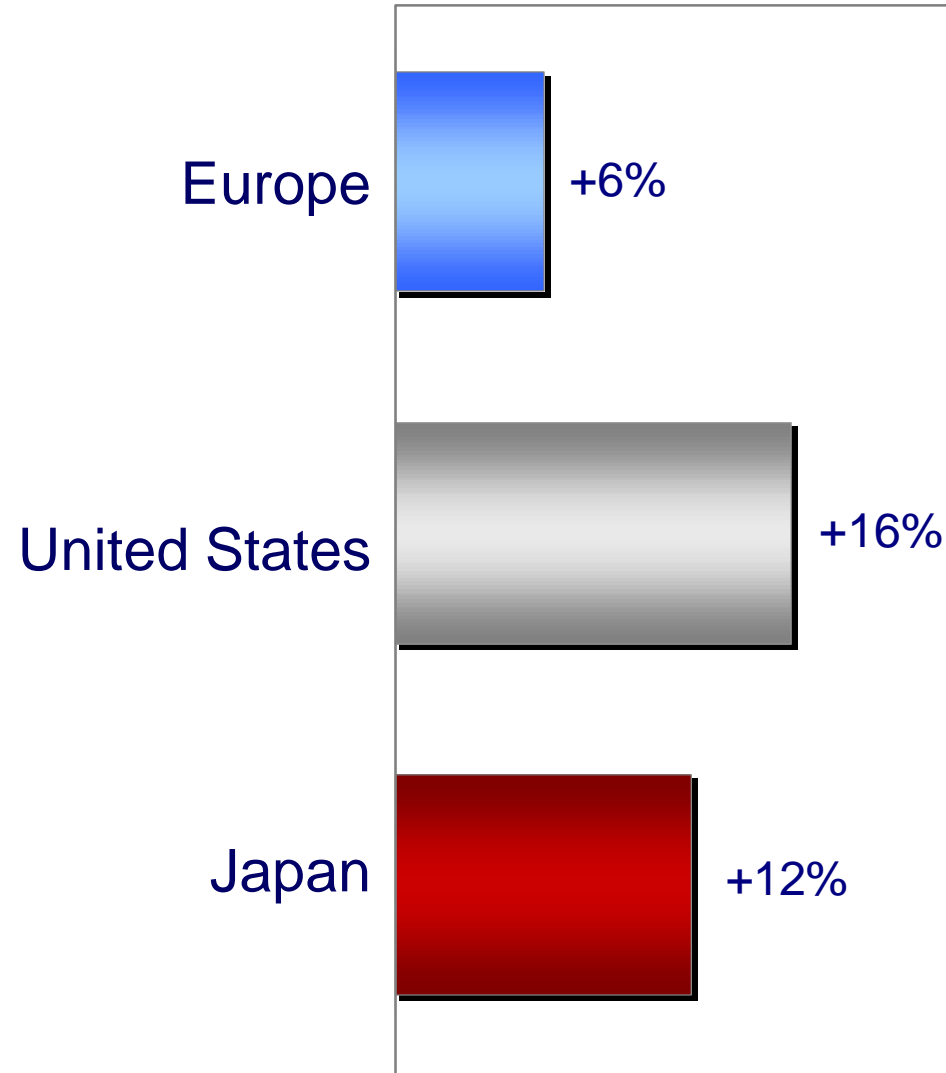
# Key figures

<i>In millions of Euros</i>	2001	2002	% growth
<b>Net Sales</b>	<b>12 229</b>	<b>12 693</b>	<b>+4%</b>
Gross margin	7 575	8 130	
<i>in % sales</i>	62%	64%	
Marketing & selling expenses	(4 568)	(4 705)	+3%
General & Admin expenses	(1 447)	(1 417)	-2%
<b>Operating income</b>	<b>1 560</b>	<b>2 008</b>	<b>+29%</b>
Financial expenses	(459)	(294)	
Other income & expenses	(455)	(405)	
Income taxes	(192)	(350)	
<b>Net income before goodwill amortization</b>	<b>334</b>	<b>818</b>	<b>+145%</b>
Unusual items	(156)	-	

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# Sales growth in local currency

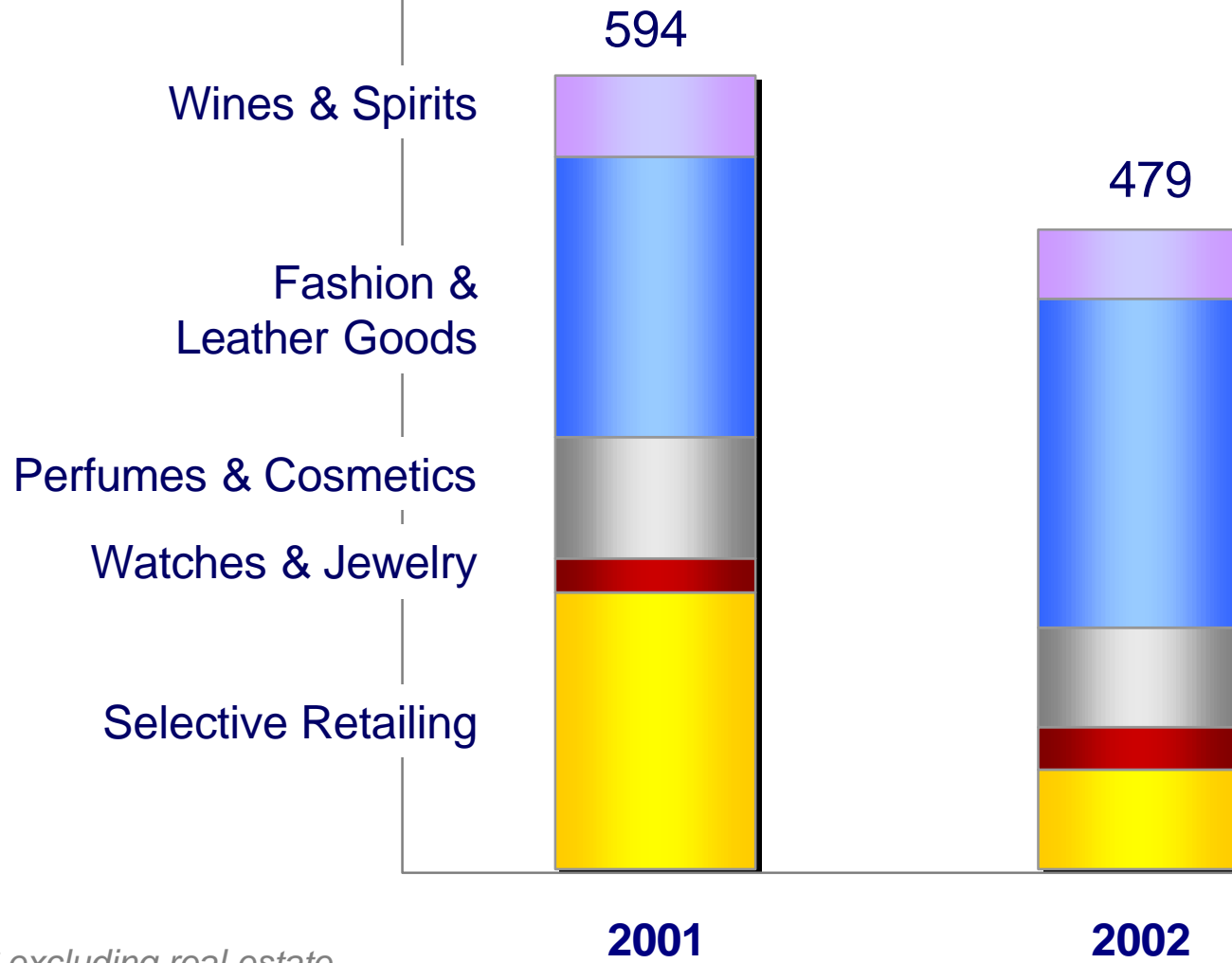


## Operating income by business group

<i>In millions of Euros</i>	2001	2002	Margin % 2002
Wines & Spirits	676	750	33%
Fashion & Leather Goods	1 274	1 297	31%
Perfumes & Cosmetics	149	161	7%
Watches & Jewelry	27	(13)	-2%
Selective retailing	(213)	20	1%
Other	(353)	(207)	-
<b>LVMH</b>	<b>1 560</b>	<b>2 008</b>	<b>16%</b>

# Targeted investments\*

*In millions of Euros*



\* excluding real estate

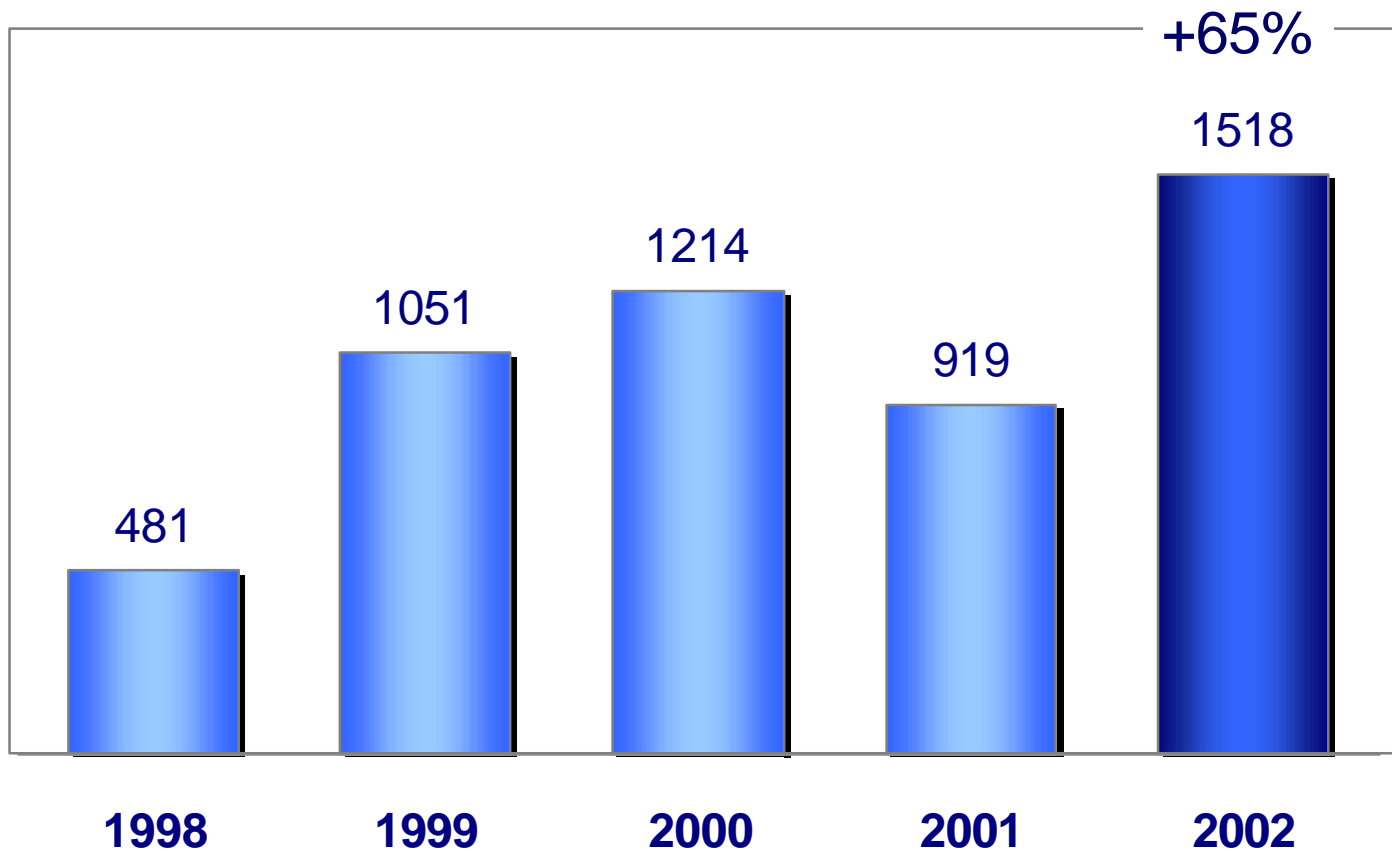


# Record cash flow from operations

- Record level in 2002

- +65 % vs 2001
- +25 % vs 2000

*In millions of euros*



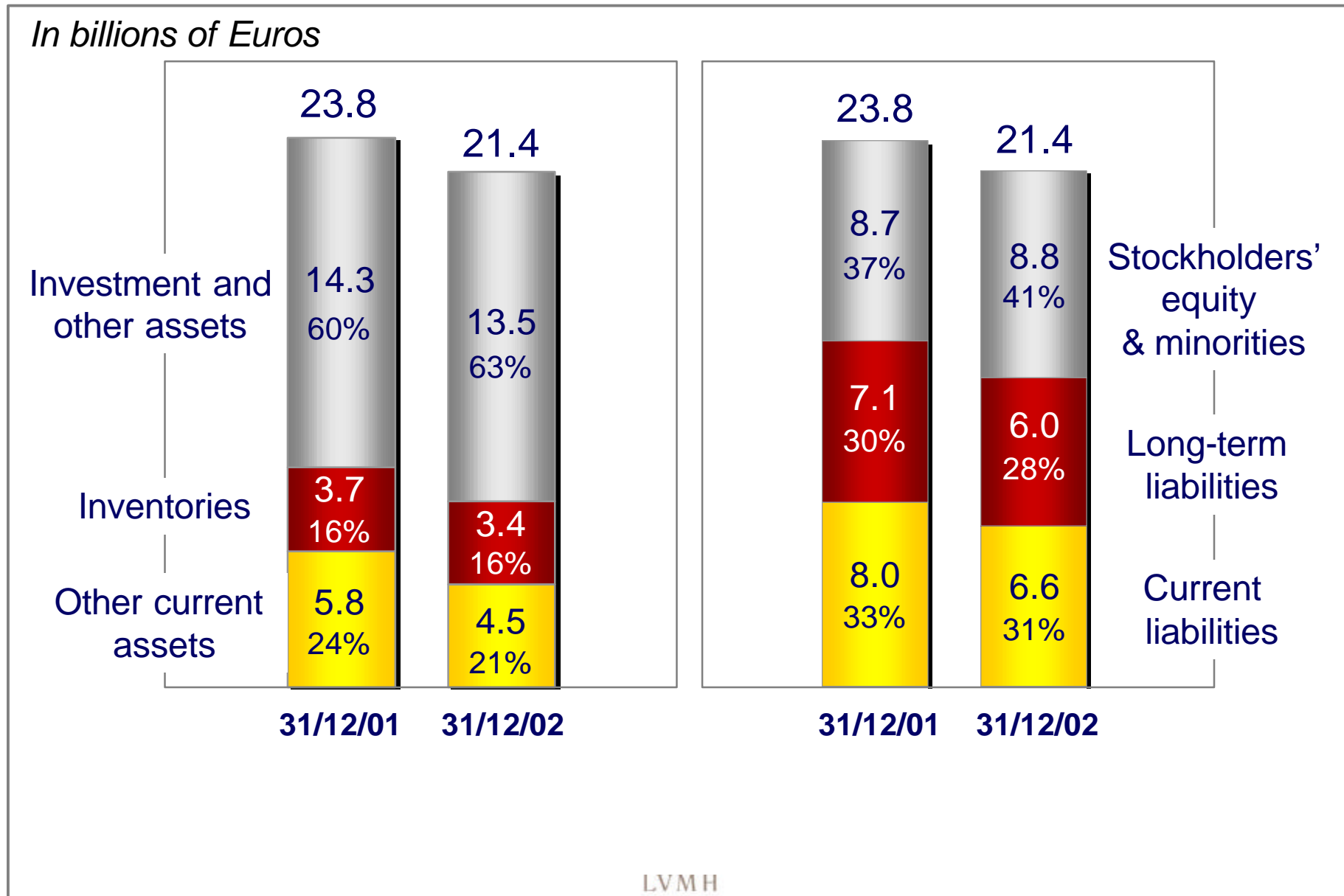
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# Cash flow

<i>In millions of Euros</i>	2001	2002	%
Cash flow from operations	919	1 518	+65%
Working capital variation	(345)	436	
	<b>574</b>	<b>1 954</b>	
Capital expenditures	(984)	(559)	-43%
<b>Operating cash flow (after Cap. exp.)</b>	<b>(410)</b>	<b>1 395</b>	

# Lightened balance sheet

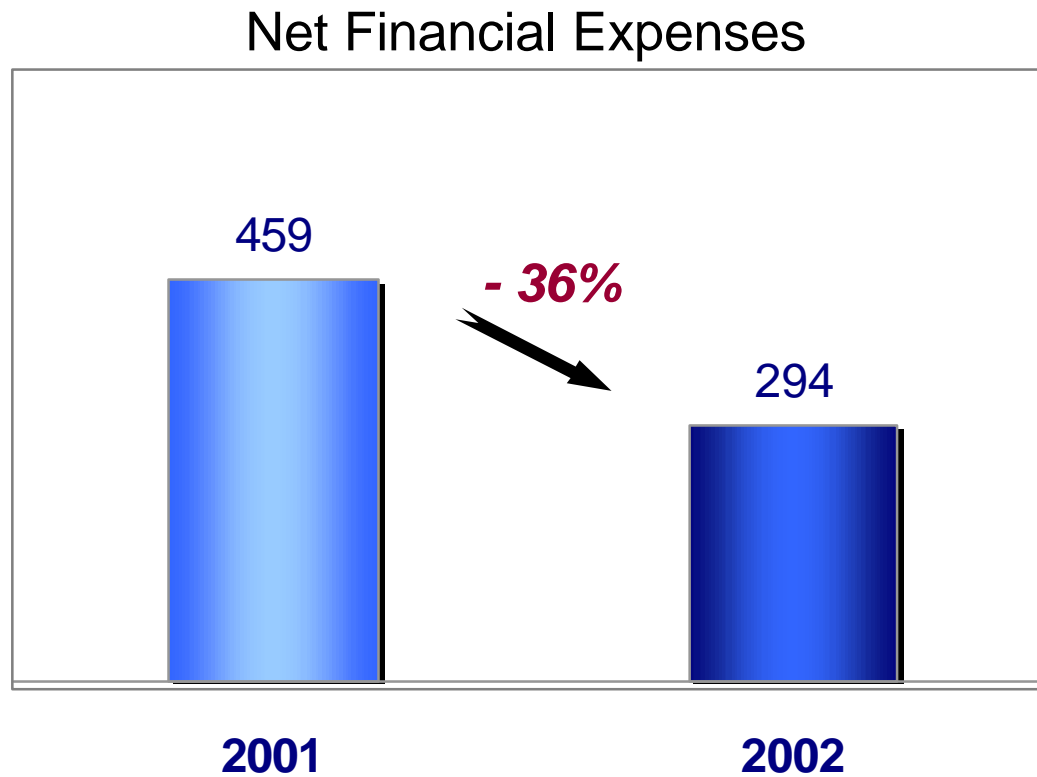


# Improved financial condition

- Debt and gearing reduction objectives exceeded at end-2002
  - Net debt of EUR 5.8 billions at Dec. 31, 2002
  - Gearing of 66% at Dec. 31, 2002
- New debt reduction in 2003

# Strong reduction in financial expenses

*In millions of Euros*



Significant decline in debt  
Reduction of interest rates

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# Protection against currency fluctuations

*At May 6, 2003*

	2002	2003	2004
<b>EUR / USD</b>	0.90	0.92	1.02
<i>% cover</i>		<i>77%</i>	<i>43%</i>
<b>EUR / JPY</b>	103	113	119.1
<i>% cover</i>		<i>70%</i>	<i>38%</i>

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# Report of Statutory Auditors

Ordinary : 3 reports

Extraordinary : 5 reports



## Reports on financial statements - consolidated and parent company (*First and second resolutions*)

- We conducted our audit in accordance with generally accepted auditing standards
- Consolidated and parent company financial statements:
  - « (...) are true and sincere and fairly present the financial position, and the results for the period.... »
- Directors' report
  - « ... we noted nothing that could lead us to believe that such information is not fairly stated in the Directors' report... »

# Approval of the regulated agreements (*Third resolution*)

- Agreements authorised during the period:
  - Service agreements
  - Assistance agreements
- Agreements previously authorised :
  - Office rental agreements
  - Allocation of Holding company expenses
  - Complimentary retirement agreements for Executive Committee members
  - Guarentee commitments

## Capital reduction through cancellation of treasury shares (*Thirteenth resolution*)

- Capital reduction through the cancellation of treasury shares acquired on the market
- *No observation on the reasons and the conditions of the capital reduction envisaged*

# Capital increase

*(Fourteenth, Fifteenth and Sixteenth resolutions)*

- Proposal for the issuance of shares or any security (issue price unfixed)
- Proposal for the elimination of the shareholders 'pre-emptive subscription right (issue price unfixed)
- Proposal for a capital increase dedicated to employees (issue price unfixed)
  
- *No observation on the terms and conditions*
- *Complimentary reports at the time of the issuance*

# Options for New or Existing Shares *(Seventeenth resolution)*

- Proposal to grant options to purchase new or existing shares to employees or officers of the Group
- *No observation on the terms and conditions*

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# Results of the LVMH shareholder consultation

- LVMH strategy
- LVMH perspectives
- LVMH and its stakeholders

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## **LVMH strategy**



# LVMH strategy

## Priority on internal growth

- Concentration on development of our Star brands
  - New products launches
  - Expansion of network
  - Development of new markets
- Continue to provide for brands with strong potential

# LVMH strategy

## Improve profitability

- Continue growth in profitability of major brands
- Improve profitability of activities in development phase
  - DFS
  - Sephora
  - Watches & Jewelry

# LVMH strategy

## Priority to increasing cash flow

- Target investments
- Disposal of non-strategic assets
- Reduction of debt

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## **LVMH perspectives**

## 2003: LVMH well positioned to confront an uncertain environment...

- **Good start to the year**
  - Sustained organic sales growth in Q1 2003 : +6 %
  - Exceptional performance of Louis Vuitton
  - Strong reactivity of LVMH to recent events
- **Maintain a selective investment strategy**
- **Continue to dispose of non-strategic assets**
- **Rigorous financial discipline**
  - Hedging program
  - Priority to increasing cash flow
  - Further reduction in debt and financial expenses

## 2003 : ... and to improve market share

- **New products launches**
  - New Louis Vuitton products created by Marc Jacobs
  - New watch by Zenith
  - New perfumes by Guerlain, Givenchy, Kenzo
  - New beauty care products by Dior ...
- **Selective expansion of network (new shops and renovations)**
- **Development of markets with strong potential (China, Russia, Corea, India)**

**Tangible improvement in  
operating income in 2003**

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**LVMH  
and  
its stakeholders**

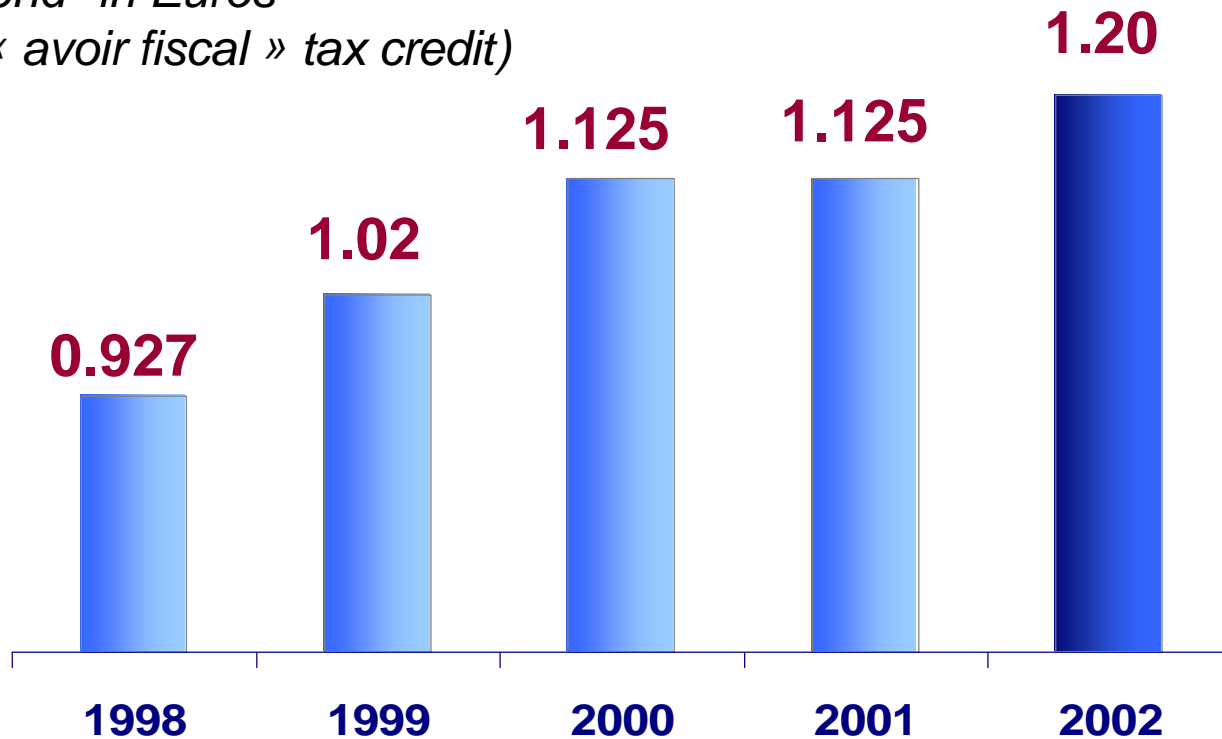
# LVMH share performance

<i>PERFORMANCE AT 31/12/2002</i>	LVMH	CAC 40	Outperformance of LVMH
Since January 1, 2002	-14%	-34%	+29%
Over 5 years (since 1/1/98)	+43%	+3%	+38%



## 2002 Dividend : An increase of 7%

*Dividend\* in Euros  
(incl « avoir fiscal » tax credit)*



**Dividend yield: 3 % in 2002**

*\* Figures have been adjusted to reflect the five for -one-stock split of July 2000 and the bonus share distribution (one new share for ten held on this date) of June 1999.*

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# Corporate governance

- Adoption of a new ethical chart
- 2 new independent directors

# Strengthening shareholders' information

- **Renewed information sources**
  - A new and more user-friendly version of our web site
  - Numéro vert (0800 010 000)
  - A new shareholders' guide
  - Shareholders' Club
- **Publication of a long term debt rating by Standard & Poors**

# LVMH commitment for environment

- Implementation of LVMH's environmental charter in each company of the Group
- Many actions taken in common with its stakeholders : other industrial organisations, associations and local communities
- Continuation of initiatives to protect the environment

# LVMH : A societal policy

- **A dynamic social policy**
  - Creating industrial employment in France
  - Development of craftsman know-how
  - Customised training programs
  - A diversity of professional career opportunities
  - A balanced representation of women and men
  - A strong policy of internal communication
- **Sponsorship of children, medical research and humanitarian causes**

# Conclusion : LVMH well placed to increase its lead in the luxury goods market

- Worldwide leader in the luxury goods sector
- Unique portfolio of brands
- High quality, highly creative products
- Proven strategy
- Diverse businesses
- Good geographic balance of sales
- Strong, talented and reactive teams

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# Questions / Answers

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# Resolutions

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