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MOËT HENNESSY • LOUIS VUITTON

# **First half 2003 results**

**September 12, 2003**

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MOËT HENNESSY • LOUIS VUITTON

**Bernard Arnault**

# Key figures

<i>In millions of Euros</i>	H1 2002	H1 2003	Variation	Organic growth
Net sales	5 818	5 236	-10%	+1%
Operating income	840	874	+4%	
<i>Operating margin (%)</i>	<i>14%</i>	<i>17%</i>		
Net income - before goodwill amortization	350	408	+17%	
Net income	214	265	+24%	
Net cash from operations	548	749	+37%	
Net debt	7 554	6 528	-14%	

# A unique performance in the luxury universe

## **In a difficult environment ...**

- Remarkable performance of our major brands
- Organic growth of Group sales in H1
- Gains in market share
- Strong improvement of operating margin
- Financial discipline
- Significant increase of net cash from operations

**...the Group reinforces its positions  
in the luxury market**

- Continue the strong growth trend
  - New product launches
  - Strengthen communication
  - Controlled development of store network
- Improve Selective Retailing results
  - Sephora US profitable in 2003
  - Maintain breakeven objective for DFS in 2003
- Priority given to operating cash flow
  - Targeted investments
- Rigorous cost management to continue
- Confirmation of sales recovery during the summer

**Objective maintained  
of tangible increase of operating income**

- Unique portfolio of brands
- Quality and innovation
- Geographic balance of sales
- Complementary businesses
- Dynamic and talented teams

**LVMH well positioned to  
take full advantage of  
the economic recovery**

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**Patrick Houël**

# Key figures

<i>In millions of Euros</i>	H1 2002	H1 2003	% variation
<b>Net sales</b>	<b>5 818</b>	<b>5 236</b>	<b>-10%</b>
Gross margin	3 738	3 507	
<i>in % of sales</i>	64%	67%	
Marketing and selling expenses	(2 220)	(2 042)	-8%
General and Admin expenses	(678)	(591)	-13%
<b>Operating income</b>	<b>840</b>	<b>874</b>	<b>+4%</b>
Net financial expenses	(164)	(93)	-43%
Other income & expenses	(99)	(77)	
Income taxes	(199)	(236)	
<b>Net income before goodwill amortization</b>	<b>350</b>	<b>408</b>	<b>+17%</b>
<b>Net income</b>	<b>214</b>	<b>265</b>	<b>+24%</b>

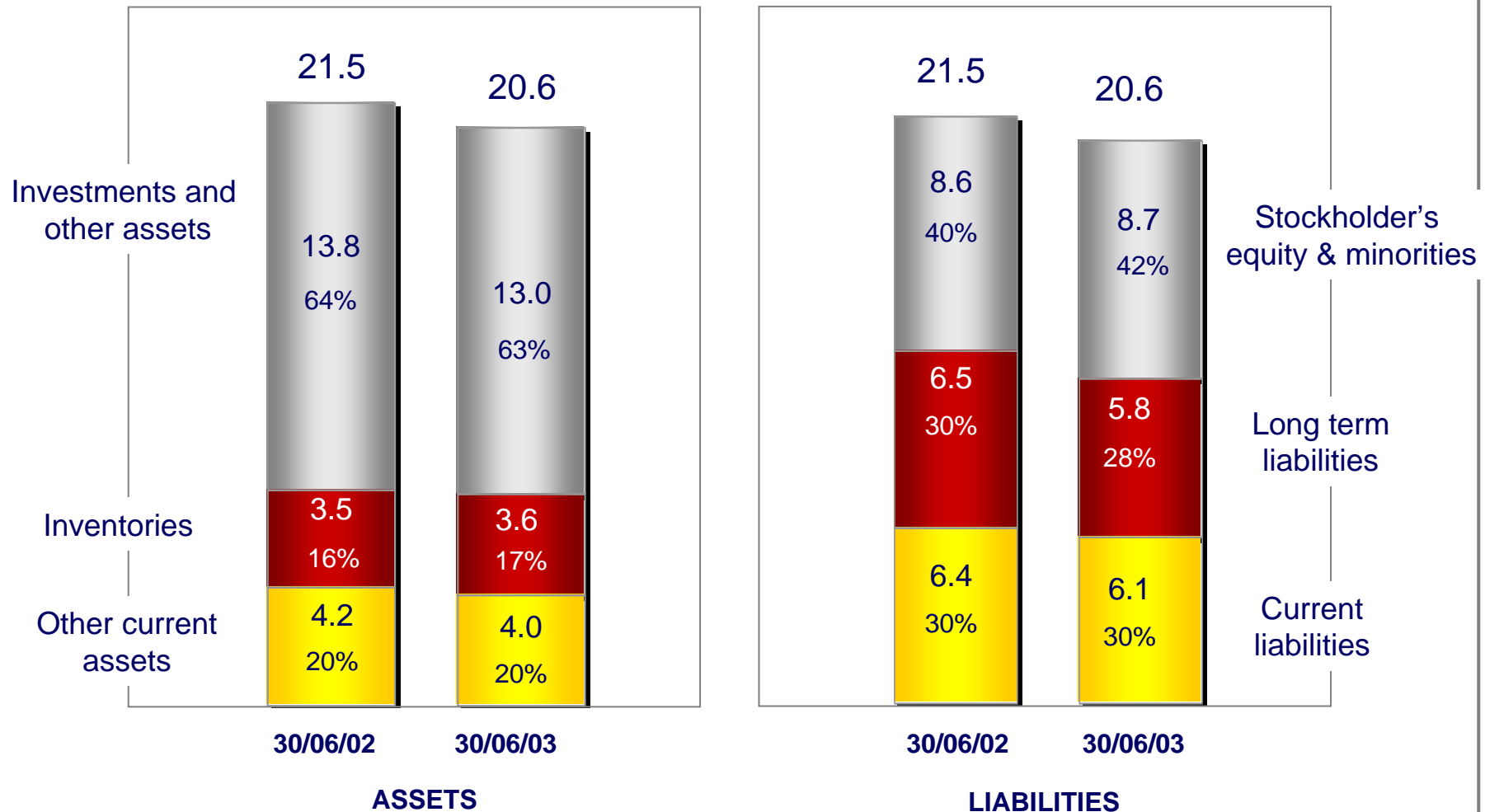


# Operating income by business group

<i>In millions of Euros</i>	H1 2003	% margin H1 2003	% margin H1 2002
Wines & Spirits	321	40%	30%
Fashion & Leather Goods	634	33%	32%
Perfumes & Cosmetics	39	4%	3%
Watches & Jewelry	(38)	-	-
Selective retailing	(15)	-1%	-3%
Others & eliminations	(67)	-	-
<b>LVMH</b>	<b>874</b>	<b>17%</b>	<b>14%</b>

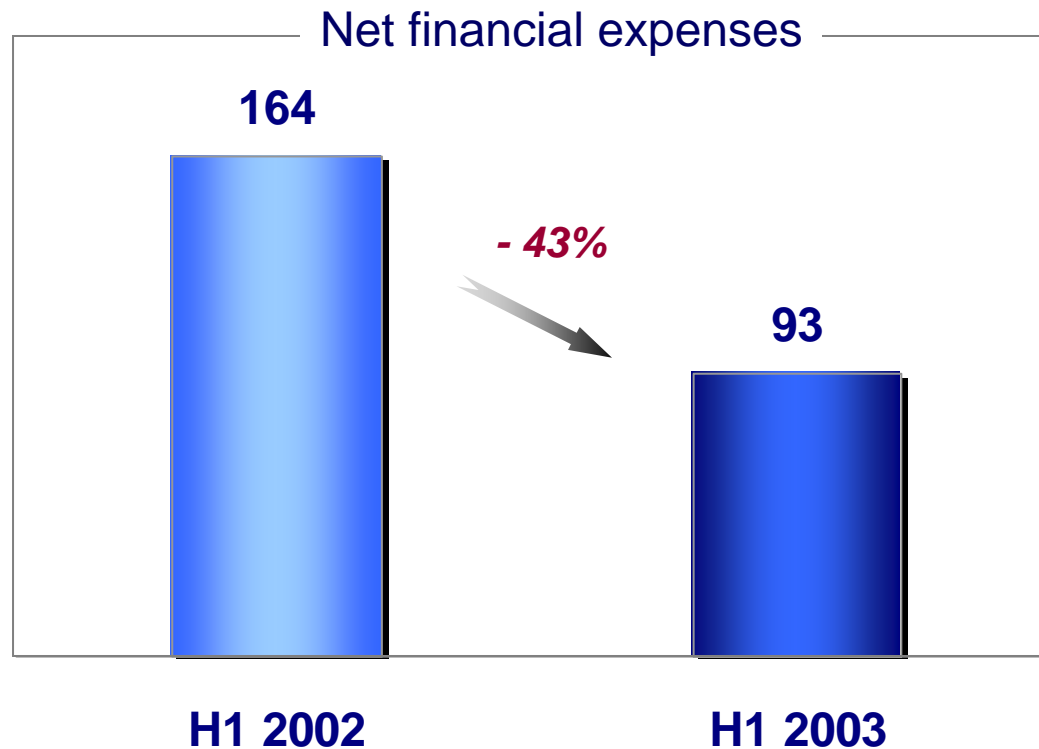
# A healthy financial structure

*In billions of Euros*



# Strong reduction in financial expenses

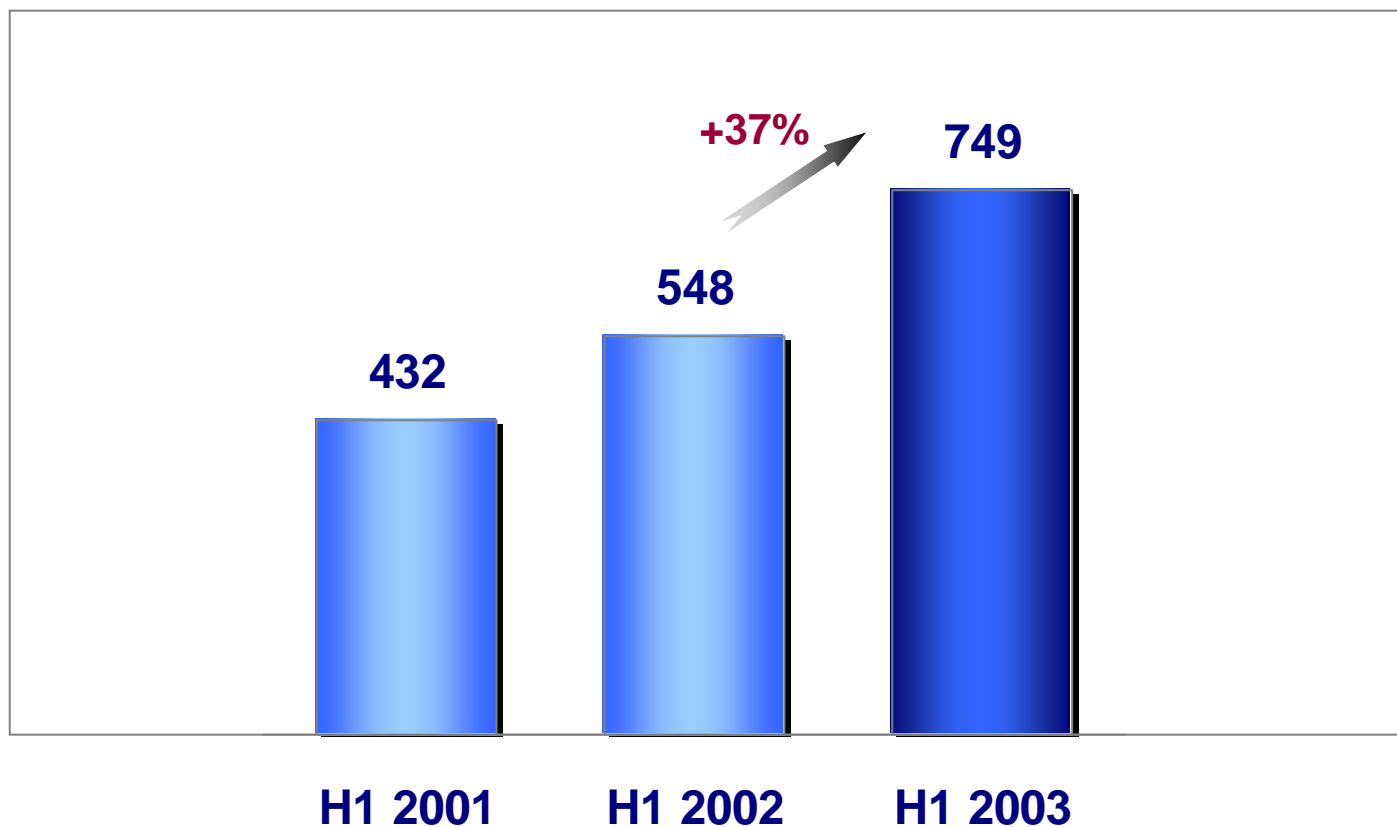
*In millions of Euros*



**At June 2003, net debt declined by more than 1 billion Euros since June 2002**

# Growth in cash flow from operations

*In millions of Euros*



# Hedging cover

*At August 31, 2003*

	2002	2003	2004
<b>EUR / USD</b>	0.90	0.936	1.072
<i>% cover</i>		86%	82%
<b>EUR / JPY</b>	103	116.7	123.9
<i>% cover</i>		85%	65%

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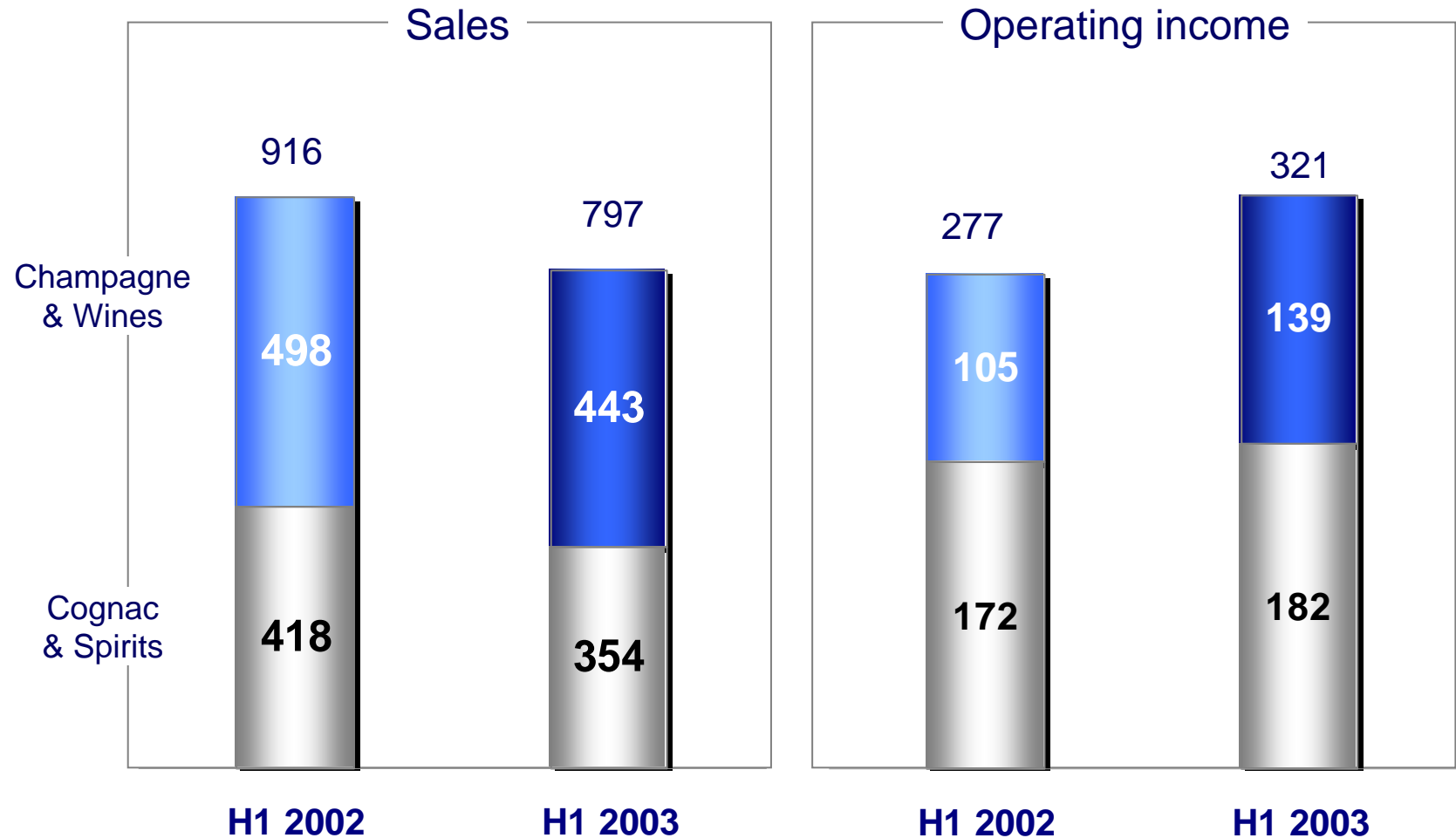
**Antonio Belloni**

# Wines & Spirits

# Wines & Spirits

## Key figures

*In millions of Euros*





# Champagne & Wines

## H1 2003 - Key points

- Gains in market share
- Strong improvement in operating margin
- Good performance of major brands, in particular in the United Kingdom and Japan
- Increased strength of the US distribution network thanks to partnership with Diageo

# Cognac & Spirits

## H1 2003 - Key points

- Hennessy volumes increase by 5%
- Good performance of the VS segment
- Sustained growth in the US
- Progression in Asian market (exc. Japan), despite the effect of SARS in May and June
- Launch of *Fine de Cognac* in the United Kingdom, after France and Germany in 2002
- Sale of Hine

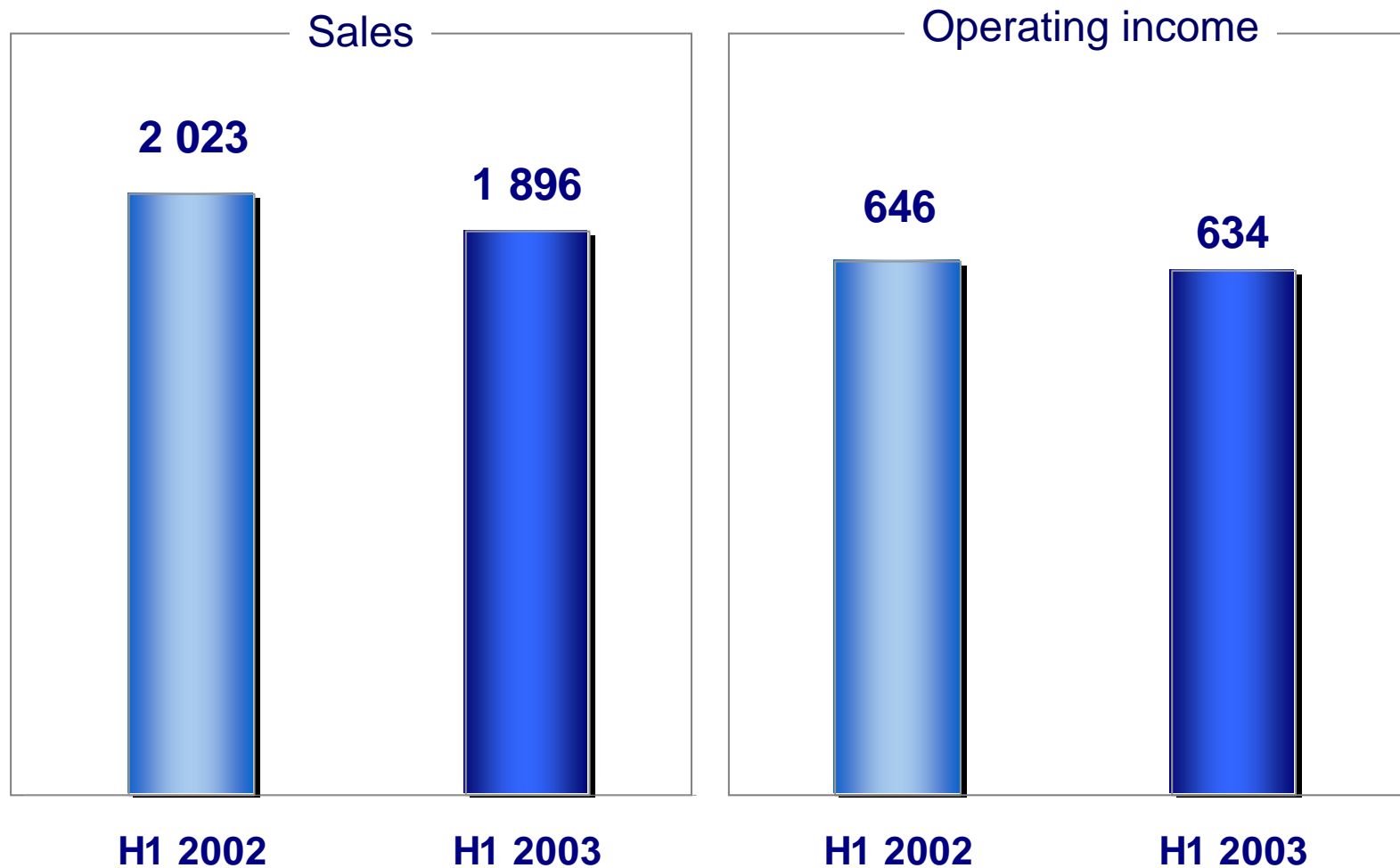
- Reinforce our leadership in high quality range
- Focus on key brands and key markets
- Maintain price discipline
- Focus on growth drivers
  - Japan for champagne
  - China, Korea, Russia for cognac
- Continue distribution network reorganisation to improve efficiency

# Fashion & Leather

# Fashion & Leather

## Key figures

*In millions of Euros*



- Double-digit increase of Louis Vuitton sales at constant exchange rates
  - Reinforced communication
  - Success of the products from the collaboration between Marc Jacobs and Murakami
  - New stores in New Delhi, Barcelona, Hamburg, Saint-Barth ...
  - Strong demand from local customers
- Long term strategic development of Fendi
  - Refocusing on leather and fur products
  - Reorganisation of the supply chain
- Continued reorganisation of Donna Karan
- Good growth of Celine, Marc Jacobs, Berluti, Pucci

# Louis Vuitton

- **New products**
  - Development of the *Suhali*, *Multico* collections
  - New Monogram products
  - New *épi* soft leather and new colors
- **Continued expansion of store network**
  - New territories (India, Russia, ...)
  - New stores in Paris (Avenue Montaigne), Tokyo (Roppongi), Hong Kong (Pacific Place)...
- **New advertising campaign with Jennifer Lopez**



# Louis Vuitton 2003 Outlook

# Louis Vuitton 2003 Outlook

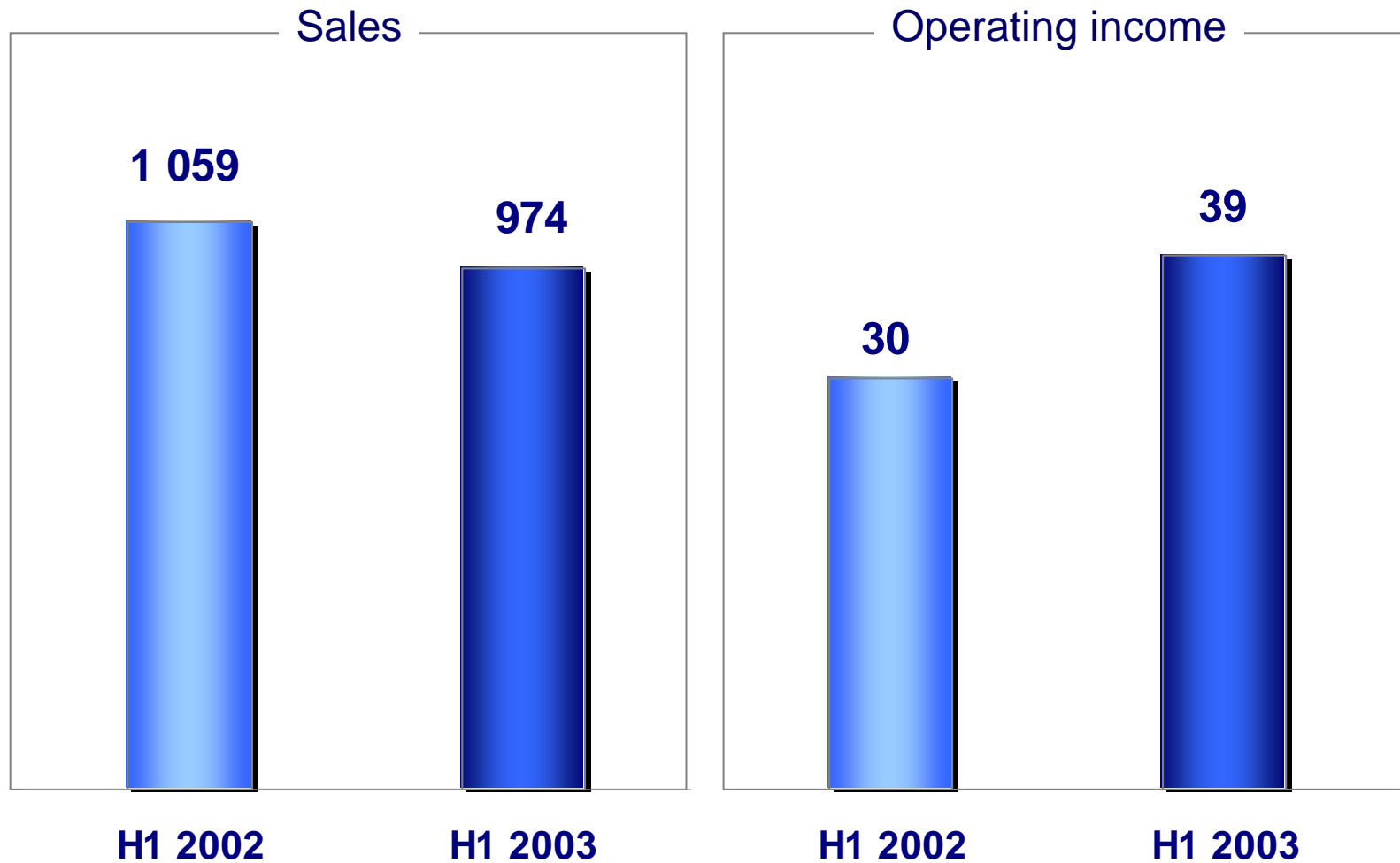
- **Fendi pursues its revitalization**
  - Improve network productivity
  - Investment in new advertising campaign
- **Donna Karan returns to positive momentum**
  - Reduction of loss-making parts of business
  - Good reception to Autumn/Winter collections
  - Continued development of accessories
- **Targeted store openings**
  - Céline, Loewe, Fendi, DK in Omotesando
  - Pucci in London and new Kenzo flagship store at Pont-Neuf in Paris
  - Berluti in Moscow and Osaka, Givenchy in Tokyo

# Perfumes & Cosmetics

# Perfumes & Cosmetics

## Key figures

*In millions of Euros*



# Perfumes & Cosmetics

## H1 2003 - Key points

- Good performances in Japan and Korea compensating for decrease in travel retail
- Parfums Christian Dior
  - Considerable success of the *Capture R60/80™* skincare line
  - Good development of *Dior Addict* perfume and success of *J'Adore*
- Excellent performance of BeneFit Cosmetics
- Fresh continues its growth

# Perfumes & Cosmetics 2003 Outlook

- Continue to gain market share
- Improve operating margin
- Numerous launches scheduled in H2
  - New make-up and skin care products at Dior
  - Two new female perfumes, *Very Irresistible* from Givenchy and *L'Instant* from Guerlain
  - Two new male fragrances *KenzoAir* from Parfums Kenzo and *Higher Energy* from Dior

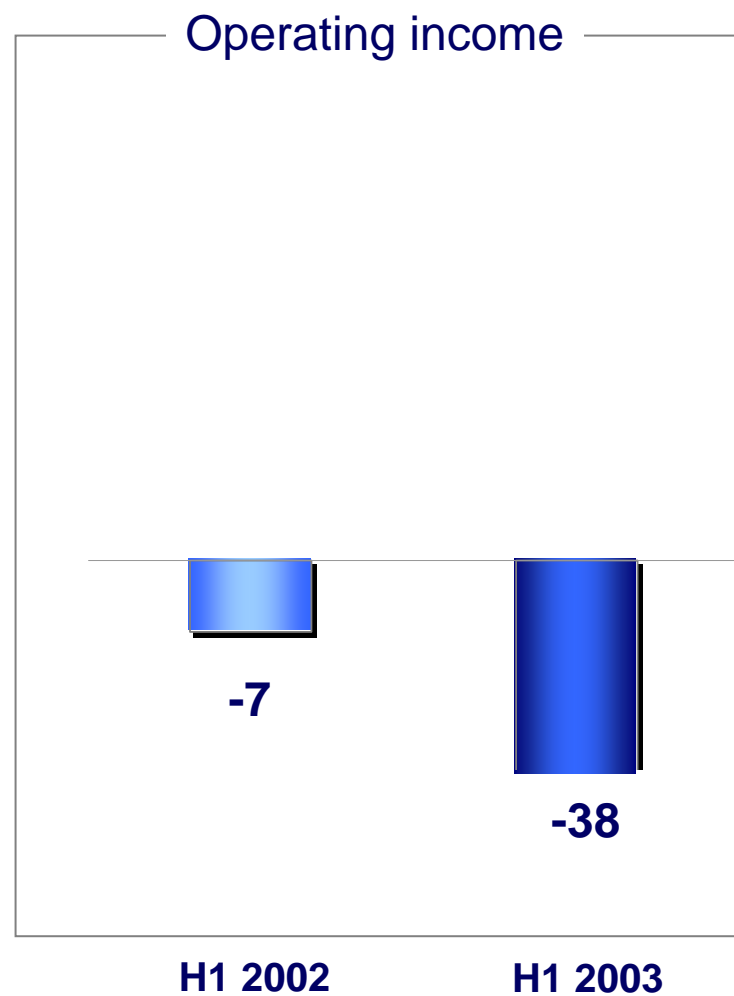
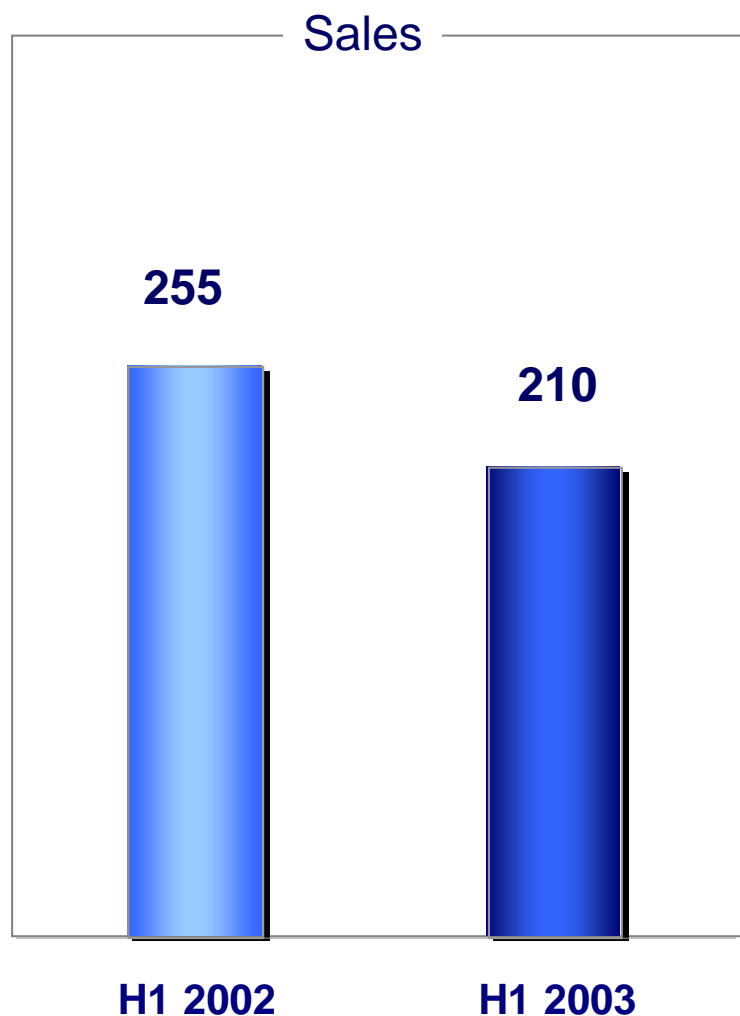


# Watches & Jewelry

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## Key figures

*In millions of Euros*



# Watches & Jewelry

## H1 2003 - Key points

- **Difficult market notably in Europe, Asia (except Japan) and Travel Retail**
  - Good sell-out from TAG Heuer, but destocking phenomena
  - Double-digit increase at Dior Watches, Chaumet
  - Completed Zenith repositioning
- **Increased operating losses**
  - Decrease of gross margin due to strong Swiss Franc – little hedging cover
  - Prices maintained
  - Continued marketing investments
- **Excellent results of the Tiger Woods campaign for TAG Heuer**

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## 2003 Outlook

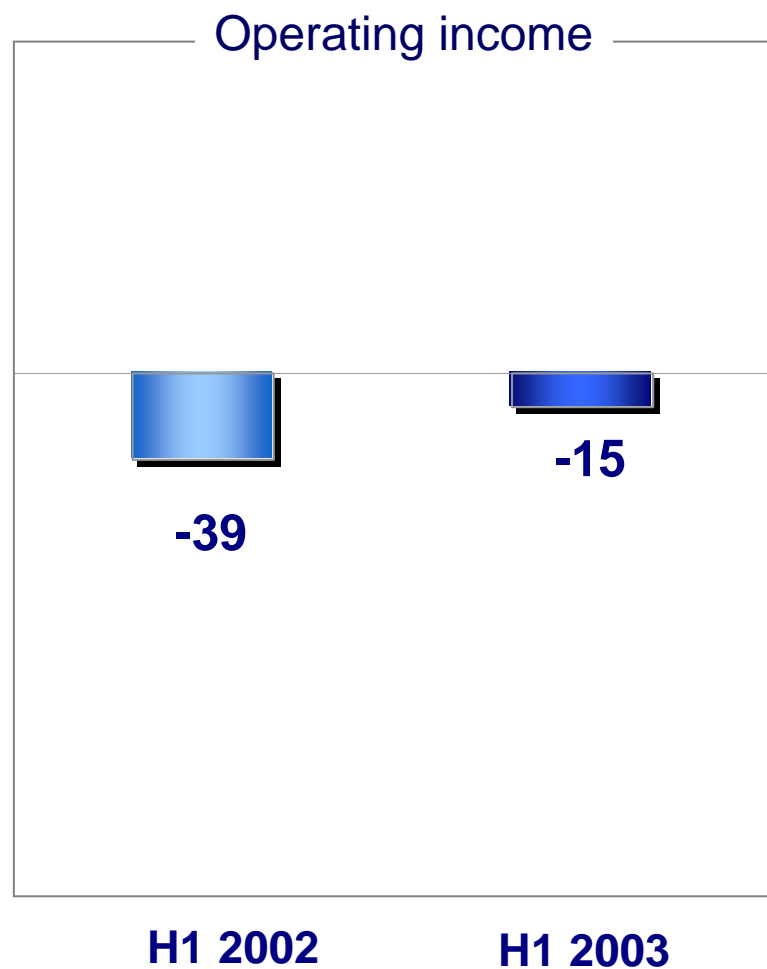
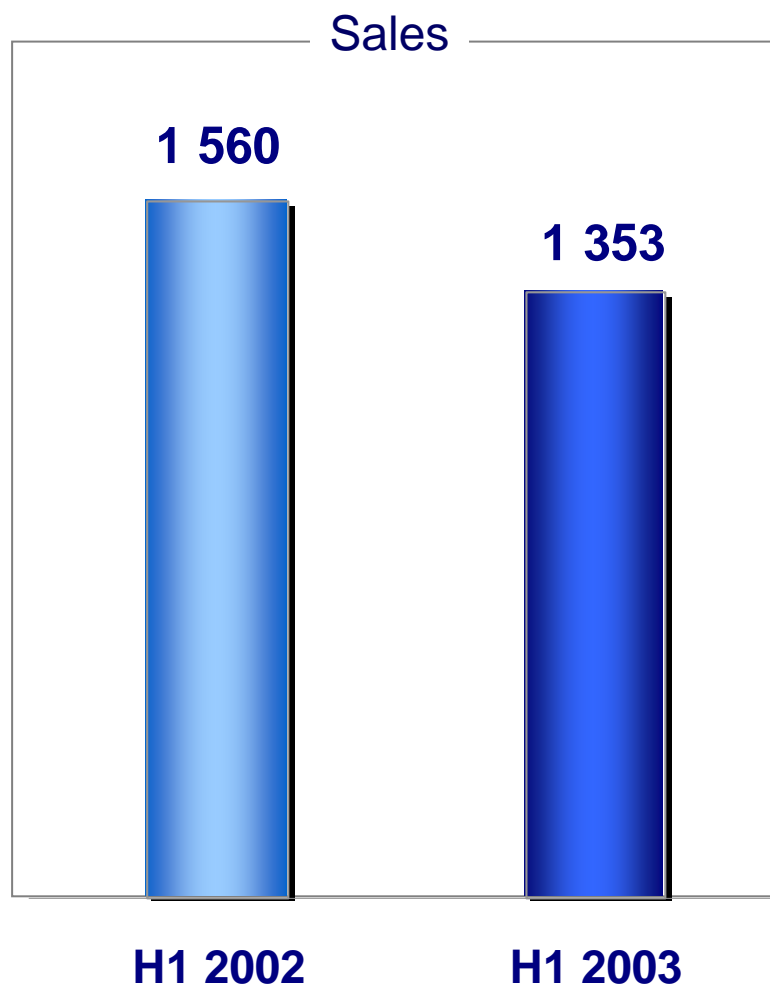
- Recovery of sales since June
- Delivery of numerous new models presented at Basel Watch Fair
- Reduction of costs other than communication
- Chaumet's joint venture in Korea, and new Geneva store
- De Beers opens in three big Tokyo department stores

# Selective Retailing

# Selective Retailing

## Key figures

*In millions of Euros*





### **Travel retail**

- DFS sales fall significantly due to fall of tourism from March
- Reinforced cost control measures and renegotiation of airport concessions

### **Selective retail**

- Strong improvement of Sephora results
  - Selected store openings in Europe (Paris Rivoli, Monaco) and launching of a loyalty card in France
  - Double-digit sales growth at Sephora US
  - sephora.com already profitable

# Selective Retailing

## 2003 Outlook

### **DFS** : confirmation of breakeven objective

- Continued progressive increase in tourism
- Renegotiation of last airport concessions
- Achievement of internal cost reductions

### **Sephora**: increase of operating margin

- Profitability for Sephora US
- Focus on innovation and marketing in Europe

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# **First half 2003 results**

**September 12, 2003**