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MOËT HENNESSY • LOUIS VUITTON

# Annual Results 2003

March 3, 2004

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**Bernard Arnault**

# An exceptional performance in 2003

## In a difficult environment ...

- Sales increased 4%  
on a comparable structure & currency basis
- Operating income increased 9%
- Net income increased 30%
- Debt reduction and gearing less than 60%

**Gained market share**

# Operating income increased 9%

- Wines & Spirits: cost control, enhanced efficiency of distribution and good hedging cover
- Louis Vuitton: continued strong growth and high margin level
- Perfumes & Cosmetics: success of new launches
- Progress of developing activities
  - Sephora profitable in the US
  - Return to profitability of Guerlain
- DFS: excellent response to the environment

# Continue to execute proven strategy in 2004

## Good start to the year in still unstable monetary environment

- Priority given to star brands
- Continue development of brands with high potential
- Improve profitability
- Emphasis on increasing cash flow
- Strong reactivity of teams

# Growth drivers in 2004

- Continued high level of innovation
- Strengthened communication
- Expansion of store network
- Development of future growth drivers
  - New markets
  - New product categories

**Objective of a tangible increase  
in operating income in 2004**

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**Patrick Houël**

# Key figures

*In millions of euros*

	2002	2003	% variation
<b>Net Sales</b>	<b>12 693</b>	<b>11 962</b>	<b>-6%</b>
Gross margin	8 130	7 791	
<i>in % of sales</i>	<i>64%</i>	<i>65%</i>	
Marketing & selling expenses	(4 705)	(4 401)	-6%
General & Admin expenses	(1 417)	(1 208)	-15%
<b>Operating income</b>	<b>2 008</b>	<b>2 182</b>	<b>+9%</b>
Financial expenses	(294)	(233)	
Other income & expenses	(405)	(349)	
Income taxes	(350)	(488)	
<b>Net income before goodwill amortization</b>	<b>818</b>	<b>1 023</b>	<b>+25%</b>
<b>Net income</b>	<b>556</b>	<b>723</b>	<b>+30%</b>

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# Other income and expenses

*In millions of euros*

	2003
Provisions for restructuring	(127)
Net gains/ (losses) on disposals	(139)
Provision Bouygues	(33)
Others	(50)
<b>Total</b>	<b>(349)</b>

# Operating income increased 9% in 2003

*In millions of euros*

	2002	2003	% variation
Wines & Spirits	750	796	+6%
Fashion & Leather Goods	1 280	1 311	+2%
Perfumes & Cosmetics	161	178	+11%
Watches & Jewelry	(13)	(48)	-
Selective retailing	20	106	x5
Others & eliminations	(190)	(161)	-
<b>LVMH</b>	<b>2 008</b>	<b>2 182</b>	<b>+9%</b>

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## Strong improvement in operating margin in 2003

*In millions of euros*

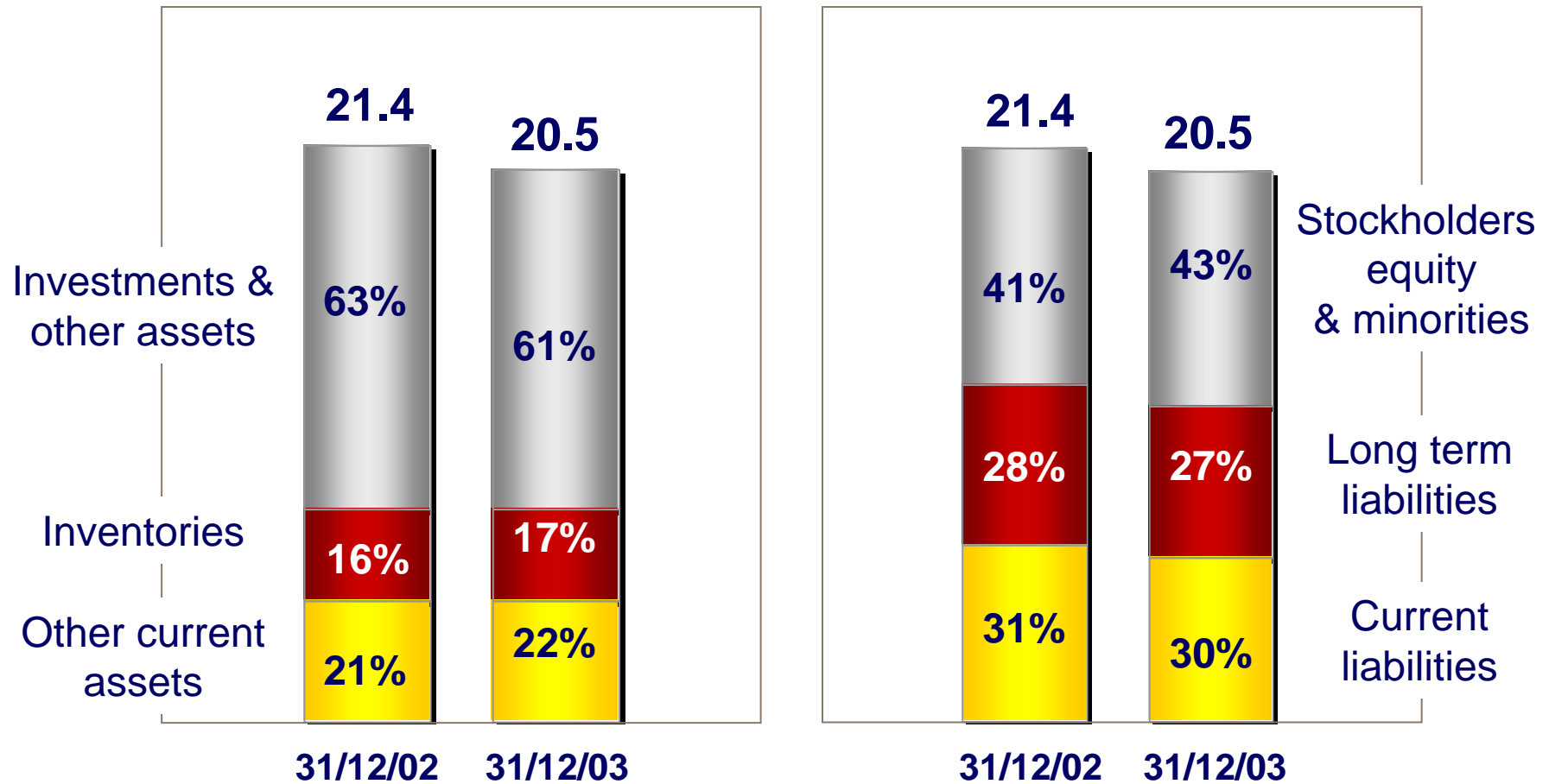
		% margin 2003	% margin 2002
Wines & Spirits	796	38%	33%
Fashion & Leather Goods	1 311	32%	30%
Perfumes & Cosmetics	178	8%	7%
Watches & Jewelry	(48)	-	-
Selective retailing	106	3%	1%
Others & eliminations	(161)	-	-
<b>LVMH</b>	<b>2 182</b>	<b>18%</b>	<b>16%</b>

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# Simplified balance sheet

*In billions of euros*



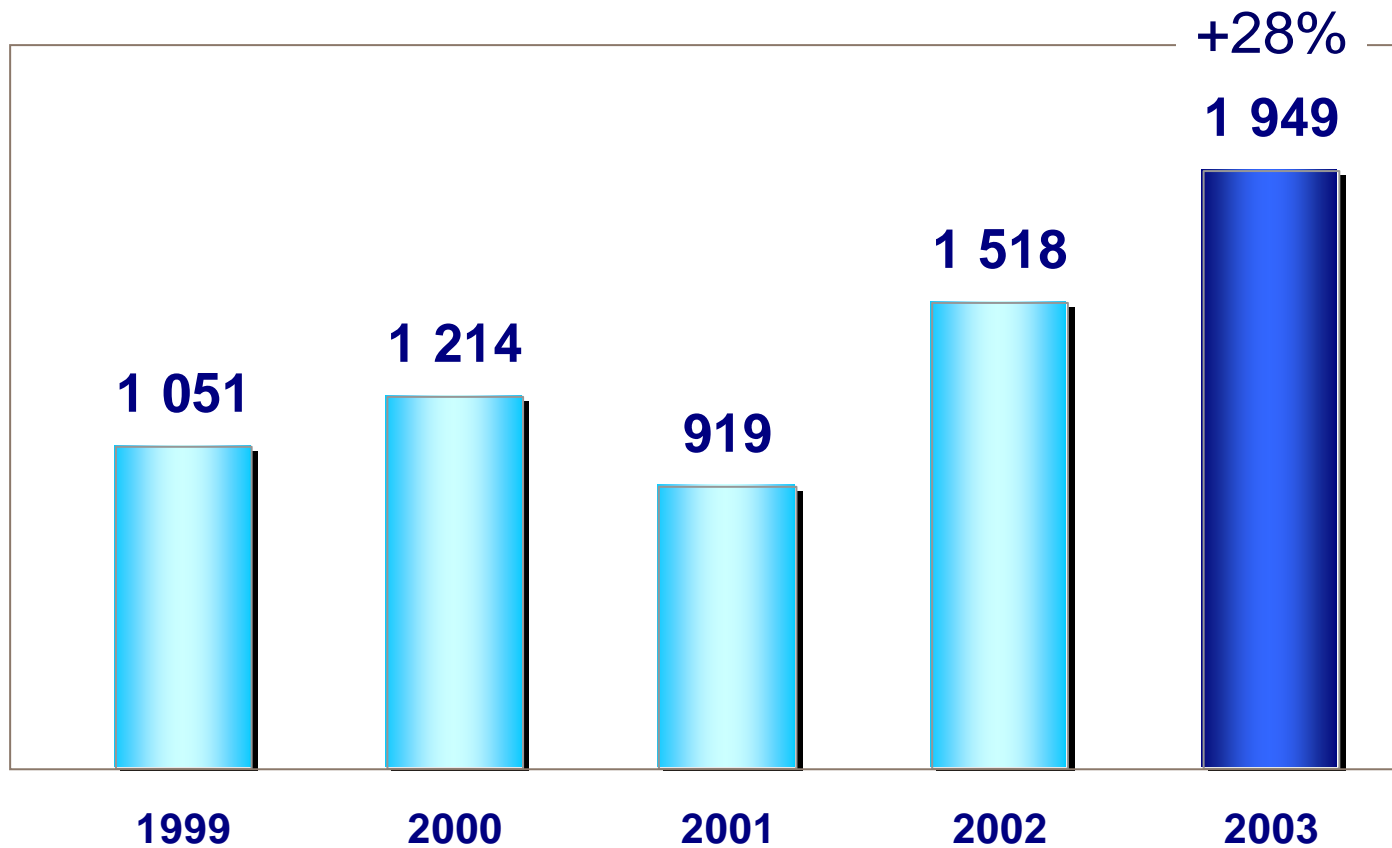
**Strengthened financial structure**

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# Record cash flow from operations

*In millions of euros*



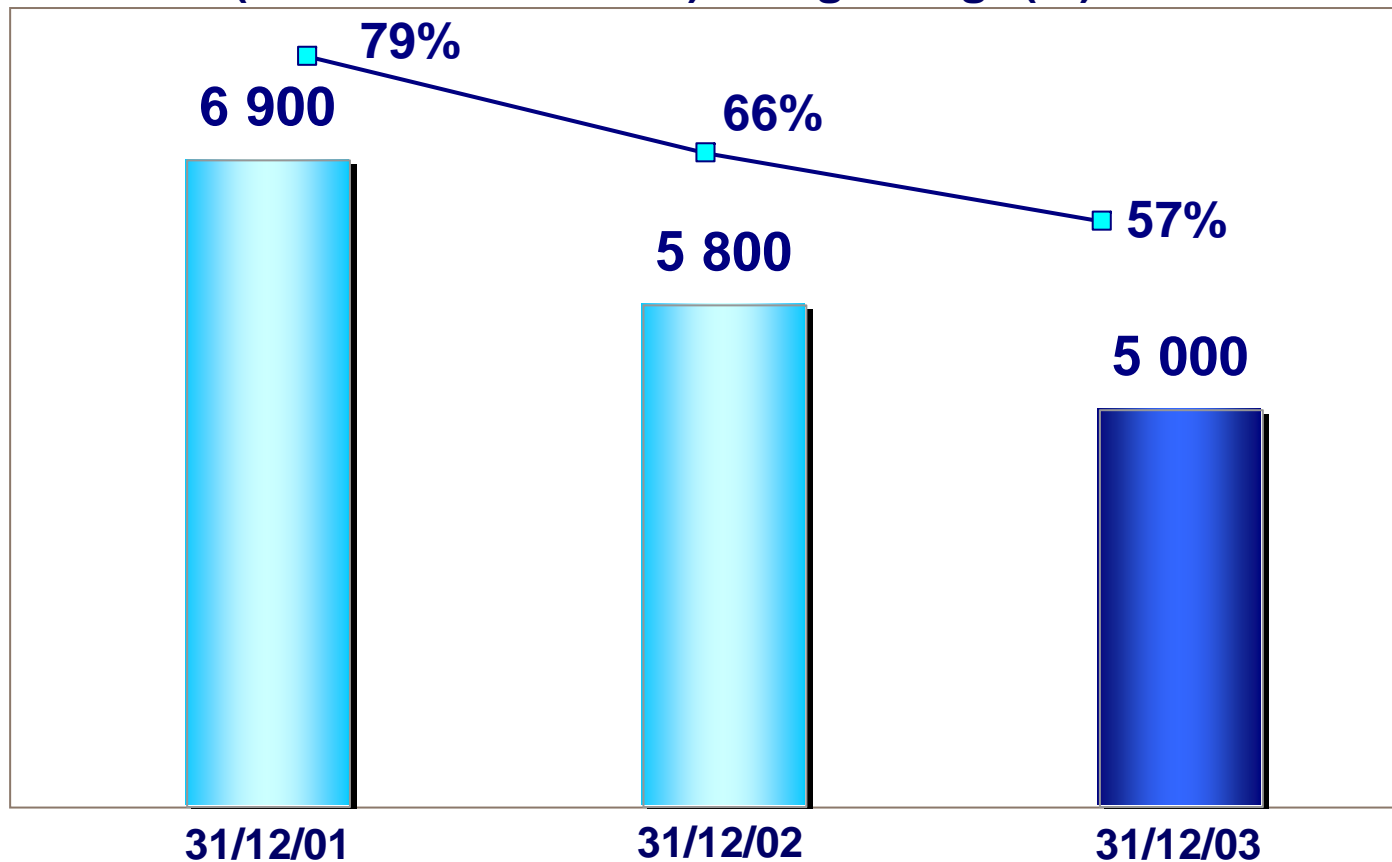
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# Debt reduction in 2003

In line with objective of around 50% gearing at end 2004

Net debt\* (in millions of euros) and gearing\* (%)



\* net of market value of Bouygues and LVMH treasury shares

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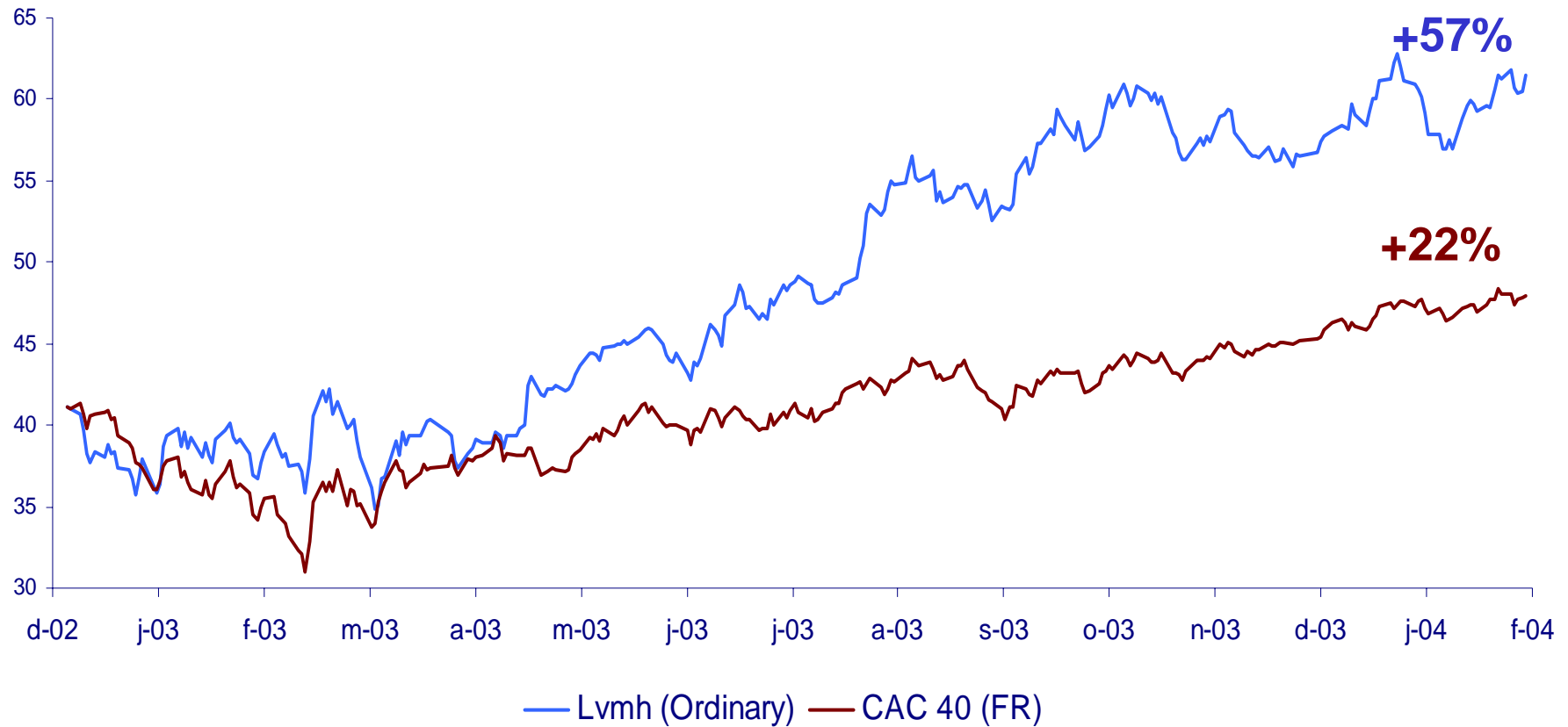
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# Hedging cover

- Favorable hedging cover in 2004 but at a lower level than 2003

<i>At 1st March 2004</i>	2002	2003	2004
<b>EUR / USD</b>	0.90	0.97	1.09
<i>% cover</i>			81%
<b>EUR / JPY</b>	103.3	118.5	124.2
<i>% cover</i>			68%

# LVMH shares since January 1, 2003



Source : JCF Group – As of February 27, 2004



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**Antonio Belloni**

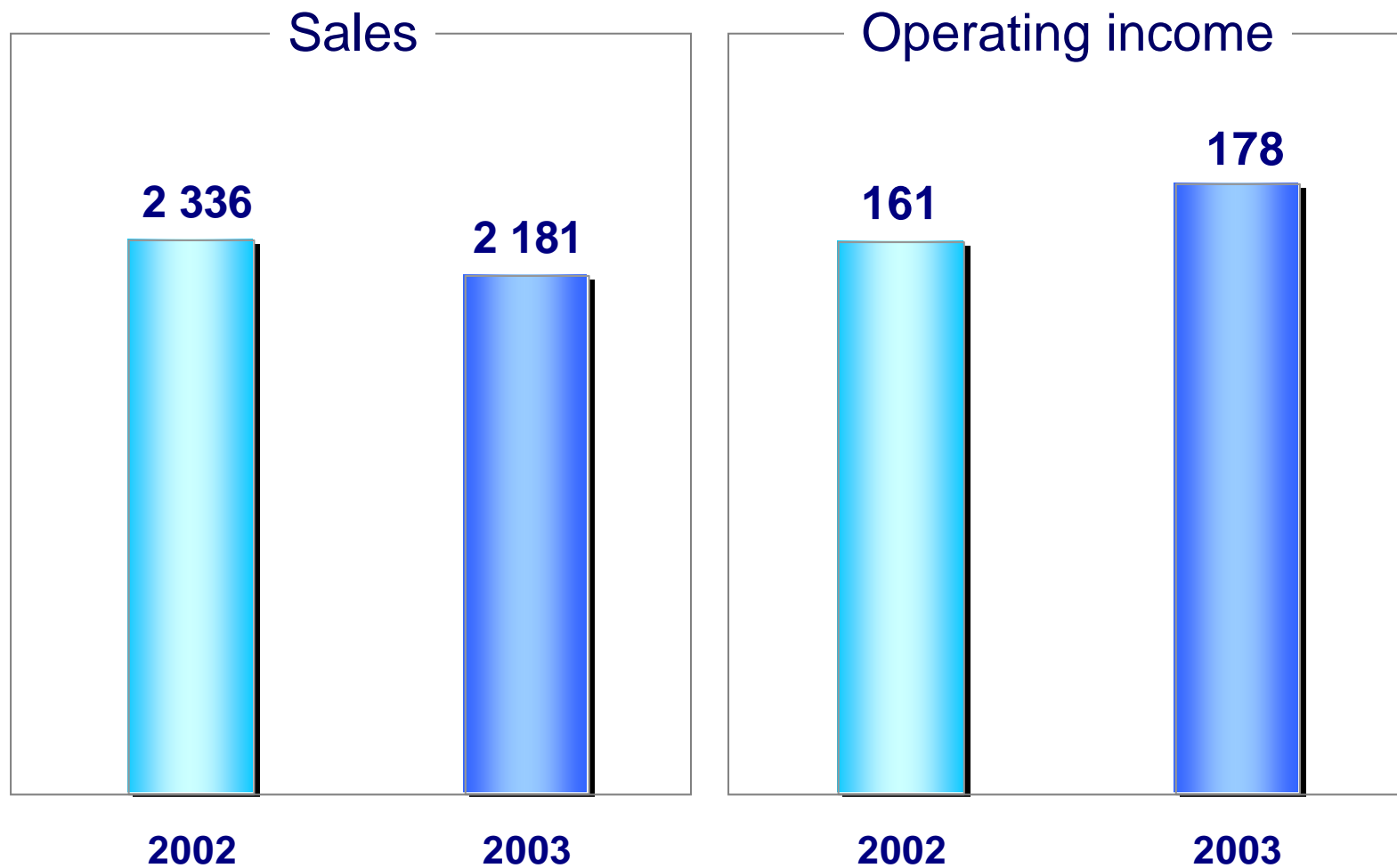
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## **Perfumes and Cosmetics**

# Perfumes and Cosmetics

## Key figures

*In millions of euros*



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# Perfumes and Cosmetics

## 2003 Highlights

- Improved operating margin despite a difficult market
- Parfums Christian Dior: good progress with high profitability
  - Another year of growth for *J'Adore*, a classic
  - Significant market share gain in skincare with *Capture R60/80*
- Success of new perfumes *Very Irresistible* by Givenchy and *Kenzo Air*
- Excellent start for Guerlain's perfume *l'Instant*
- Highly profitable growth of BeneFit Cosmetics
- Sale of US licences and Bliss

# Perfumes and Cosmetics

## 2004 Outlook

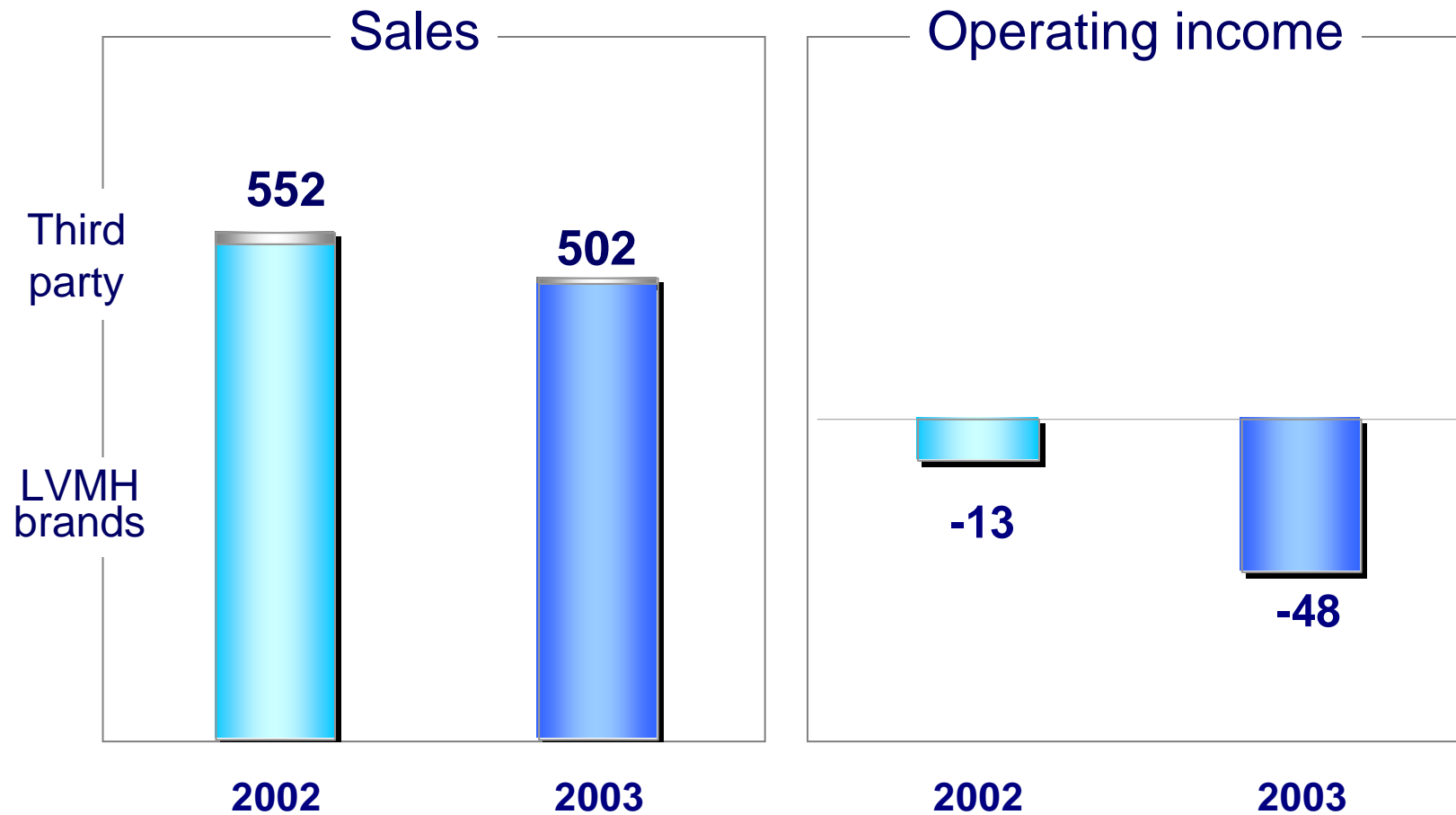
- Objectives: gain market share, increase profitability
- Continue innovation at Parfums Christian Dior
  - Launch new women's perfume and strengthen skincare
  - Develop new markets (Russia, China, Korea) and continue strong positive trend in Japan
- Launch new men's fragrance at Guerlain
- Introduce new make up line at Givenchy
- Pursue development of BeneFit and Fresh

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## **Watches and Jewelry**

# Watches and Jewelry Key Figures

*In millions of euros*



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# Watches and Jewelry

## 2003 Highlights

- Encouraging rebound in Q4 after difficult start to the year
- TAG Heuer
  - Consolidation of market share
  - New entry price product range
  - Sustained communication
- Zenith: successful repositioning in Asia and the US
- Montres Dior: 3<sup>rd</sup> year of rapid development
- Chaumet: strong progress in Japan and France, new jewelry collections
- Sale of Ebel



# Watches and Jewelry

## 2004 Outlook

- Priority on improving operating income
- Strengthen the growth trend at TAG Heuer
  - New innovative products to be presented at Basel next April
  - Exploit the image of Tiger Woods, among the world's best golfers
- Selective development of other brands
  - Chaumet: enlarge product offer, targeted expansion of network
  - Montres Dior: the 3 Dior Couture designers to create icon products ; grow in US and Japan
  - Pursue repositioning of Zenith in high range mechanical watches

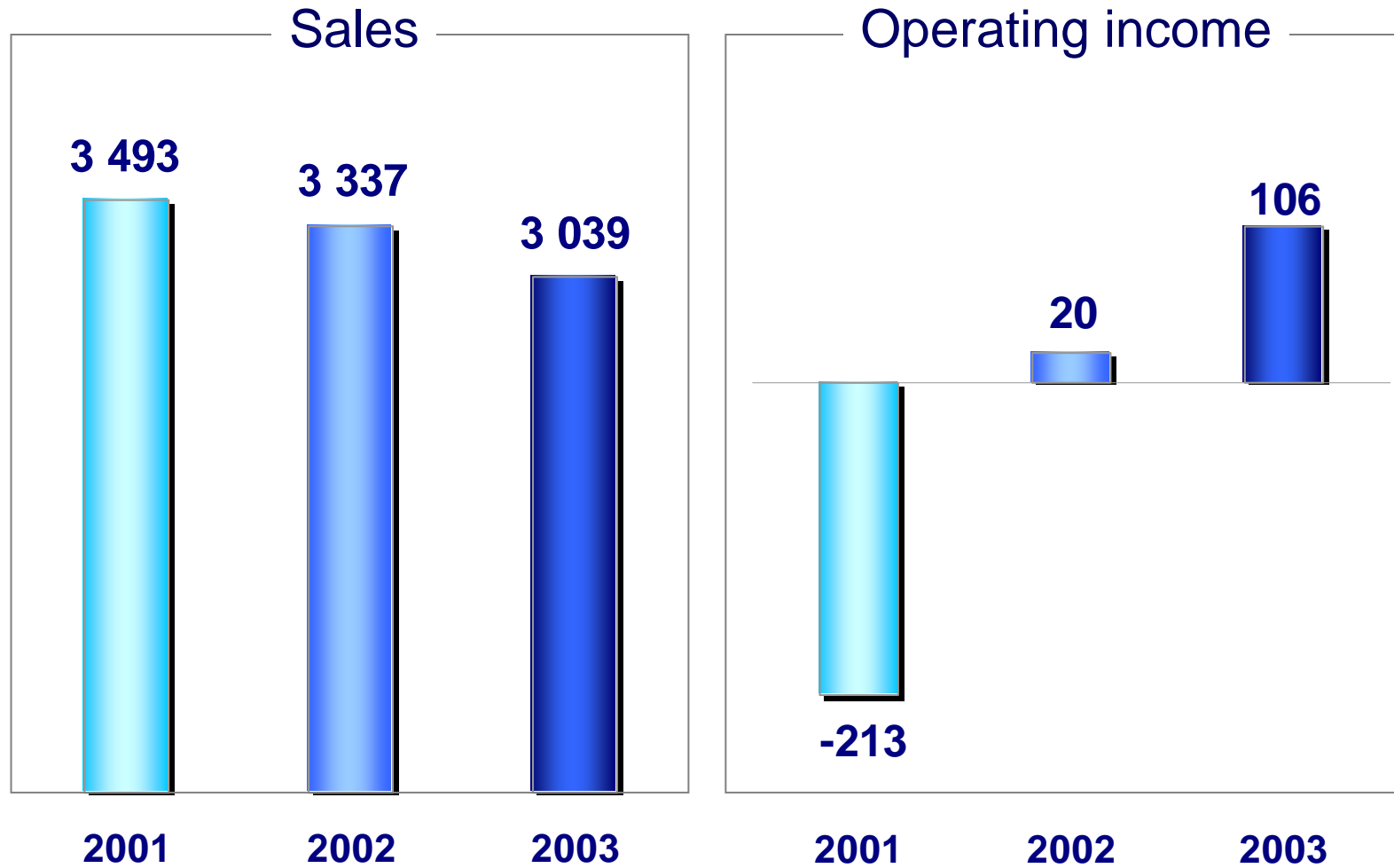
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## **Selective Retailing**

# Selective Retailing

## Key Figures

*In millions of euros*



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# Travel Retail

## 2003 Highlights

- Return to growth at DFS in Q4 but sales lower for full year
- Positive operating income of DFS
  - Renegotiation of concession costs
  - Rigorous productivity improvement plan
  - Light and decentralized organisational structure
- Increased dollar sales and profitability of Miami Cruiseline
  - Improved logistics and increased visibility on ships

# Travel Retail

## 2004 Outlook

- **Improve profitability of DFS**
  - Maintain rigorous cost control
  - Take advantage of sales rebound with tourism recovery
  - Benefit from growth in Chinese tourism
- **Continue profitable growth at Miami Cruiseline**
  - Develop product offerings and presentation
  - Renew concession contracts on more favorable terms

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## **Selective Retailing**

# Selective Retailing

## 2003 Highlights - Sephora

- **Strong increase of profitability in Europe**
  - Excellent launch of the loyalty card in France
  - Extension of network in Poland and introduction in Russia
- **First profit and positive cash flow in US**
  - Double digit comparable store sales in 2003
  - Sephora.com activity extended to Canada
  - Rapid start at new stores

# Selective Retailing

## 2004 Outlook - Sephora

- **Innovation leadership in Europe**
  - Open stores in countries with highest potential
  - Strengthen client service and other loyalty actions
  - Develop values associated with the brand: communication, Sephora brand products
- **Profitable growth in US**
  - Continue double digit growth in comparable store sales
  - Expand the store network
  - Reinforce leadership of sephora.com



# Selective Retailing

## Le Bon Marché and La Samaritaine

- **Le Bon Marché**
  - Market share gain in 2003 in a difficult environment
  - Renovation of women's fashion space for completion in 2005
- **La Samaritaine**
  - Pursue repositioning towards fashion and female clientele
  - Reorganization of commercial space on a reduced surface (30 000 m<sup>2</sup> compared to 45 000 m<sup>2</sup>)
  - New configuration to be completed in September 2004

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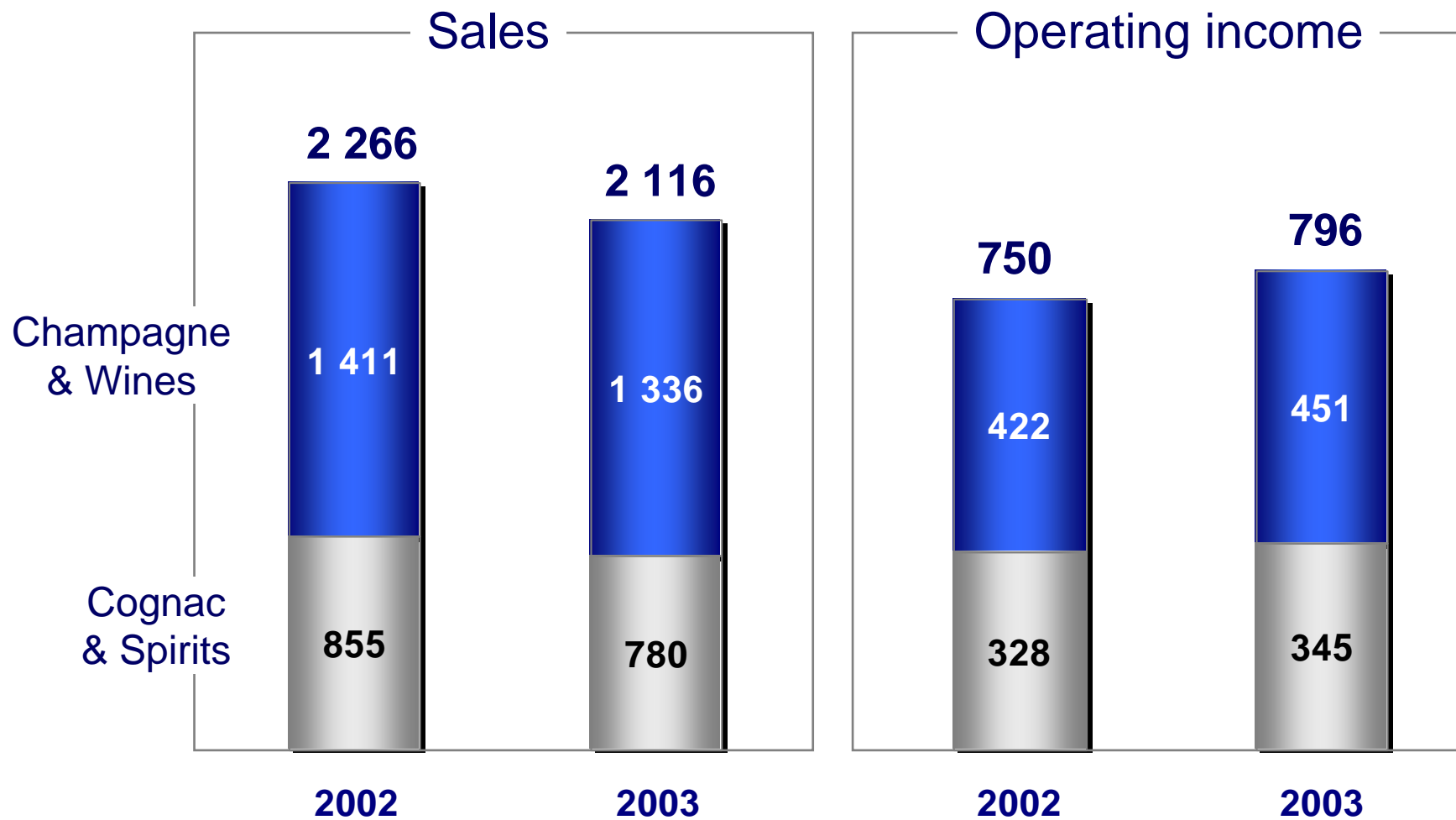
## **Wines and Spirits**

**Christophe Navarre**

# Wines and Spirits

## Key figures

*In millions of euros*

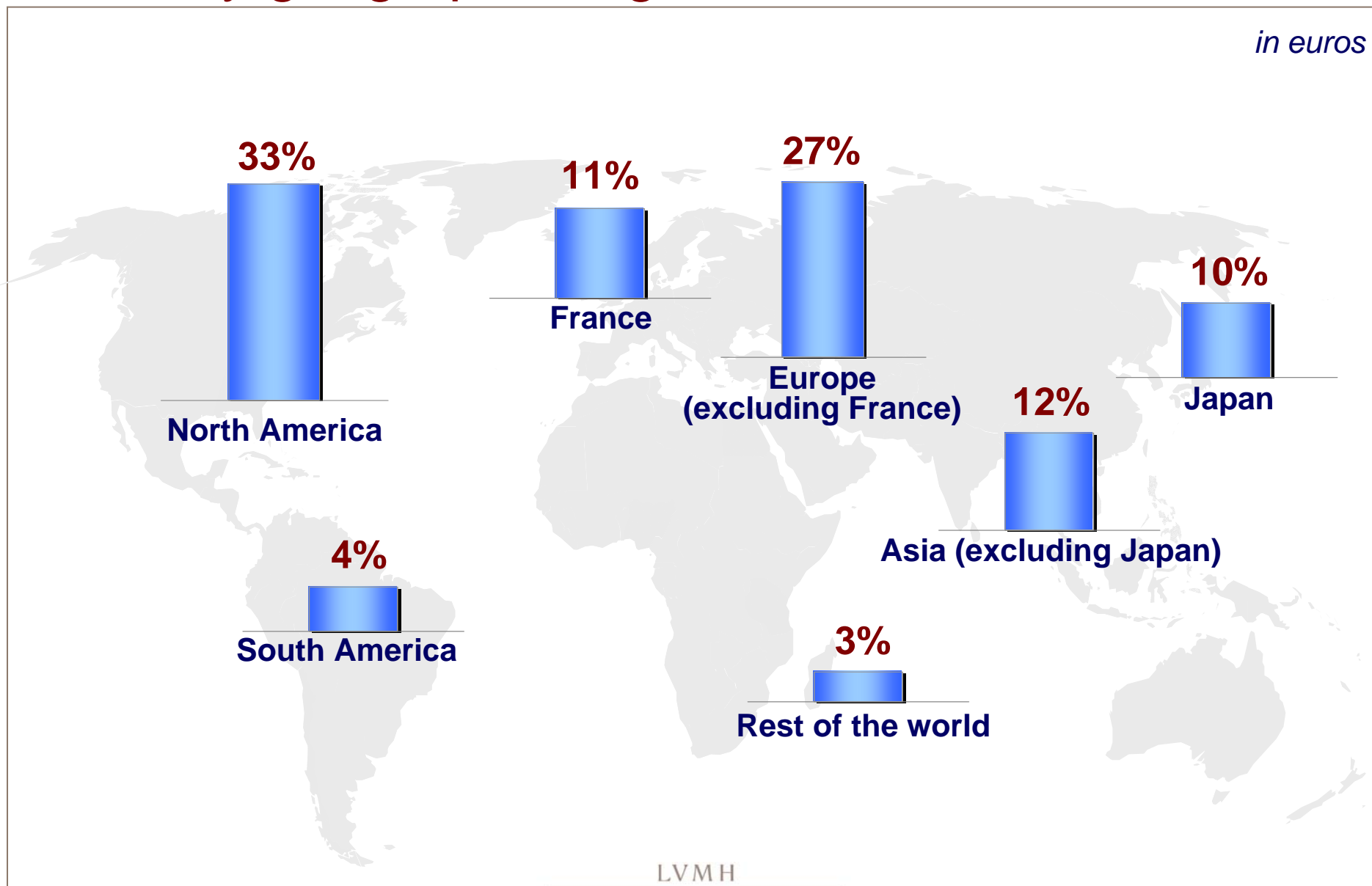


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# Wines and Spirits in 2003

## Sales by geographic region



# Wines and Spirits in 2003

N°1 worldwide in luxury Wines & Spirits

## Strategic priorities

1. Developing star brands in key markets
2. Enhancing brand value by firm pricing policy
3. Refocus portfolio and distribution network
4. Developing « rising stars »

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## **Wines and Spirits in 2003**

# Developing star brands in key markets

- Good performance of Champagne in the UK and Japan
- Remarkable progress of Veuve Clicquot and Krug in the US
- Continued growth of Hennessy Cognac sales in the US
- Good performance of Hennessy in Asian market, particularly Taiwan and China

# Enhancing brand value

- Firm pricing policy
- Targeted marketing investments
- Improving product mix
- December launch of Hennessy *Ellipse*, a super premium cognac



# Refocus portfolio and distribution network

- Continued integration of Moët Hennessy and Veuve Clicquot distribution networks
- Sales force dedicated exclusively to Moët Hennessy brands in the US
- Sale of non strategic brands

# Developing « rising stars »

- Significant increase of marketing investments for Krug in 2003
- Ruinart
- Launch of new Belvedere vodkas
- Creation of Moët Hennessy Wine Estates

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## **Wines and Spirits** 2004 Outlook

# Wines and Spirits

## 2004 Outlook

- Pursue value creation strategy with objective of gaining market share in value terms
- Firm pricing policy
- Continue integration and strengthening of distribution network
- Innovation and creativity

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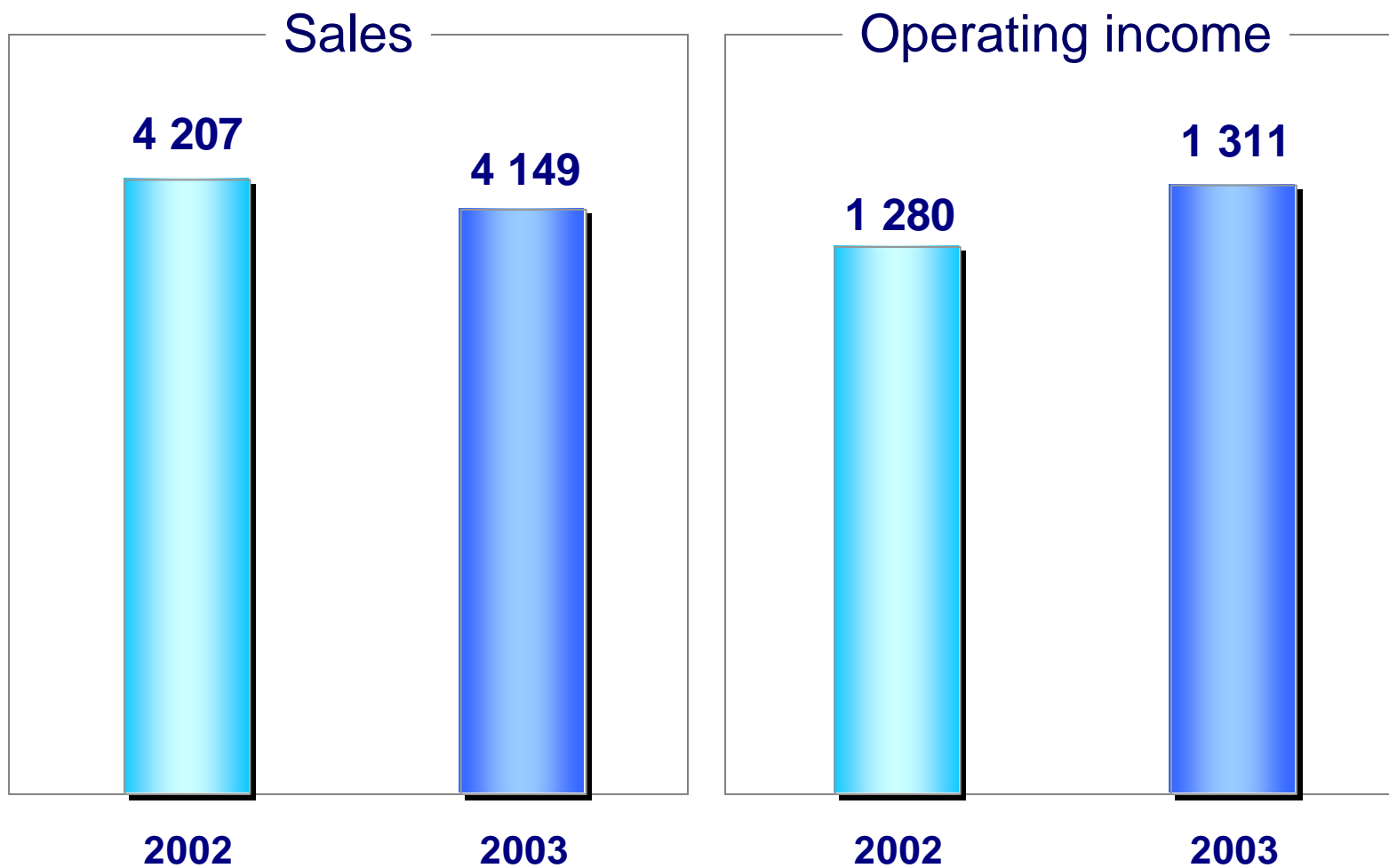
## **Fashion and Leather Goods**

**Yves Carcelle**

# Fashion and Leather Goods

## Key Figures

*In millions of euros*



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# Louis Vuitton

## 2003 Highlights

- Double digit sales growth at constant currency, in a difficult environment
- Louis Vuitton outperforms the competition: gained market share in all regions
- Exceptional performance in Europe and the US, with dollar sales growth of more than 50% in Q4
- Record sales in December
- Increased demand from local clients
- Further increase in profitability, despite negative currency effects
- Expansion of distribution network (317 stores, +18 in 2003)
  - New Delhi, St. Barthélemy, 2<sup>nd</sup> global store in Taipei, Tokyo Roppongi

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**Louis Vuitton**  
Tokyo Roppongi



# Louis Vuitton

## 2003 Highlights

- Strengthened advertising and strong visual impact of recent campaigns
  - Eva Herzigova in 1<sup>st</sup> half
  - Jennifer Lopez in 2<sup>nd</sup> half
- Enormous success of new leather products
  - New lines: *Multico*, *Suhali*, *Monogram Multipoches*
  - New material: *Epi souple* - soft leather
- Expansion of *Tambour* watch range
- Active campaign against counterfeiting ; conclusive results
- Spectacular façade of the Champs-Élysées store, a future global store after Omotesando, 5<sup>th</sup> Avenue NY and before Hong-Kong

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# **Louis Vuitton**

## **2003 Highlights**

# Fashion and Leather Goods

## 2003 Highlights

- **Celine: New dynamic growth**
  - Double digit sales increase at constant currency
  - Confirmed success of the *Boogie* and *Poulbot* bags
  - Increased appeal of the brand in Japan
  - Network of 100 stores, nearly 40 of which are in Japan
- **Fendi: Reorganisation continues**
  - Good sales increase in Q4
  - Improved quality of distribution network
- **Donna Karan: Return to profitable growth**
  - Refocusing on more selective distribution
  - Excellent press coverage of last collection
  - Accent on accessories development and strengthening ready to wear lines

# Louis Vuitton

## 2004 Outlook

- Dynamic innovation program
  - Giant Damier and new products: *Theda* and *Leonor*
  - Continued success of *Multico*, becoming a classic
  - Launch of first complete jewelry range
  - Strengthen presence in watches
- Continue media investments in key markets with new campaign:  
6 Top Models show the brand
- Marketing initiatives and events to celebrate 150<sup>th</sup> anniversary

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# **Louis Vuitton**

## **2004 Outlook**

# Louis Vuitton

## 2004 Outlook

- **Network expansion: +19 stores of which**
  - 7 Global Stores
  - 1<sup>st</sup> store in South Africa (Johannesburg)
  - Network extension in new markets (China, India ...)
- **Important openings**
  - New York, 5<sup>th</sup> Avenue
  - Tokyo Ginza
  - Shanghai
- **2004 objective: Strengthen the pre-eminence of Louis Vuitton in the worldwide luxury market**

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**Louis Vuitton**  
New York, 5<sup>th</sup> Avenue

# Fashion and Leather Goods

## 2004 Outlook

- Establish and grow profitability of Celine with particular support of leather and accessories
- Continue rationalization and revitalization of Fendi and Donna Karan
- Accentuate development of smaller brands with high potential:
  - Marc Jacobs, Pucci and Berluti



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**Louis Vuitton**  
New York

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