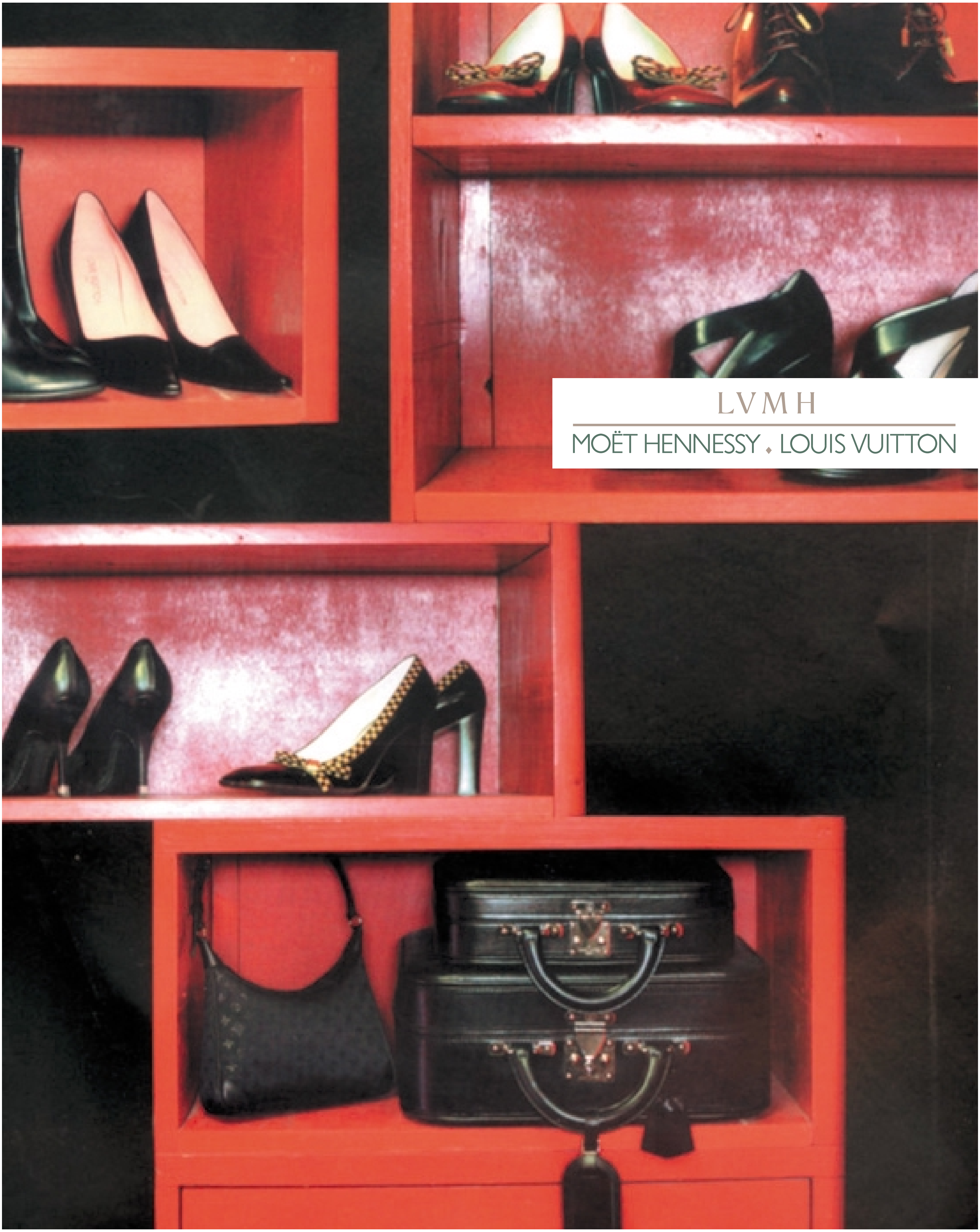


LVMH

MOËT HENNESSY . LOUIS VUITTON

ANNUAL REPORT 2001

PASSIONATE ABOUT CREATIVITY

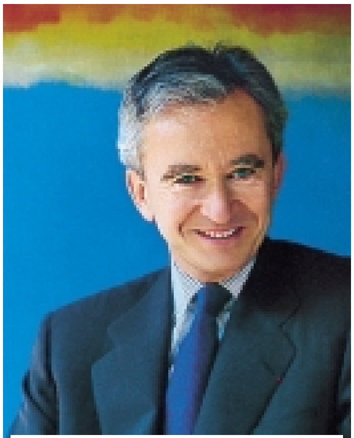
LVMH

MOËT HENNESSY . LOUIS VUITTON

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 over 53,000 employees worldwide and global

PASSIONATE ABOUT CREATIVITY

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.



Bernard Arnault
Chairman and CEO

The slowdown of the world's economies, the shock of the attacks of 11th September and their grave geopolitical consequences, very poor short-term visibility for economic and financial markets : these were all defining characteristics of 2001.

The accomplishments of our teams in this exceptionally unstable environment were remarkable. Thanks to their talents, their efforts and their great ability to be reactive, our activities continued to grow, sustained by the entrepreneurial and innovative spirit which is at the very foundation of our position of leadership and which allows us to gain market share, even when times are difficult.

We have once again gained market share thanks to our people's talent, hard work and responsiveness.

Excellent progress for our greatest brands

The performance of the great brands which are at the heart of our business was excellent. Louis Vuitton saw further growth and its new products, which accounted for 18% of the year's sales, are objects of infatuation. Parfums Christian Dior saw numerous successes and Hennessy continued to gain ground in the United States (with volumes up 11% in 2001) and Asia. These are just a few noteworthy examples.

Activities in their development stage are also on target, with the Watches and Jewelry division making good headway in 2001, setting up an organisational structure and laying the foundations for future growth. These efforts are paying off : our watch brands have already gained market share across the geographic board.

Our star brands' growth model encourages rising stars to blossom.

DFS, where activities are very closely linked with the tourist cycle, suffered from the slowdown in international travel seen in the fourth quarter of 2001. In the current, exceptionally difficult, economic climate, a rigorous cost reduction program has been put into action, paving the way for a considerable improvement in results from DFS in 2002 and increased profitability thereafter.

With 23% sales growth, the Sephora concept is now firmly established in both Europe and the United States. After some restructuring and now concentrating on its best-performing markets, Sephora should reach the threshold of profitability this year and move beyond it in 2003.

Developing new stars

Our strategic priority is growing our star brands – the Group has the largest collection of star brands in the world and they are key profit drivers. We are also nurturing the growth drivers of the future. The development model of the "icons" of the luxury universe - Louis Vuitton, Christian Dior, Dom Pérignon, Fendi, Hennessy, TAG Heuer – to mention a few, is

We are bolstering our positions, taking action and bouncing back.

the inspiration for our flourishing rising stars - Donna Karan, Fresh, Pucci, or Zenith… We acquired these companies recently because they have strong potential and all the qualities necessary for profitable, long-term growth with support from the Group and its unique expertise in brand development. We manage them in the same way as the more established brands – respecting their unique character while giving them the means to cultivate their creativity, broaden their territory and strengthen their global image and profile.

Focusing on cash flow and profitability

Cash generation is a management priority for all our teams. Recovery measures taken for activities affected by the economic climate and increased selectivity in investments have been driven by this goal. We are focusing on allocating resources to the most profitable activities and markets and disposing of non-core assets, whether real estate or financial. The disposal of the Gucci stake is the best illustration of this – the agreement was signed in excellent conditions on 10th September 2001 and the proceeds financed all our investments in Italy, thanks to a capital gain of 774 million Euros realized on what has been a particularly profitable investment.

Improved currency hedging and falling interest rates will be just some of the favorable factors we expect in the coming months.

Teams strongly motivated towards future growth

LVMH is in an excellent position to look ahead to the future. We have lived through economic crises before, emerged stronger and bounced back quickly, thanks to our powerful brands and our flexible, reactive internal resources. Despite currently weak visibility as to when the economic recovery will come, we envisage a significant rebound in the Group's results in 2002. This growth might accelerate if the economic climate improves in the second half.

In the longer term, the future will be shaped by the continued development of the luxury market, where LVMH is the global leader. Our success, constant gains in market share and lead on all of our competitors will continue to be driven by the creativity of our products, the exceptional talent of the world's greatest designers within the Group, our highly effective managers, the faultless attention we pay to the quality of our products and the satisfaction felt by our clients.

The rebound forecast for 2002 could pick up along with economic growth in the second half.

Bernard Arnault

FINANCIAL HIGHLIGHTS

EUR million	1999	2000	2001
Net sales	8,547	11,581	12,229
Income from operations	1,547	1,959	1,560
Operating margin	18.1%	16.9%	12.8%
Net income before amortization of goodwill and unusual items	738	846	334
Earnings per share before amortization of goodwill and usual items (EUR)	1.53	1.75	0.68
Net income	693	722	10
Dividend per share including tax credit (EUR)	1.02	1.13	1.13
Cash flow from operations	1,051	1,214	919
Capital expenditures (1)	574	857	984
Stockholders' equity (2)	7,781	8,512	8,701
Net financial debt to equity ratio (2)	95%	87%	95%

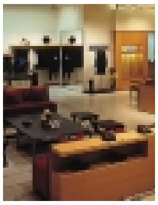
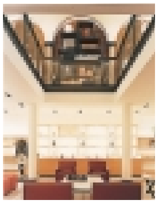
(1) Acquisitions of intangible and tangible long-term assets (2) Includes minority interests

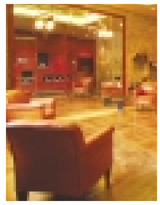
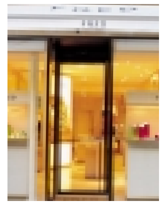
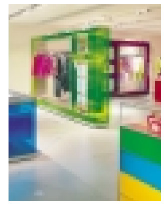
Net sales by business group

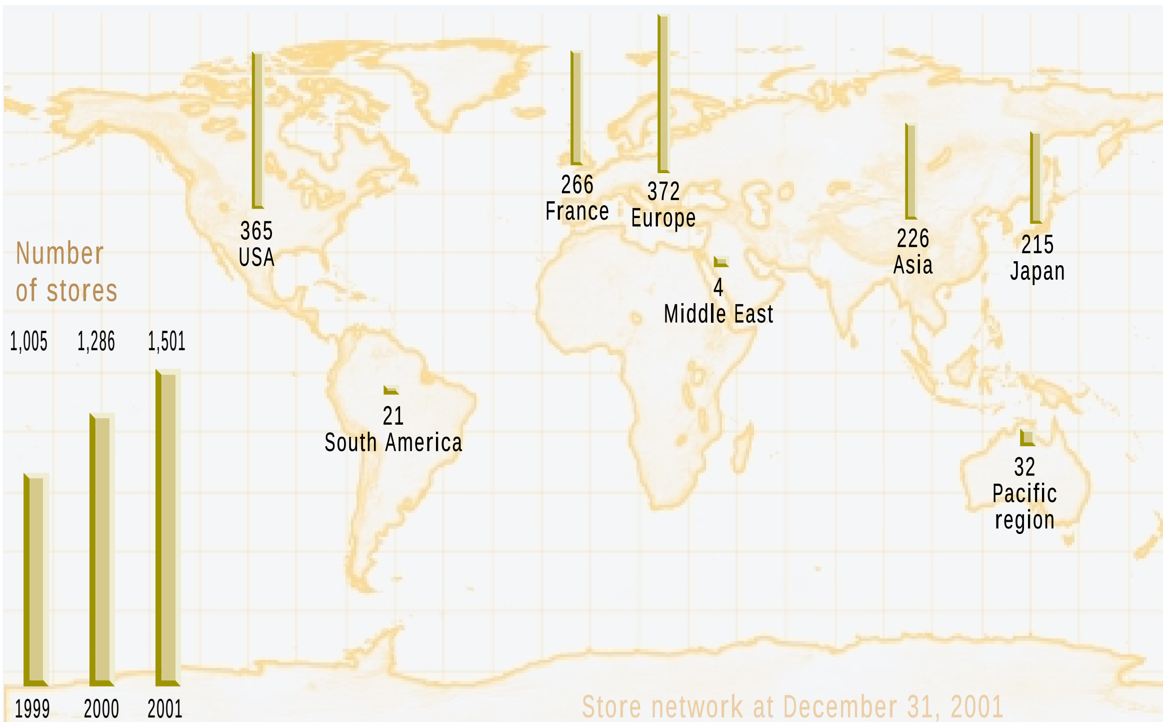
EUR million	2000	2001
Wines and Spirits	2,336	2,232
Fashion and Leather Goods	3,202	3,612
Perfumes and Cosmetics	2,072	2,231
Watches and Jewelry	614	548
Selective Retailing	3,287	3,475
Other businesses and eliminations	70	131
Total	11,581	12,229

Income from operations by business group

EUR million	2000	2001
Wines and Spirits	716	676
Fashion and Leather Goods	1,169	1,274
Perfumes and Cosmetics	184	149
Watches and Jewelry	59	27
Selective Retailing	(2)	(194)
Other businesses and eliminations	(167)	(372)
Total	1,959	1,560

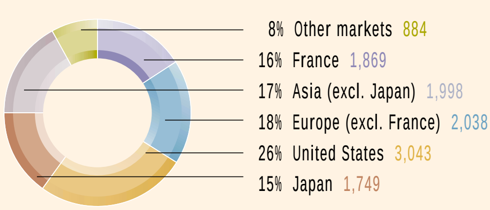


Store network at December 31, 2001

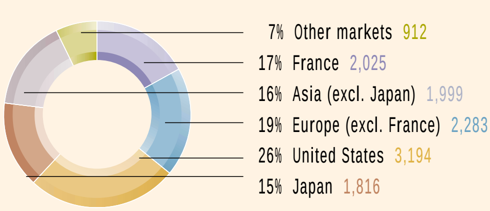
Net sales by geographic region of delivery

(EUR million and %)

2000



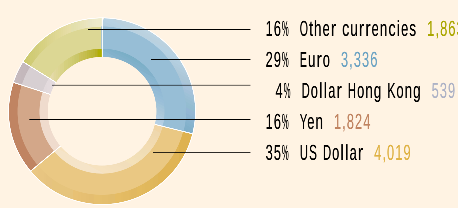
2001



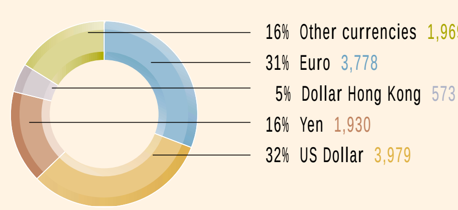
Net sales by currency

(EUR million and %))

2000



2001



Acquisition of La Samaritaine

La Samaritaine, the symbolic Paris department store, joined LVMH in January 2001 when the Group acquired a 55% equity stake in the Company. With the Group's support, La Samaritaine is undergoing a strategic repositioning to focus on fashion and accessories to attract local customers and the many international travelers visiting the heart of Paris. A new visual identity plus an advertising campaign on the "ever-evolving store" theme were the first initiatives taken in 2001 to mark the department store's upcoming transformation.

Formation of De Beers LV

In January 2001, LVMH and the De Beers diamond group decided to form a jewelry company under independent management that is relying on the strong potential of the De Beers name and the LVMH group's expertise in the global management of luxury brands. The project was approved by the European Commission in July 2001. With headquarters in London, De Beers LV intends to build a high-end global jewelry chain with the first store scheduled to open in late 2002.

LVMH purchases Donna Karan and raises its stake in Fendi

In November 2001, LVMH finalized its acquisition of the American fashion house, Donna Karan International. The deal followed the January 2001 acquisition of Gabrielle Studio Inc., the company that owns the Donna Karan, DKNY and other brands used by DKI.

Also in November 2001, LVMH group and Prada entered into an agreement for LVMH to acquire Prada's 25.5% equity stake in Fendi. Following this operation, LVMH group held 51% of Fendi with the Fendi family, which has kept a 49% interest. This will allow it to step up the development of one of Italy's most beautiful luxury brands.

Donna Karan and Fendi are two major brands that significantly strengthen the growth potential and objectives of the LVMH group in the key fashion and leather goods sector.

Acqua di Parma

In September 2001, LVMH group acquired a 50% interest in Acqua di Parma, a very selective Italian brand specializing in perfumes and aromatherapy. LVMH group has assumed responsibility for developing Acqua di Parma perfumes. The agreement provides for stores in the world's major capitals and the development of new product lines.

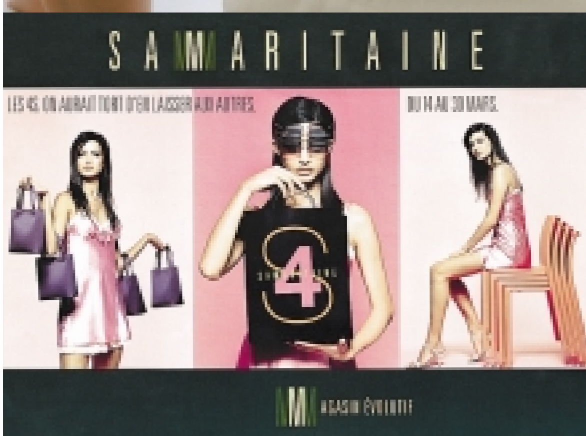
Disposal of Gucci

Under an agreement signed on September 10, 2001, LVMH group sold its equity stake in Gucci in December. The Group obtained excellent terms, and realized a 774 million euro capital gain.

Transfer of controlling stake in Phillips, de Pury et Luxembourg

In February 2002, LVMH transferred its controlling stake in the Phillips, de Pury & Luxembourg auction house to its two principals, Simon de Pury and Daniella Luxembourg. The Group reduced its equity interest to 27.5%. The decision was part of LVMH group's strategy to focus on expanding its luxury brands.

LVMH demonstrates its strategy to focus on developping its luxury brands.


SAMARITAINE
DU 14 AU 30 MARS.


ACQUA
DI
PARMA


STOP

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

Board of Directors

Bernard Arnault
Chairman
& Chief Executive Officer

Antoine Bernheim (1)
Vice Chairman

Antonio Belloni (2)
Group Managing Director

Jean Arnault
Nicolas Bazire
Nicholas Clive Worms (1)
Diego Della Valle (1)(2)
Michel François-Poncet (1)
Albert Frère
Pierre Godé
Gilles Hennessy
Cornelis H. van der Hoeven (1)
Jean-Marie Messier (1)
Jean Peyrelevade (1)
Lord Powell of Bayswater
Felix G. Rohatyn

Advisory Board Member

Kilian Hennessy (1)

Performance Audit Committee

Michel François-Poncet (1)
Chairman

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 and François Hilly

Executive Committee

Bernard Arnault
Chairman & Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development et Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion & Leather Goods

Patrick Choël
Perfumes & Cosmetics

Pierre Godé
Advisor to the Chairman

Patrick Houël
Finance

Concetta Lanciaux
Advisor to the Chairman, Synergies, Group Representative Italy

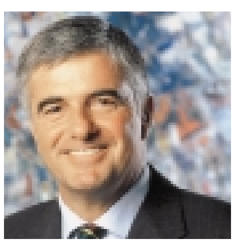
Pierre Letzelter
Sephora

Christophe Navarre
Wines & Spirits

Philippe Pascal
Watches & Jewelry

Daniel Piette
LV Capital

Bernard Rolley
Operations



Antonio Belloni was appointed a Managing Director of LVMH group in September 2001. He joined the Group in June of that year following a 22-year international career with Procter & Gamble.

(1) Independent director.
(2) Nominated at the General Meeting of Shareholders of May 15, 2002.

Operating Management

Eric Aliamus - *Omas*
Jean-Christophe Babin - *TAG Heuer*
Philippe de Beauvoir - *Le Bon Marché - La Samaritaine*
Cécile Bonnefond - *Veuve Clicquot*
Marcello Bottoli - *Louis Vuitton Malletier*
Scott Bowman - *Marc Jacobs*
Christian Bregou - *D.I. group*
Guillaume Brochard - *Ebel*
Serge Brunschwig - *Sephora Europe*
Giuseppe Brusone - *Donna Karan*
Ridgely Cinquegrana - *Loewe*
Alain Crevet - *Parfums Givenchy*
Jean-Pierre Debu - *Christian Lacroix*
Giancarlo Di Risio - *Fendi*
Thierry Fritsch - *Chaumet*
Jean-Pierre Gillot - *La Brosse et Dupont*
Gilles Hennessy - *Hennessy*
Rémi Krug - *Krug*
Jean-Marie Laborde - *Moët & Chandon*
Valérie Lachaux - *Montres Christian Dior*
Odile Lobadowsky - *Parfums Kenzo*
Alain Lorenzo - *De Beers LV*
Jean-Marc Loubier - *Céline*
Alexandre de Lur-Saluces - *Château d'Yquem*
Hervé Martin - *Kenzo Mode*
Claude Martinez - *Parfums Christian Dior*
Thierry Nataf - *Zenith*
Patrick Récipon - *Fred*
Renato Semerari - *Guerlain*
Bertrand Stalla-Bourdillon - *Berluti*
François Steiner - *Thomas Pink*
Didier Suberbielle - *Pommery*
David Suliteanu - *Sephora Amérique*
François Tajan - *Tajan*
Marianne Tesler - *Givenchy Couture*
Catherine Vautrin - *Emilio Pucci*
Xavier Ybarguengoitia - *Chandon Estates*

CORPORATE GOVERNANCE

The Board of Directors of LVMH, the strategic decision-making body, is responsible for the continued growth in value of the enterprise, major management strategies, verification of the accuracy of information about the company, and the protection of corporate assets.
In order to increase the transparency, oversight and controls legitimately required by law, the public, and the market, the Board of LVMH expanded and strengthened the charter that defines its missions, prerogatives and duties. For the same ethical reasons, the internal procedures of the Performance Audit Committee and the Nominating and Compensation Committee were expanded and updated.
These three texts are published in the brochure “2001 – Financial and Legal Informations” which are part of this report.

Board of Directors

The Board of Directors met six times in 2001. The Board of Directors closed the books for the half-year period and financial year and approved the major strategic directions for the Group, notably the principal acquisitions and disposals.
LVMH paid 762,213 euros in directors' fees to the members of the Board of Directors and advisory board members. Under the Board's Charter, the directors and advisory board members must personally hold a minimum of five hundred registered shares.
The Performance Audit Committee and the Nominating and Compensation Committees met four times in 2001.

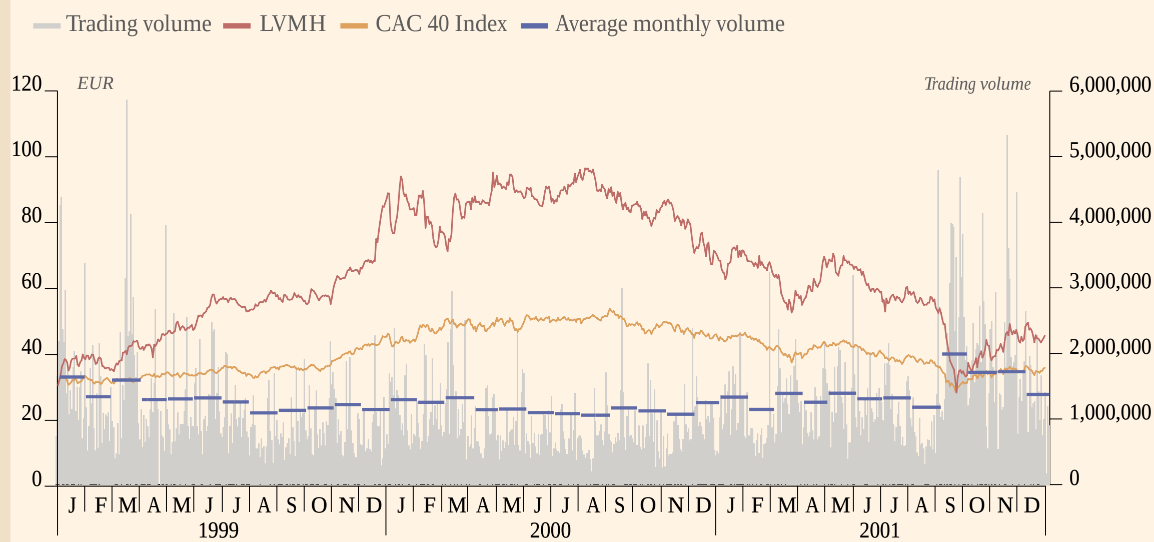
Advisory Board

The Shareholders' Meeting may appoint up to nine advisory board members on a recommendation from the Board of Directors. Advisers are chosen from among the shareholders based on their expertise and form an advisory board.
They are appointed for a three-year term. The Advisory Board members are called to attend meetings of the Board of Directors and take part in the deliberations in an advisory capacity. However, their absence does not affect the validity of these deliberations.

Compensation Policy

A portion of the compensation paid to members of the Executive Committee and the principal operating officers is based on the generation of cash, operating profit and the return on capital employed in the business groups and companies for which the executives concerned are responsible and on their individual performance. This variable portion represents from one third to one half of their compensation.

The LVMH share and the Paris CAC 40 index since January 1, 1999



The LVMH share price

Against a backdrop of economic recession both in the United States and Japan, the performance of the LVMH share followed the downward trend of the Paris CAC 40 index for the first eight months of the year.
Following the severe shock caused by the September 11th attacks, the share price rebounded vigorously-with the stock price ending 2001 at 45.70 euros, a 49% advance since January 1, 1999.
At year-end, LVMH group's market capitalization was 22.4 billion euros. LVMH is included in the principal French and European indices used by mutual fund managers: CAC 40, DJ EuroStoxx 50, MSCI Europe, FTSE Eurotop 100 and Euronext 100.

Principal listing markets

- Euronext Paris Premier Marché (Reuters code: LVMH.PA, Bloomberg code: MC FP, Isin code: FR0000121014).

- Nasdaq in New York in the form of American Depositary Shares (ADS), with five ADS representing one share of stock. (Reuters code: LVMHY.O, Bloomberg code: LVMHY US).

- Negotiable options based on LVMH shares are traded on the Paris Monep.

Dividend history *

In euros	2001	2000	1999	1998	1997
Net dividend	0.75	0.75	0.68	0.62	0.62
Dividend including tax credit	1.125	1.125	1.02	0.93	0.93

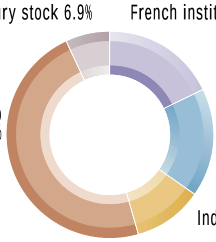
** adjusted for a five-for-one stock split in July 2000 and the one-for-ten stock dividend in June 1999.*

Total yield for the shareholder

An LVMH shareholder who invested 1,000 euros on January 1, 1999 would have 1,521 euros at December 31, 2001 factoring in a one-for-ten stock dividend in June 1999 and reinvested dividends. Thus, in three years, his initial investment would have earned him an average annual return of 15%.

Capital stock

(Euroclear France survey on bearer shares at December 2001)



Stock repurchase plan

LVMH has implemented a stock repurchase plan authorizing it to buy back up to 10% of its capital. This plan was approved by the Shareholders' Meeting of May 14, 2001 and approved by the Commission des Opérations de Bourse (COB). From January 1 to December 31, 2001, LVMH SA bought a net total of 981,436 of its own shares. The current stock repurchase plan was approved by the COB under No. 01-438 on April 25, 2001.

Breakdown of capital stock and voting rights at December 31, 2001

Shareholders	Number of shares	Number of voting rights	% of capital	% of voting rights
Financière Jean Goujon (1)	207,821,325	407,303,575	42.42%	60.72%
Others (2)	282,079,790	263,538,690	57.58%	39.28%
Total	489,901,115	670,842,265	100.00%	100.00%

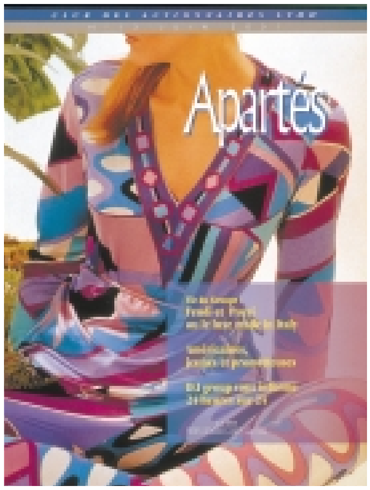
(1) At December 31, 2001 the Arnault Group held a 47.52% stake, including the 42.42% held by Financière Jean Goujon.

(2) At December 31, 2001 there were 33,651,690 shares of treasury stock with no voting rights.

Share data

in euros	2001	2000	1999	1998	1997
Number of shares outstanding	489,901,115	489,858,345	97,957,650	88,983,072	87,596,460
Market capitalization (in millions)	22,388	34,535	43,562	15,003	13,341
High *	75.50	98.70	91.48	38.22	46.01
Low *	28.40	66.50	30.86	18.88	24.23
Year-end close *	45.70	70.50	88.94	30.66	27.69
Average daily trading volume	1,539,004	981,926	257,027	255,321	273,572
Average daily volume in millions of euros	80.9	82.6	65.0	39.5	49.2

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



LVMH pays particular attention to its relations with shareholders. Their confidence and loyalty are essential to its long-term development.

Shareholder information

LVMH provides its individual shareholders with regular, clear and transparent reporting, through a number of different channels.

– The annual report is available on request.

– The abbreviated annual report, published in March, and the half yearly report presenting the June 30th results, are widely distributed.

– The financial communications page on the LVMH web site (www.lvmh.com) includes a section directed at shareholders. It provides access to all of the Group's financial information, including online stock quotations, a schedule of major meetings (earnings presentations, shareholders' meetings, dividend payments), press releases and publications, and answers to the most frequently asked questions. Earnings presentations and the annual shareholders' meeting are broadcast on the site both live and recorded.

LVMH also organizes regular meetings for shareholders, financial planners and money managers. The 2001 annual shareholders' meeting was broadcast live to Lyons.

The Shareholders' Club

LVMH group has also demonstrated its particular interest in its individual shareholders by forming a Shareholders' Club for French speaking shareholders. This Shareholders' Club enables its members to become more familiar with the Group, its activities and its brands. It also provides special offers on certain products distributed in France.

The Club issues members a personalized card with an authentication number which is valid for two years. Members have access to a telephone service which, among other things, offers help with membership procedures and follow-up on the special product offers.

Club members also receive the magazine Apartés, twice a year. This magazine provides news about the Group, articles about recent events, and interviews. It also gives shareholders an opportunity to order LVMH products that can be delivered in France, including some designed exclusively for the Club, like reserve vintages. There are discount subscription offers to the French magazines *La Tribune*, *Investir*, *Connaissance des Arts*, *Le Monde de la Musique* and *Jazzman*. Apartés provides special access to certain sites that can be visited, such as wineries and cellars, and passes to art exhibits supported by LVMH as part of its corporate sponsorship efforts.

Agenda

Wednesday, May 15, 2002
Annual Shareholders' Meeting

Tuesday, June 4, 2002
Dividend payment

Thursday, September 12, 2002
Publication of six-month interim results for 2002

PASSIONATE ABOUT CREATIVITY

Creative passion is the force that drives the LVMH group. It is the source of its mission, the source of its identity in the world of luxury. To develop the star brands, to raise the greatest, the ones that are already famous, to new heights. To imagine the rising stars of a new generation that will be the super novas of tomorrow. Far from relying on dogmas and formulas, LVMH cultivates a true ethic of distinction and beauty in innovation and design, and in the promotion and distribution of our products. To enrich our experience, to work with our values, to develop to the fullest the talents of the men and women who contribute to the worldwide leadership and excellence of our Group. To combine the permanent quest for performance with the dual dimensions of sustainable development and corporate citizenship, transparency transparency in methods, and clarity of objectives. To protect the environment, participate in actions for the public good, sponsor the arts and sciences, promote culture, defend our heritage, be a partner to the young generations who dare, who act, who raise challenges. The future is also our passion.

OUR CORE VALUES ARE:

Innovation and creativity. Because our trades, which are close 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 a true reflection of an exceptional product. 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. Because self-satisfaction smothers creativity.

LVMH group's core strategy has never been a mystery. It relies on its heritage of passing on and encouraging the change brought on by innovation to step up and amplify the already exceptional development of a unique portfolio of star brands. Their triple aspect of being timeless, global and creative is the basis of our Group's vitality. These brands succeed in meeting a paradoxical challenge—to expand their influence steadily without losing their exceptional nature. Many would think it is enough to be satisfied with this achievement. Yet that would be an error. You have to know how to react to a changing environment.

Legitimacy within a brand universe

Louis Vuitton, the world's leading luxury goods brand, Christian Dior, mythical from the outset, Dom Pérignon, the absolute benchmark for champagnes – all are emblematic names. Synonymous with success, they are the epitome of luxury goods. These brands pave the way for such rising stars as Kenzo, Donna Karan, TAG Heuer, De Beers and Fendi. Each of these companies was recently acquired or formed, and all of them have a high growth potential. Their reputation for quality and creativity will drive their expansion over the long term. These rising stars speak for a generation of new talent, new products and new customers. With the Group's support, its management expertise, its advertising and marketing know-how for top brands -- all exceptional advantages -- they will be able to emerge and move forward, to blossom and expand to then become steady sources of earnings in their own right. Like the Group's established companies, they will arrive by being managed with an eye to their unique attributes, while holding onto the emotions, the dream and the personality which set them apart. Far from the rigidity of uniform theories, one fundamental principle inspires the management of the Group's various brands, namely the autonomy of their designers and their world, which engenders a respect for their roots and their territory. Each company has its legitimacy and logic while building its own notion of excellence and individual strategy. Each one is lead by an enthusiastic management team responsible for its success. Yet on a worldwide level, LVMH provides them with real resources to cultivate their identity, build up their image and strengthen their position. In the luxury goods world, gaining control over one's retailing is often a sporadic process. It entails asserting your status, getting closer to the customer, maintaining your place, getting there eventually and having the confidence to meet today's new aspirations and emerging demands. Young and sparkling, the Group's rising star brands all personify the same values of creativity, entrepreneurial spirit and emphasis on quality.

From Miss Dior to J'adore

Over fifty years after it was created, *Miss Dior*, the first perfume, is still a classic with millions of loyal users. Christian Dior Perfumes still bases its growth on magnificent timeless classics like *Eau Sauvage*, *Poison*, *Fahrenheit*…, and others, but also on an exceptional creativity as demonstrated by one of the biggest success stories in recent years—*J'adore*, Launched in the autumn of 1999, *J'adore* has set sales records worldwide, and has already established itself as a classic of the third millennium. This perfume is a perfect example of the almost magical union of a name and fragrance completely in tune with today's consumers, a bottle that reflects the modern world while suggesting Dior's roots, and the unforgettable image that is the heart of its promotional materials.

> The LVMH star brands are a recurring source of profits. Their development is a strategic priority.

New territories

For nearly 150 years, Louis Vuitton, the precursor in the art of travel, has always been in tune with its times.

Its classic product lines, like the century-old *Monogram*, series, are still recognized in the four corners of the globe. At the same time, its lines and products continue to evolve and anticipate trends with the same concern for perfection. Beginning in 1998, Louis Vuitton has used its legitimacy and exceptional image in leather goods to expand its territory and become a global fashion brand. Its success is also based on investments made in its exclusive retail network, now the world's largest with nearly 300 stores.

Founding inspiration

Dom Pérignon, with its legendary history, is not just a champagne, but an object of desire, a desire nurtured by the story of the inspiration that created the product. Dom Pérignon is coveted, rare and precious, with sales that have increased eight-fold in forty years. The exciting challenge for brand advertising is how to reach a much wider audience and increase brand visibility while maintaining a confidential tone. The answer lies in a singular approach that does not fit standard marketing techniques. The quality of the wine message is matched by a brand commitment to the world of art, particularly art photography. Meetings with great photographers give rise to a unique iconography that becomes a source of publications, exhibits and events. It is important to convey meaning and beauty through these messages, to repeat how precious and unforgettable the brand is, how the unique nature of the product is at the heart of its preparation and aspiration to excellence.

CULTIVATING THE EXCEPTIONAL

A luxury product stands out because of its exceptional quality and strong creative dimension. Therein lies its identity, trademark and longevity. Our expertise in luxury segments ranging from wine making, leather working and perfumes to prestigious watchmaking and high fashion have been passionately and lovingly developed and enhanced for generations. This experience forms the solid and durable foundation from which we launch our best and most daring creations, which are marvelous combinations of elegance and audacity.

The magic of Yquem

Yquem Sauternes is a unique product developed according to exacting requirements. Would the Yquem name be as magical if the firm had not rejected harvests it considered undeserving of its label and name nine times over the past century? All the steps involved in the preparation of the rarest and most esteemed wine in the world stem from both a deep respect for nature and a striving for absolute perfection. This is why Yquem selects the next generation of vines seed by seed, retaining those with the best chances of producing a quality harvest and discarding the ones that have definitively "gone bad". Thus, autumn is no longer long enough for some of our grape harvests, which require up to eleven separate grape pickings, with this laborious job sometimes lasting into December.

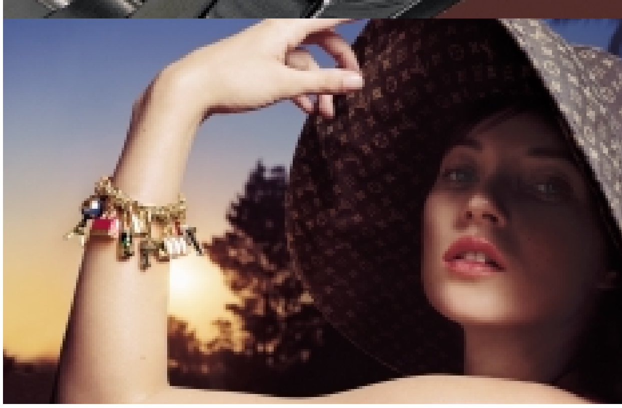
Technical perfection

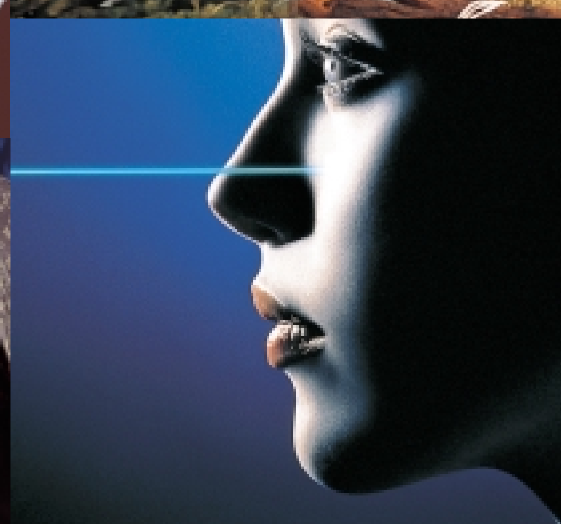
The joyful enthusiasm of the jewel of Sauternes wines is counter-balanced by the calm strength of Zenith, anchored since 1865 in the watchmaking tradition of the Jura mountain region in Switzerland. With its unique expertise, renowned worldwide for the steady precision of its watch movements, Zenith cultivates a passion to be number one through innovation, research, imagination and the relentless technical discipline that measuring time must entail. A veritable feat, its El Primero movement was developed in 1969. It is an ingenious treasure and a unique masterpiece of reliability that defies the passage of time. The movement has 354 parts of which 277 are different. Once Zenith's demanding craftsmen have performed their magic with 5,500 operations to make El Primero, the movement starts ticking at a constant rate of 36,000 beats per hour. Unequaled to this day, it is the only stop watch movement able to measure time down to a tenth of a second.

Reason, pleasure, safety and performance

Technological innovation and research play a major role in the potential creativity expressed in all LVMH group products. This ability to exceed each customer's expectations, desires, and dreams is put to work both in esthetics and quality while the Group's companies always strive for perfection, and product safety and creativity. Everything has to be designed for the future. LVMH group employs 220 people who are assigned to this essential mission of seeing down the road, thinking out of the box and knowing what tomorrow will be like.

Moët & Chandon is aware of its obligations as leader and is proud to carry them out. This is why it is taking part in a broad international effort to fend off grape diseases by stimulating the vine's natural immune defense. This work has shown promising initial results and falls within the scope of the "rational viticulture" movement, whose name itself is a promise, method and a definition. It is also a key component for preserving the best wines and great vintages of tomorrow and protecting the environment. Growing grapes can also be a means to preserve landscapes and human surroundings while protecting the planet each and every day.





Pleasure, safety and performance are three qualities consumers demand in cosmetics. Thanks to several years of hard work and advanced research in biology, molecular biology, natural substances, color and sensory appeal, LVMH laboratories were behind the big hits of 2001, like Christian Dior's *Addict* and *NoAge* and Guerlain's *Substantific*. In 2002, Christian Dior's *Hydra Move* and Guerlain's *Successlaser*, along with many other innovative products, will arrive on the scene and reinforce the exceptional vitality of renewal and innovation, which, whether deriving from the flowers of European perfumery or our recently consolidated young American start-ups, are an LVMH trademark.

A duty to be creative

A few figures underscore the role of innovation in the LVMH group's performance. New products accounted for 18% of Louis Vuitton's net sales and over 20% from recently introduced perfumes and cosmetics. LVMH makes it a point to attract the best designers, but creativity is not limited to product design. Advertising, promotion and retailing are other fields where you have to improve, move forward and invent. This is why each and every person in our organization is encouraged to fulfill his creative potential personal qualities and intellectual input. Creative passion is not an abstract keynote, but rather a philosophy of growth, a management culture and a reality for action that must be the source of inspiration for all of the company's actions. Cultivating the exceptional is everyone's mission.

AN ENVIRONMENT IN WHICH TALENT THRIVES

Sandrine Garbay, Château d'Yquem's Master Blender

On every continent, and in each of our sectors and businesses, the talents of the 53,000 women and men employed worldwide drive our success and are building our future. The LVMH human resources policy is to build teams in each company that are focused on excellence, to foster a corporate culture of performance, and to encourage individual expression. This diversity of expression can develop within the unifying values of the Group; personal expression implies a knowledge and understanding of strategies at every level of the organization. It is a key factor in our ability to compete and react in a world marked by rapid change.

Identify talent

LVMH created a net 1,076 new jobs in 2001. With expansion, it bolstered its management teams and welcomed 306 recent graduates of all nationalities from the best schools and universities. A total of 592 young managers were hired during the year.

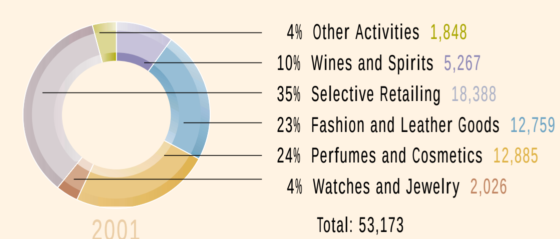
To prepare for the future, LVMH ensures the transition and replacement of its management through specific programs to identify and develop high potential managers. In the space of three years, its "Futura" program attracted 75 young international managers to the Group through recruitment campaigns targeting the world's best business schools. As soon as they begin work, these future high potential managers attend meetings and seminars with the Group's senior management. These sessions give them an understanding of our strategies for growth, our challenges for the future, the battles to be won, and the victories earned. They are quickly assigned operating responsibilities and missions to develop their skills and expertise and to encourage their professional development within the Group.

Gain experience through mobility

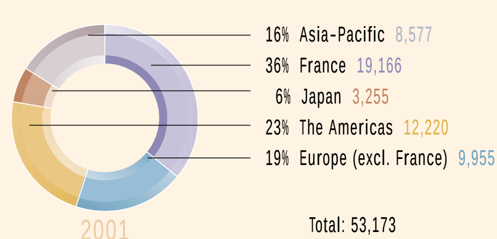
Professional mobility, which is possible because of the global scope of our businesses, is one of the preferred

Souvenir photo: a group of Japanese Louis Vuitton vendors in Asnières.

Average work force by business group



Average work force by geographic area



methods of professional development. In 2001, 870 employees, including 680 managers, took advantage of professional opportunities and changed their position, company or country within the Group. 42% of our management positions were filled by intra-group transfers. Special attention is given to geographical transfers, and a growing number of managers spend some time abroad, gaining exposure to at least two different cultures. This becomes an extremely valuable source of experience for a group that merges a global vision with a local perspective.

Communicate strategies and objectives

The Group’s employees at all levels draw inspiration from its shared values, communication of strategies, knowledge of markets and the sharing of best practices. In this environment, which values competition and transparency, each employee can assess his own contribution and the added value she contributes. Employees can monitor market developments, receive training, obtain the resources they need to improve their performance and that of their teams, but each employee also remains responsible for his or her own professional development.

Integration or training sessions and high level seminars designed to support business strategies play an essential role in professional development. We are steadily increasing the number of training days for all personnel categories within the Group’s companies and in centers located in Paris, New York, Hong Kong and Tokyo. The total number of training days rose to 103,585 groupwide.

Each of the Group’s companies is developing a specific training program that reflects its own vision of excellence and its strategic objectives. At Louis Vuitton, which operates in 44 countries, vendors from all over the world participate in “brand immersion” seminars organized in Asnières, the company’s birthplace and communications center. There they tour the workshops built in 1859 and the Louis Vuitton travel museum. These sites are filled with the spirit of the company, which has remained constant even as it adapts to changing fashions and trends—a spirit embodied in the skills of the craftsmen, the perfected details, and a unique talent for anticipating, analyzing and meeting the requirements of the contemporary world.

Since 1999, Hennessy has developed a teaching game called “Strateco” that takes place over two days. It is designed to make all non-management employees more aware of economic influences affecting the companies and their operating realities. Another program, “Decompartimentalizing people and their jobs”, presents the mission, organization and business of each department in the company. It is directed by the company’s managers and brings together participants from the various departments.

The inter-company seminars offered to all of the Group’s managers focus on topics of mutual interest and are primarily designed to develop or perfect management, communication and leadership skills.

Share best practices

Designed specifically for the Group’s executives, the LVMH House was founded in London in late 1999. It is a development center with an unusual format. This place for discussion and reflection allows participants from different companies, jobs and regions around the world to share their knowledge and experiences and to develop a shared vision for the Group. This has become even more important because of the rapid growth of LVMH in recent years. The center hosts a series of forums on global strategic issues such as leadership, the impact of new technologies on our organizations, creativity and innovation in collaboration with the prestigious London Business School. LVMH House has welcomed over 600 participants since it opened.

The networks of personal relationships built by the executives who attend LVMH House are naturally extended to their teams who also benefit from this sharing of expertise and best business practices in key fields. Thus, over the past few years, a number of inter-

company projects were initiated and Intranet forums were opened to enable members to remain in constant contact, continue to exchange news and experiences, and develop synergies.

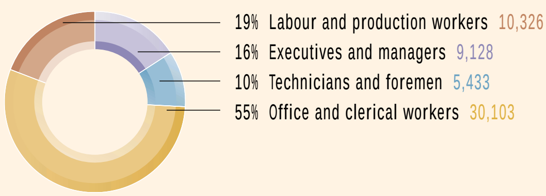
EMPLOYMENT DATA

LVMH is one of the few groups in France to have begun gathering employment data on a global scale. This data, which can be viewed as the foundation for the social aspect of a sustainable development report, was gathered from 242 correspondents worldwide and covers 446 entities. The following data includes all of our employees, including those who work for joint ventures.

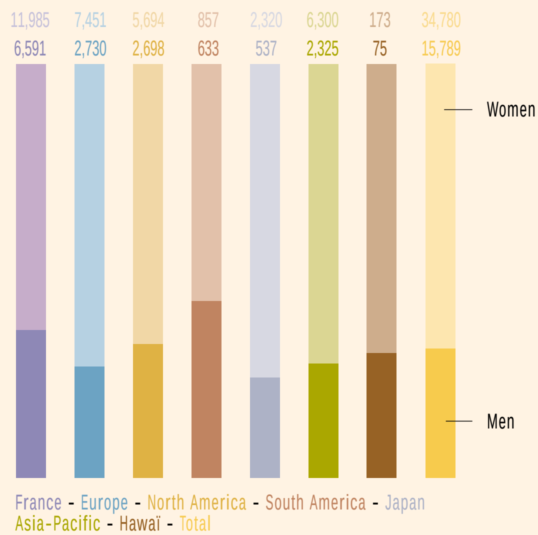
Breakdown of regular work force by gender and level

	Men	Women
Executives and managers	49%	51%
Technicians and Foremen	32%	68%
Office and clerical workers	21%	79%
Labour and production workers	41%	59%
Total	31%	69%

Work force by professional category



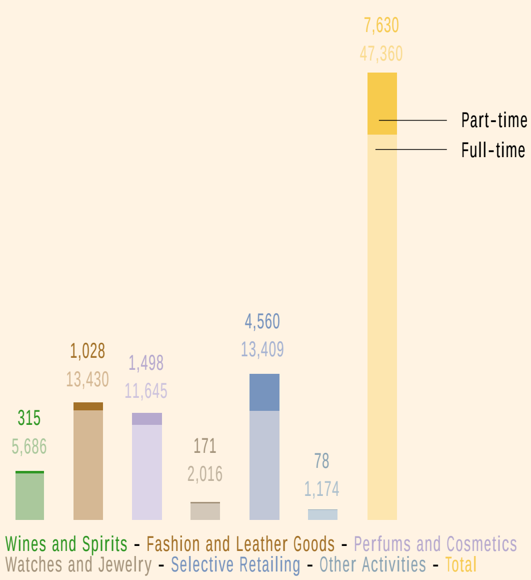
Breakdown of regular work force by gender and geographic region



Regular and temporary work force at December 31, 2001

• The total work force under regular and temporary employment contracts at December 31, 2001 was 54,990 employees, composed of 47,360 full-time employees and 7,630 part-time employees. Hence, 14% of our employees work part time.

• This work force of 54,990 includes 50,569 regular employees and 4,421 temporary employees. It represents 49,596 full-time equivalent employees.



Other indicators

• Promotions

220 technicians and supervisors promoted to management and professional level; 475 hourly workers and employees promoted to technician and supervisory level.

• Training

– 61 % of our full-time equivalent work force, which is approximately 30,250 employees, have had at least one day of training.

– The average number of training days per person is slightly more than 2 days.

– We have invested 39,595,304 euros in training, or around 800 euros per person. This represents 2.4% of total wages and salaries worldwide excluding employee profit sharing.

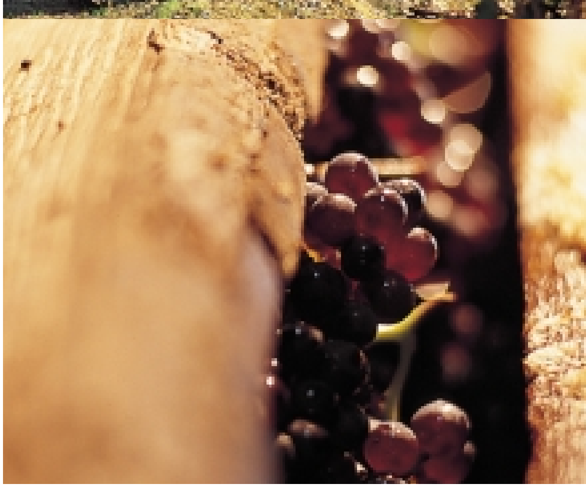
– The total number of training days is 103,585, equivalent to 518 persons in training on a full-time basis over all of 2001. This represents one person out of 100 in the Group.

Involve all employees in the Group's success

In addition to the stock option plan, which is open to a growing number of managers each year, LVMH group introduced the OPAL (options for all) program in 2001. This exceptional 8-year plan involved all employees working in the Group in 2000, regardless of their level of responsibility, a total of 44,000 persons in 53 countries, who each received 25 stock options. Each employee received a document written in his native language and was invited to an OPAL presentation. A dedicated Intranet, moreover, will provide information on OPAL for the life of the plan. The size of this program demonstrates LVMH group's desire to thank all of its employees for their achievements, interest them in its growth strategies, and involve them directly in the Group's success and future growth. LVMH group has grown a great deal in the last two decades as new companies with great potential joined the Group. If we are to create stronger coherency with the Group, retain the best talents, and guarantee the success of the Group in the coming years, a compensation policy is not sufficient. First and foremost, it is important to unite the energies and liberate the talents of our employees through a common culture of performance management, shared methods, and objectives known to everyone. The pursuit of professional development, training and information for our employees is one of the priorities of our human resources policy. The year 2002 will confirm this priority.

PROTECTING THE ENVIRONMENT

As the world's leading group of luxury brands, the LVMH group cannot ignore or be indifferent to the protection of the planet. Because LVMH invented and is the ambassador of a certain life style, it has a global presence and a global responsibility. With a French spirit, a European culture, an international mission, we owe excellence and rigor, transparency and vigilance to our customers, employees, suppliers and all with whom we work and for whom we work. Because we transform natural essences to highlight their unique character, because we design and manufacture products that symbolize dreams, elegance, refinement, because we create elements of taste, pleasure and beauty, because we build an image and a reputation on quality and aesthetic vision, we must clearly implement a strong environmental policy. Because our businesses are intimately linked to nature and contribute to the art of living, LVMH has a long-standing history of respect for the environment. Protection, prudence and caution, as well as economic and social responsibility, are the principles that guide all the activities of our Group, at every stage. They have been our commitment for several years, reflected by our actions to guarantee the sustainable growth of the LVMH group. The adoption of an "environmental charter" signed by the Chairman of LVMH, the publication of our first environmental report, the strengthening of the teams of the environmental department, which was created in the 1990's and reports to the Chief Financial Officer, were three initiatives taken in 2001 to intensify our actions in this area.



Members of the Environmental Commission

Coordinating actions

Locally responsible, each of the Group's companies has a contact agent. In order to follow up and coordinate their efforts, these agents meet within an Environmental Commission led by the Group's environmental department. Quarterly meetings serve as a forum for exchanging ideas and experiences, setting goals, formulating action plans and designing training sessions for all LVMH employees.

A computerized database facilitates sharing a broad range of tools. Some of these are used to monitor international regulations and follow up on environmental techniques and best practices. There is a common chart of environmental indices to measure performance. Other tools monitor environmental audits and management systems, certifications and topical training seminars for all levels of the Group. There are also internal letters, some of which go to other Group departments, technical guides and environmental management tools.

Communicating achievements

In 2001, the Group focused on communicating its environmental actions and initiatives. It published its first environmental report, "Naturally Creative", which describes the policy and the concrete achievements of LVMH in this area. This publication is available on request* and is intended for employees who are not directly involved in managing the environment and other interested parties such as customers, shareholders, associations, public authorities and, in general, all of the communities concerned by production and distribution activities.

At the same time, all of the Group's management and technical personnel received an environmental handbook to help them increase employee awareness of environmental problems. Special sessions on environmental issues were organized for senior managers in key positions.

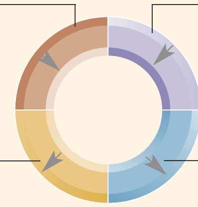
The quality of the Group's environmental policy and actions has been recognized by the three principal American, British, and European ethical investment funds: the Dow Jones Sustainability Index, the FTSE4GOOD, and the Arese Sustainable Performance Index. LVMH is one of five French companies to be so distinguished.

*LVMH Department of the Environment
Tel: 33 1 44 13 22 22 - email : environnement@lvmh.com

The environmental impacts of the activity of the LVMH group

Consumption of natural resources: water, energy
Water is used to wash production machinery and equipment(presses and vats), energy for heating, distillation, transport, etc.

Use of raw materials
Flower for our fragrances, hides for leather goods, precious stones for jewelry, grapes for champagne, etc.



Use of numerous packaging to place our products on the market
Cardboard, plastic or glass packaging discarded by consumers after use.

Production of wastes
Wastes on sites, polluting emissions to transport merchandise, wastes from washing vats and presses, adhesives, oils, waste water, etc.

LVMH environmental indicators in 2001

Water use (m^3)	1,364,465
Energy use (TOE*)	34,204
Quantities of wastes generated (tons)	24,008
Percentage of ordinary waste (paper, cardboard, glass, wood, etc.)	94%
Percentage of special waste (glues, solvents, oil-soaked rags, etc.)	6%
Percentage of recycled waste**	73%
Environment-related expenses in 2001 (EUR million)	8.6

** Tons oil equivalent. ** i.e. not thrown out, but recycled, incinerated with energy recovery or composted.*

The environmental indicates are for the production sites of Chaumet, Guerlain, Jas Hennessy & Co, La Samaritaine, Le Bon Marché, Louis Vuitton Malletier, Moët & Chandon, Parfums Christian Dior, Parfums Givenchy, Champagne Pommery, Veuve Clicquot Ponsardin, including French subsidiaries.

THE LVMH ENVIRONMENTAL CHARTER

Aim for a high level of environmental performance

Since LVMH develops its activities internationally, the Group strives to align its practices with highest environmental protection standards worldwide.

Foster a collective purpose

Since the environment is everyone's responsibility, LVMH considers it a priority to train and raise the awareness of its employees. In order to maintain a high level of environmental performance, the Group believes it is vital for each company to set specific environmental targets and establish a management system dedicated to this approach.

Control environmental hazards

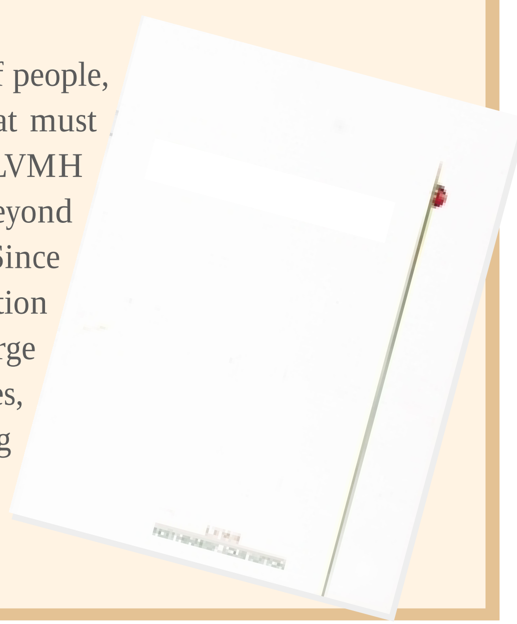
In addition to complying strictly with compulsory environmental regulations, the Group intends to focus its strategy on risk, assigning the necessary human and equipment resources to this task.

Follow-through on product disposal

In addition to designing its products to provide excellence and safety for consumers, LVMH strives to meet its duty to be prudent and careful by committing itself to improving its management and follow-through of the environmental aspects linked to the life cycle of its products.

Make commitments outside the company

To serve the interests of the largest number of people, in the spirit of partnership and solidarity that must guide the use of our natural resources, LVMH intends to help protect the environment beyond those aspects directly linked to its activities. Since we believe that raising environmental protection awareness is a pressing need, we intend to forge active partnerships with groups of companies, local communities and associations working towards this goal.



Heightened efforts

In 2001, the Group continued and intensified the work begun several years ago. It implemented a systematic audit program, conducting audits of Veuve Clicquot Ponsardin (all sites) and of Louis Vuitton Malletier (two sites).

The ISO 14001 environmental certifications first granted to Champagne Pommery and Hennessy in 1998 were renewed. The environmental management system at Veuve Clicquot Ponsardin brought it closer to earning environmental certification. Waste recovery rose to 92% of the wastes processed.

In order to sensitize the marketing, development and purchasing departments to "environmental" package design and reduce packaging at the source, the Group prepared a "Packaging and the Environment" manual and distributed it to its companies. This initiative also included a training program and is coordinated by business group. Efforts to reduce the quantities of glass, water, cardboard and paper are continually implemented. At its production site in Chartres, Guerlain launched a campaign to achieve better water use and reduce leakage. The result was a 25% reduction in the quantity of water used per ton of product produced.

Commitment to the community

Taking into consideration the entire industrial segment, and not just its own direct impact, Hennessy worked with its suppliers and sub-contractors to help them to improve their environmental performance through awareness programs and environmental audits of its 25 exclusive distillery sub-contractors.

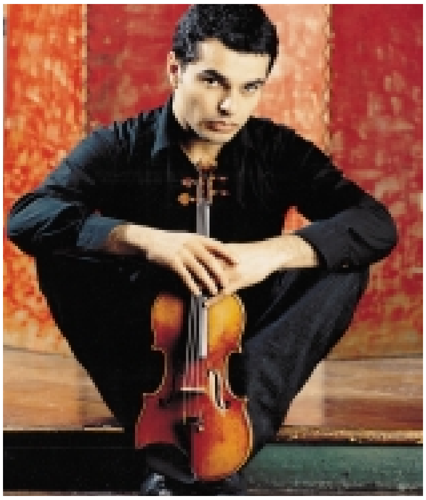
Continuing its work within the Orée**, LVMH group mobilized its expertise to design environmental management tools, particularly the environmental risk management guide.

Working together with France's branch of the Friends of the Earth, the Agency for the Environment and Energy Control (ADEME), and the Order of Public Accountants, LVMH group took part in preparing a guide "for a report combining the environment and the economy" which helps companies to report on their action for sustainable development.

Bernard Arnault has made a personal commitment with the Montaigne Institute, an association composed of corporate, academic and civilian leaders. In 2001, he directed a task force on "Man and Climate" to analyze global warming trends. This initiative was extended to the Group which also studied this issue. The first step in 2001 was to complete "carbon assessments" for two pilot sites–Parfums Christian Dior and Hennessy.

*** An association of manufacturers, local governments and associations whose purpose is to help small and medium businesses to foster environmental awareness through guides.*

GOOD CORPORATE CITIZENSHIP



Laurent Korcia, a young violinist who has received a Victoires de la Musique Classique *award, can fully express his talents with the Stradivarius loaned to him by LVMH.*

LVMH group does not intend to grow at the expense of good corporate citizenship. Our goals are not limited to financial results alone, but must also serve the greater interests of society; we are all part of a unified whole. Because our values and expertise are the basis for a way of life and success, it is our duty to pass down and share our heritage. This commitment is reflected in our patronage of cultural activities, our support to humanitarian projects, and the ties we have formed with teaching institutions around the world.

Sponsorship of culture, youth and humanitarian action

Although LVMH is today recognized as a major economic player, it is a cultural and social community in its own right. Over the past ten years, our financial success has enabled us to sponsor innovative and ambitious projects of interest to a broad public. These actions also serve to express and promote the values which have guided our companies for generations and generated their success. LVMH group's patronage embodies our passion for creativity and a deep attachment to human values.

> Provide access to the best of culture, assist young designers, and perpetuate the luxury goods businesses.

Christian Wijnants, award winner at the Hyères Festival.

Lisa, Marine, Martin, Thomas and their schoolmates at the Paris Saint-Charles School have expressed how they view the Mediterranean Sea and the joy of living.

Exciting approach to our cultural heritage

The first facet of this patronage is cultural and serves to enhance our artistic heritage. Our approach flows from a dynamic and contemporary concept of this heritage and is expressed through two vectors: the rehabilitation of major cultural sites and the rediscovery of the outstanding moments in the history of art. LVMH group, for instance, contributed to the restoration of the seven rooms in the north wing of the Château de Versailles. Since 1991 it has sponsored major art expositions and retrospectives. In 2000, the Group collaborated to sponsor the "Mediterranean – from Courbet to Matisse" exhibit at the Grand Palais that attracted over 450,000 visitors. In 2001, it helped to sponsor the Jean Dubuffet centennial retrospective organized by the Centre Georges Pompidou.

A social or humanitarian initiative for each cultural project

Our second focus is on young people so they will have access to the best of culture, particularly in the plastic arts and music. The LVMH Young Designers Award, created in 1994, is awarded during LVMH-sponsored exhibits. The Group has already granted 50 scholarships to students in art schools in France and around the world. The LVMH "Discovery and Teaching" Classes, a special teaching program, was created in 1997 for primary school students. Already more than 10,000 children have been invited to learn about art and the great master painters.

In music, the "1,000 seats for young people" program has given out over 20,000 concert tickets in the last nine years to young amateur musicians aged 10 to 18 years who attend music conservatories in Paris. LVMH group also supports young virtuosos by lending them the Stradivarius violins in its collection and by organizing concerts to highlight new talent.

LVMH's sponsorship activities also include humanitarian projects in public health, the environment and research. The Group has not only helped several foundations and scientific teams, but has also accompanied each of its cultural actions with a social or humanitarian initiative.

Anticipating creative challenges

Part of our responsibility as a leader in our sector is to pass on the skills specific to our industries. LVMH group has formed a large number of partnerships with various design, management and engineering schools to continue the luxury goods businesses, to train future designers and managers, and to preserve the dominant role of French companies in this sector. This commitment is reflected in our financial support and especially our contribution to teaching and pedagogical trends.

Since 1997, LVMH group has partnered with thirteen French design schools with which our Group's companies have established very close sponsoring relationships. These involve workshop tours, meetings with designers, student contests, and job and internship opportunities. For example, Hennessy, which is a partner to the Boulle school, offered to have its students do a creative piece based on its classic product range.

Along with these teaching actions, the Group sponsors initiatives to develop art and design. Each year it is a partner of the Hyères Festival, a meeting place for new fashion talent. In partnership with Italian magazine, Fashion, LVMH group publishes the *Creativity Guide*, which lists the most promising young designers around the world.

Training future generations of luxury goods executives

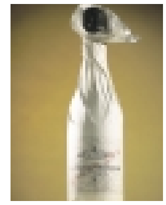
In 1991, LVMH funded a special chair at ESSEC, which constitutes the most in-depth luxury goods management training in the world. Recent graduates who join LVMH group or other luxury goods companies exercise their talents in marketing, advertising and design as well as sales and finance. LVMH is also a partner of the Luxury Goods MBA program started in 1995 by the ESSEC, a program that capitalizes on the experience acquired by the teaching chair. This MBA program welcomes young international managers and professionals who already have worked a few years and want to pursue a luxury goods management career.

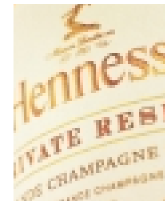
Building bridges between Asia and the West

For many years, LVMH group has been expanding its presence in Asia, a region with the highest growth potential in the world, and continues to expand its development assistance programs. In education, our Group supports, among other institutions, the CEIBS (China Europe International Business School) in Shanghai. The CEIBS accepts young Chinese managers each year who take an MBA program of courses in western management techniques and concepts. Thus, our Group helps both to train young talented Chinese managers and to encourage mutual understanding between cultures and individuals.

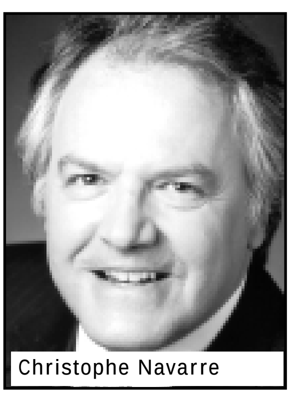
To assist the latest studies on the Asia-Pacific region, the Group has organized the LVMH Asia Conference every year since 1986. This conference brings together over a hundred professors and researchers at the INSEAD Euro-Asian Center to focus on a topic related to the important trends in Asian countries. To encourage young people who are enthusiastic about Asia and allow them to express their interesting points of view, LVMH group offers scholarships to students from top universities who want to conduct study and research in this region on a subject of their choice.

WINES AND SPIRITS





Moët Hennessy brings together all the LVMH wines and spirits brands, which are sold through its extensive international retail network. These distinctive brands, symbols of the world of luxury, distribute exceptional products worldwide and make Moët Hennessy the world leader in champagne and cognac. The business group also develops high prestige sparkling and still wines from the most renowned wine growing regions.



Christophe Navarre

STRATEGY AND OBJECTIVES

“The wine and spirits sector saw a large number of acquisitions and mergers following the sale of the Seagram group. In this environment, Moët Hennessy continues to pursue its strategy to be the world leader in high prestige wines and spirits. This strategy is four-pronged: products of exceptional quality, elegant and striking presentations and advertising, stable prices and controlled retailing in principal markets.

We are now concentrating our resources on developing our flagship brands and key markets. This dynamic growth relies on the talents and expertise of our teams and on our corporate values of innovation and creativity.

In 2001, the Moët Hennessy brands added new products of remarkable quality to their lines, which are laying the groundwork for future successes. We also initiated new marketing efforts in promising markets and continued to make significant investments in advertising and promotion.

By continuing the efforts made in 2001 and increasing investments made in the leading brands of our portfolio, we are in the best position to ensure steady growth in 2002.”


MOËT & CHANDON

EPHEMERAL SINCE 1743…

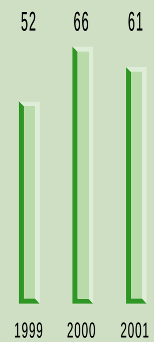
Full, generous and energetic, Brut Impérial is a quintessential expression of Moët & Chandon's style with a balanced blend of three Champagne varietals. It is the world's favorite champagne.

Net sales for theWines and Spirits business group totaled 2,232 million euros.
Income from operations amounted to 676 million euros.

(EUR million)	1999	2000	2001
Net sales	2,240	2,336	2,232
Income from operations	655	716	676
Operating margin	29%	31%	30%

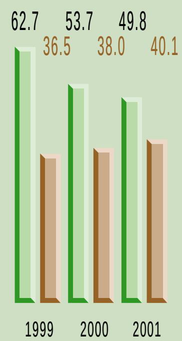
Investments

EUR million



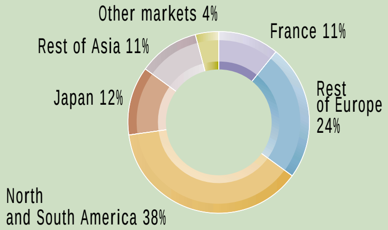
Sales volume
champagne and cognac

millions of bottles



Net sales
by geographic region

in %



Highlights

■ Champagne consumption returned to growth in its principal markets of France, the United States, United Kingdom and Japan.

■ The surplus inventories remaining from the millennium celebration were drawn down.

■ Hennessy's sales continued to grow in the United States and Asia. This trend offset lower sales in Japan. Cognac sales rose 6% and Hennessy again increased its market share.

■ The retail network was expanded in China and a sales subsidiary was opened in Mexico.

■ Newton's California wines and MountAdam's Australian wines joined Moët Hennessy's retail network, and are beginning to win connoisseur customers beyond their domestic markets.

In 2001, champagne sales volumes fell 7% as excess inventories built up for millennium celebrations were gradually drawn down. The return to normal observed at year-end bodes well for higher volumes in 2002. After a stagnant year in 2000, consumption of the Group's champagnes was satisfactory in 2001, rebounding at the end of the year. In the fourth quarter, sales of still wines in Argentina were hit by the economic crisis. Sales of the Chandon Estates brands and great non-European vintages grew in the other markets. Cognac sales volumes were up 6%, even after a very strong year in 2000. Hennessy's growth in the United States and in Asia offset lower sales in Japan. The potential of emerging markets such as Eastern Europe, China and Korea is very encouraging for future cognac trends.

Moët Hennessy continues to expand its retail network, notably in China, to quickly take advantage of the opportunities offered by China's admission to the WTO. A new subsidiary was also opened in Mexico where LVMH's brands have earned a solid reputation.

Advertising and promotional spending on flagship brands remained high in 2001 and will be increased in 2002. Moët Hennessy will continue to expand its retail network and sales of high prestige still wines from the New World will accelerate this growth.

CHAMPAGNE AND WINES

The major champagne markets felt the impact of the international economic slowdown in 2001. The LVMH champagne firms were affected by this unfavorable environment, but resisted remarkably well, and are ready to benefit from future economic recovery.

The 2001 harvest in the Champagne region represents the equivalent of 270 million bottles, a quantity close to estimated global consumption. This will make it possible to prepare quality wines in future years. In order to supplement the harvest from its own vineyard, the biggest in the Champagne region, LVMH continues to buy grapes at reasonable prices.

In a context of pricing pressures, our brands maintained a firm pricing policy to highlight the quality of our products and maintain consumer confidence.

In the United States, the policy of our Champagne companies to encourage retailers to reduce their stocks, combined with steady consumption, succeeded in reducing surplus inventories. The other major champagne importing countries were also affected by the overstocking from the millennium in the first half of the year, and then by the consequences of the September 11th attacks. The European markets had a good year-end, however. In Japan, the growth of champagne and wine consumption remained steady in all segments.

The outlook in 2002 for LVMH champagnes is good. They are well positioned to benefit from the coming economic recovery with the additional support provided by new promotional material.

Moët & Chandon

Confirmed leadership

Given the importance of the American market for Moët & Chandon, the situation in the United States hurt shipments and impacted the brand's 2001 results. However, Moët & Chandon was able to preserve the brand's premium leadership in a difficult economy and refused to lower its prices. Despite shrinking sales, consumption continued to grow and inventories were reduced to healthy levels in all markets. Building upon *Brut Impérial's* status as the world's favorite champagne, the brand expanded through complementary products such as *Nectar Impérial*, which has continued to perform well in the United States, and *Brut Impérial Rosé*, which enjoys its greatest popularity in Japan.

Innovation

The year 2001 was the year of innovation at Moët & Chandon with the introduction of *Trilogie des Grands Crus*. As the Champagne region's biggest vineyard and leading wine grower, Moët and Chandon achieved its ultimate goal in quality by creating three exceptional champagnes. The Trilogy offers wines from three great vintages (only 17 are allowed to use the name champagne), from three Moët & Chandon fields, each offering the essence of a single variety—*Sarments d'Aÿ*, *Champs de Romont* and *Vignes de Saran*. These three parcels have belonged to the company for two centuries and are among the most precious of all its vineyards. This innovation was enthusiastically received by wine professionals and leading restaurant owners.

In another area, Moët & Chandon's new internet site, launched in late 2000, also created a sensation. *Moet.com* and its multimedia animation, moet Explorer, were hailed by specialists and web surfers and earned two design awards, the Clic d'or 2001 and the Top Com internet 2001.


MOËT & CHANDON
CHAMPAGNE
Vignes de Saran
GRAND CRU
Cette bouteille porte le
Nº 01208
MOËT & CHANDON
CHAMPAGNE
Champs de Romont
SILLERY GRAND CRU
Cette bouteille porte le
Nº 02404
MOËT & CHANDON
CHAMPAGNE
Les Sarments d'Aÿ
AŸ GRAND CRU
Cette bouteille porte le
Nº 00007

Moët & Chandon and fashion

For three years, the brand has been a partner in many events in the fashion world. It has been associated with shows of new fashion collections and designers' activities. It also sponsors young designers through its *Moët & Chandon Fashion Awards*, which are organized in several international markets.

Dom Pérignon

Sales of Dom Pérignon, a symbolic brand and the absolute icon of the Champagne region, continued to grow in all its markets, despite the economic downturn. Growth was slowed by the events in the United States, but consumption continued to increase. The 1993 vintage was successfully marketed. The Oenothèque program is now available in all major markets. This program offers members the opportunity to purchase a selection of rare Dom Pérignon vintages aged to perfection. Dom Pérignon also continued to pursue creative projects, particularly in photography.

Mercier

Sales for the leading French brand continued to grow in its principal market and rose significantly in the United Kingdom.

Mercier expanded its distribution to hotels and traditional restaurants through the Lieux de toujours program, a selection of partners appearing in the *Guide Gallimard des Lieux de Toujours*. The Mercier cellars, which attract one out of every five visitors to the Champagne region, again established the dynamic appeal of this well-known brand.

Ruinart

The oldest champagne firm performed very well in 2001, solidifying its French retail network and increasing exports to the rest of Europe and Japan. As a follow-up to the successful introduction of *Ruinart Rosé*, the company successfully marketed its *Ruinart Blanc de Blancs*, confirming Ruinart's expertise in producing a singular expression of the Chardonnay grape, and demonstrating why the brand is so highly respected by wine professionals and connoisseurs. This vintage completes Ruinart's line of champagnes with the masterpiece *l'Exclusive*, and the prestigious *Dom Ruinart* (White and Rosé), *Ruinart* (Blanc de Blancs and Rosé), and *R de Ruinart* (Brut and Vintage).

Veuve Clicquot

Veuve Clicquot demonstrated its vitality in last year's difficult economy with a slight increase in sales volumes worldwide even as prices held firm. The brand strengthened its number-two position worldwide. Its performance was particularly steady in the United Kingdom, Belgium, Northern Europe, the Asia Pacific region and France, particularly among wine professionals. In the United States, despite a slight dip in sales, consumption of Veuve Clicquot was up sharply. Capital expenditures continued at previous levels and year-end inventories were at satisfactory levels.

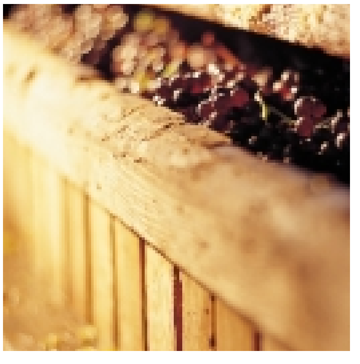
The *Clicquot Box*, a promotional item, is a gift carton that unfolds into an insulated champagne bucket. It has become a popular display item in great demand with customers. This exclusive and innovative concept designed for the *Brut Carte Jaune* bottle was extended to other products like the Magnum and the *demi-sec*. During 2001, Veuve Clicquot introduced the 1995 *Grande Dame*.

Canard-Duchêne

Canard-Duchêne achieved double-digit volume growth in France, its traditional market, and also performed well elsewhere in Europe where markets have opened up in recent years. This growth was achieved with greater high prestige positioning and higher prices. It was also the result of an improved Canard-Duchêne brand image, the fruit of long-term investments.

Concentrated creativity

The Clicquot Box was born from a simple idea– the possibility of cooling a bottle of Veuve Clicquot at any time by adding water and ice.
With its modern design, innovative technology and original marketing and sales promotions, the Clicquot box is concentrated creativity in an era of transient and unexpected objects.




CHAMPAGNE
Veuve Clicquot Ponsardin
BRUT
À REIMS-FRANCE

Krug

The strategy of this distinctive brand, which joined LVMH in 1999, is to refocus on its most profitable retail channels. Krug's sales to cellar professionals and restaurants remained stable. The Japanese market has proven to be especially promising. Its performance in the travel, airlines and duty free segments was temporarily affected by the significant decline in travel late in the year.

In 2001, Krug completed the modernization of its facilities begun a few years ago. The renovations brought new benefits in quality and predictability during the 2001 grape harvest, while continuing the tradition of barrel fermentation that makes Krug a master in Champagne.

Pommery

As part of its strategy to enhance its image, Pommery continued to raise prices in several markets, which lowered sales volumes as projected. The company bought out its distributors in Germany. The brand designed a striking new image with a new advertising and promotion campaign that capitalized on the growing success of *Pop*. The small blue and silver 20 centiliter *Pop* bottle breaks with traditional codes for champagne. *Pop* is especially popular with non-conformists who love beauty and young adults who until now had little or no interest in the traditional world of champagne.

Chandon Estates

Chandon Estates, the division composed of Moët Hennessy's sparkling wines, was severely affected by the economic crisis in Argentina, a market that represents a significant share of its business. Rigorous financial management implemented throughout the year reduced the impact of these difficulties. On Chandon Estates' other markets, brand sales improved, with a strong recovery in sales to US retailers.

Great wines from the New World

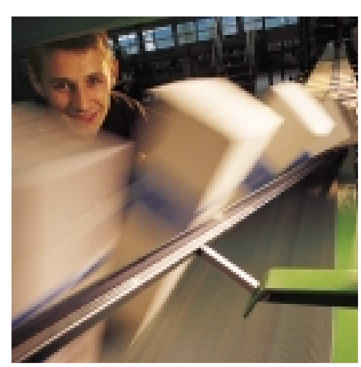
Sales of New World still wines again rose, particularly Cloudy Bay, a New Zealand wine now known worldwide, and Cape Mentelle, a fine Australian vintage wine. The recently acquired prestigious wines from Newton, California and MountAdam in Australia's Eden Valley joined Veuve Clicquot's distribution network which will enable them to reach wine connoisseurs beyond their domestic markets. The high prestige Argentine wines of the Terrazas brand were also successfully introduced on several export markets.

Château d'Yquem

The Yquem vineyard is located on a mosaic of exceptional soils and its Sauternes wine enjoys extraordinary international prestige thanks to the extreme care taken year round.
Château d'Yquem worked in 2001 on producing the future vintage and marketing a portion of its inventory which has been aged and bottled.
The 2001 vintage may be termed "glorious" in the sense that its quality is extremely promising and the quantity is bountiful, one of the most abundant of the last century. The estate released some of the 2000 vintage to consumers on an exceptional basis, which will not be delivered until 2004. This represents less than 30,000 bottles of excellent quality from the first selections made early in the harvest, the rest of the harvest having been spoiled by rain. This offer was supplemented by the introduction of the 1996 vintage which is also of remarkable quality. The rest of the 1996 harvest will be sold in 2002. The 1997, 1998 and 1999 vintages will be brought to market in successive years, and all look very promising.

The Krug par excellence

Krug is one of the rare vineyards in Champagne that only produces prestigious cuvées. It is the only major brand that ages all of its champagnes in small oak barrels. This famous Grand Cuvée is made of forty to fifty wines from the best vintages and six to ten different harvests. Its subtle harmony and unique style is consistently recognizable over time.




KRUG
CHAMPAGNE
KRUG

COGNAC AND SPIRITS

Cognac distillation rose slightly in 2001, in line with current needs. Nevertheless, inventories remain too high in the region despite another reduction. Progress was made in restructuring the Charente vineyard as part of the 1998 restructuring plan. In order to match production to the future needs of the cognac industry, a new contract stipulating an additional reduction of 10,000 hectares of total vineyard area was entered into by the European, French and regional authorities. This should improve the profitability of vineyard operations.

Hennessy

In a globally sluggish economic environment, Hennessy sales volume rose 6% and the brand gained market share by continuing to build its success on the fundamental values of authenticity, luxury, sensuality and modernity. These values come together in the worldwide introduction of the *Prestige* line that offers products of rare quality. Richard Hennessy pays homage to the company's founder by assembling over one hundred exceptional brandies, some of which come from the Founder's storehouse established in 1774. *Paradis Extra* is heady and sensual, while *Hennessy Private Reserve* is an elegant cognac of great finesse with a floral, fruity character. The new line was an immediate success with those who appreciate exceptional cognac. It enhances the brand's image and highlights its role as the world leader in cognacs.

Strong growth in the United States

Sales of the V.S line again improved sharply in the United States. Despite the economic slowdown in 2001, Hennessy continued its efforts to strengthen the loyalty of its traditional consumers and win new customers in the V.S.O.P and high prestige segment. The events of September 11th had little impact on Hennessy's business, which consolidated its leadership position in the American market.

Success of the prestige line in Asia

In Asia, the highlight of the year 2001 was the introduction of Hennessy's Prestige line. Hennessy consolidated its number one position in X.O in Asia, thanks to excellent results in China. Despite an unfavorable economy in Taiwan, sales volumes for V.S.O.P. were up sharply. Hennessy posted a remarkable performance, which should continue in 2002 in Korea and Indochina. Hennessy's prospects in Asia in 2002 are positive given China's entry in the WTO and the expected implementation of new customs regulations.

In Japan's weak economy, Hennessy continues to dominate the "premium" segment, establishing itself as the undeniable benchmark of the luxury drinks market. Sales in the X.O segment were up sharply, and this should continue into 2002. The brand continued its efforts to reach young consumers in 2001.

An expanding Russian market in Europe

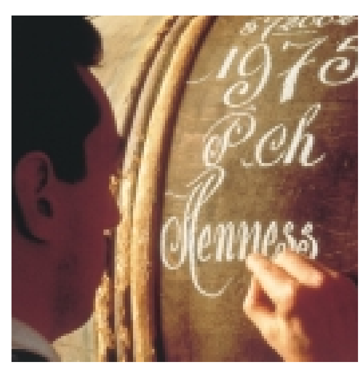
Ireland, the founder's country of birth, remains Hennessy's biggest European market where it ranks first with its V.S line. Sales volumes posted remarkable growth in the Russian Federation and in Eastern Europe for the entire product line.

Hine

Following an excellent year 2000 marked by a return to growth in sales and earnings, Hine continued its high prestige repositioning and continued to reach a wider public. The success of this policy was reflected in higher sales volumes in 2001.

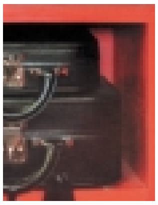
Reviving a tradition

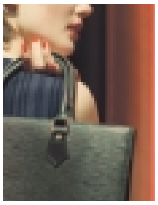
Private Reserve is a limited edition creation with an original blend dreamed up in 1873 by the great-great-grandfather of Yann Fillioux, Hennessy's Master Blender. This blend was at that time reserved for the Hennessy family's private collection. Interpreted in 2001 by Yann Fillioux as an exercise in simplicity and modernity, it is now offered to amateurs who appreciate authenticity and quality.

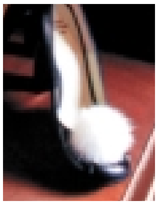



Hennessy
PRIVATE RESERVE
GRANDE CHAMPAGNE COGNAC
Premier Grand Cru

FASHION AND LEATHER GOODS







Along with Louis Vuitton, the world's leading luxury brand, the Fashion and Leather Goods division includes fashion houses Givenchy and Christian Lacroix, as well as Céline, Loewe, Berluti, Stefanobi, Kenzo, Marc Jacobs, Fendi, Emilio Pucci, Thomas Pink, and America's Donna Karan. This exceptional business group employs nearly 16,000 persons working in 20 workshops and 765 stores around the world. While respecting the individuality and strategy of its component brands, the business group also offers them a powerful infrastructure and shared resources.

Yves Carcelle

STRATEGY AND OBJECTIVES

"Our strategy based on combining LVMH fashion and leather goods brands has proven its effectiveness, as net sales have grown 57% in two years. In 2001 alone, our strong earnings growth in a slumping economy clearly demonstrates the strength of Louis Vuitton, the world leader in luxury goods, and the benefits for our younger brands from the synergies developed within our business group. These companies can focus on their core business—design and marketing—while they benefit from shared financial and technical expertise. Each one is moving toward its objectives and improving its sales.

Our goal is to grow faster than our competitors. To this end, we are building up our design teams and continue to expand and renovate our worldwide store network. We continue to invest in advertising and promotion, and make the capital expenditures required to increase our production capacity to meet the strong demand for our products.

Fendi and Donna Karan, which we want to make star brands, have improved our potential and our objectives for future growth."

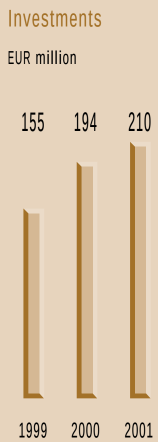
FROM THE ART
OF TRAVELING TO THE ART OF LIVING

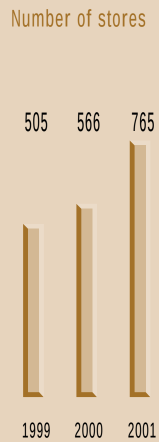
Louis Vuitton's fall-winter 2001 advertising campaign underscores the global dimension of the brand, which continues to be confirmed since its turning point in 1998.

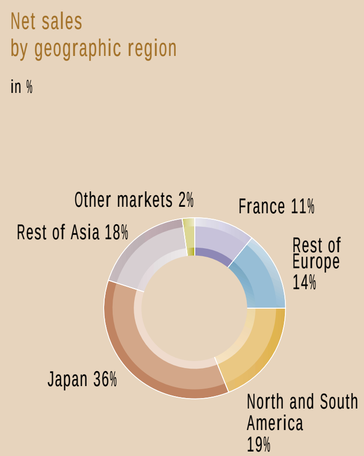
Leather goods, ready-to-wear, shoes and accessories for women and men who live, travel and buy in the four corners of the world. This international customer base makes Louis Vuitton the world's leading luxury brand.

Net sales for the Fashion and Leather Goods business group totaled 3,612 million euros. Income from operations amounted to 1,274 million euros.

(EUR million)	1999	2000	2001
Net sales	2,295	3,202	3,612
Income from operations	826	1,169	1,274
Operating margin	36%	37%	35%







Highlights

- LVMH purchased a controlling stake in Fendi and completed its acquisition of Donna Karan.
- The production constraints that limited Louis Vuitton's growth early in the year eased as three new workshops at Sainte-Florence, Ducey and Condé came on line.
- Two new designers joined LVMH—Julien Macdonald at Givenchy and José Enrique Ona Selfa at Loewe.
- Marc Jacobs, Louis Vuitton's Artistic Director, extended his contract.
- Fendi took direct control of its retail network, primarily in Japan and Asia, and opened new stores.
- With the opening of major new stores, the business group expanded its retail network to 765 stores in 2001, up from 566 in 2000.

Net sales for Fashion and Leather Goods rose 13% in 2001 with all brands contributing to the growth. This performance was especially remarkable given the difficult economy and given the exceptional 40% growth posted in 2000. Sales were up sharply in 2001 until September 11th, when tourist activity slowed, particularly in the Asia-Pacific region. On a full-year basis, Fashion and Leather Goods is growing in all its markets except the Asia-Pacific region (Guam, Saipan and Hawaii) where sales suffered from the slowdown in travel retail. However, steady sales growth returned at year end.

Louis Vuitton Malletier

Both net sales and sales volume rose sharply at Louis Vuitton Malletier in 2001. Louis Vuitton benefited from the increase in purchases by local customers in Japan, Europe and the United States. This performance demonstrates the exceptional success of its products, both its traditional lines, which are recognized all over the world, and Marc Jacobs's new designs that have updated the Louis Vuitton style and continue its tradition of unequaled quality.

Louis Vuitton is continuing its successful global brand strategy initiated in 1998, offering its ready-to-wear fashion and shoe collections to a growing number of customers worldwide. The brand now has 36 "global stores" and its shoe collections are now sold in 123 stores.

Continually expanding product line

In keeping with its core values of creativity and innovation, Louis Vuitton continues to expand its product line. In addition to the development of *Damier Vernis*, *Monogram Graffiti* and new pastel colors for its *Epi* lines, Louis Vuitton also rolled out in 2001 a *Mini Monogram* line in two colors, a line of men's leather goods called *Damier Glacé*, and its first permanent tie collection. It also introduced *Charm Bracelet*, a jewelry masterpiece that evokes the aura of the brand, which was an immediate sensation. Ever increasing the contribution to sales, new products made up 18% of net sales in 2001.

Louis Vuitton's dynamic and inventive advertising campaigns enhance the international image and collections of the brand. In 2001, this was a global brand campaign photographed by Patrick de Marchelier and featuring all the Louis Vuitton products. The company also continued to sponsor major events, such as antique car shows, which struck a chord worldwide. One event in particular stood out in 2001, the 150th anniversary of the America's Cup at Cowes, organized by Louis Vuitton as part of its association with this legendary race. A new version of Louis Vuitton's internet site was rolled out last year which offers, among other features, a virtual visit to the Louis Vuitton Travel Museum.

At the end of 2001, Louis Vuitton's exclusive retail network included 292 stores located in 44 countries with eight net openings for the year. The most important new store openings were part of the relocation of the stores in Milan, Sapporo and Kuala Lumpur, which were converted into "global stores". Louis Vuitton opened its first store in Uruguay in Punta del Este.

Major manufacturing investments to match growth

The strains on inventories experienced in 1999, 2000 and early 2001 were alleviated thanks to a 24% increase in production capacity over the year, made possible through an ambitious capital spending program. Louis Vuitton opened three new workshops in Sainte-Florence, Ducey and Condé, all located in provincial France. A new unit came on line in February 2002 at Barbera del Valles near Barcelona, Spain. These new workshops were built to meet the strong demand for Louis Vuitton products, paving the way for further growth. The company also made progress in implementing a major plan to improve its supply chain, which will improve deliveries of its products worldwide.

Louis Vuitton will continue to expand and improve its retail network and innovation policy in 2002. One of the many current projects is Louis Vuitton's first watch collection, scheduled to reach stores late in the year, which will open up a new and permanent segment for the brand.

Berluti

Berluti, a shoemaker since 1895, has become one of the leading houses in luxury footwear, both custom-made and off the shelf. With the support of LVMH group, Berluti has steadily expanded its business with net sales up sharply in 2001. Berluti's Parisian customers, who shop at its famous store on rue Marbeuf, now have a second Parisian boutique on boulevard Saint-Germain. Berluti also opened a second store in Tokyo and introduced a new *Berluti Sport* line last year.

Loewe

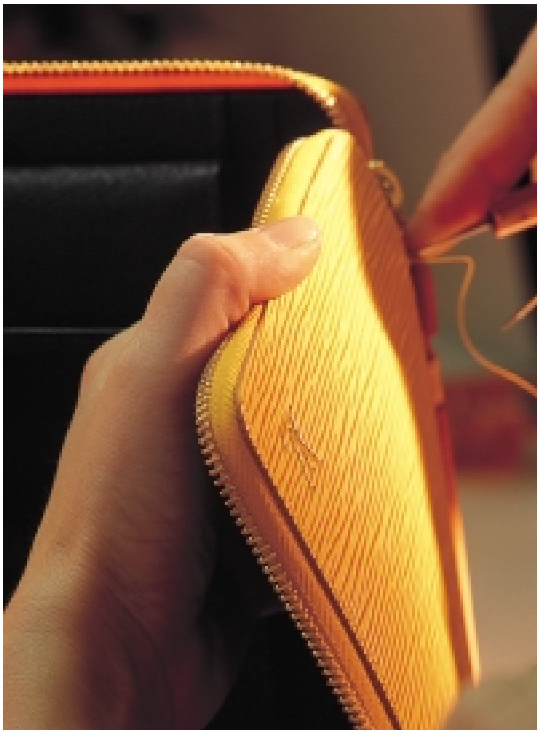
The Spanish brand Loewe has been restructuring its collections and retailing since it joined the LVMH group. After strong growth the previous year, net sales rose slightly in 2001 despite the difficulties caused by a decline in tourist travel. A new talented designer, José Enrique Ona Selfa, joined Loewe in 2001 as an Artistic Director for women's ready-to-wear apparel.

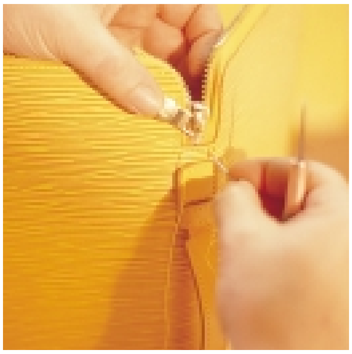
Loewe's *Agua* perfume, introduced in 2000, continued its initial success and is now one of the top six perfumes sold in Spain. A complementary line of bath care products was unveiled in 2001.

Loewe has continued to renovate and expand its retail network. Among other developments, it

The artisan's skill

Three traditional trades – luggage maker, harness maker and fine leather craftsman – are still carried out in Louis Vuitton's workshops in France and Spain.
The Company recruits and trains its artisans itself. The senior craftsmen transfer their expertise to the new employees who will learn to master all of the steps needed to make a luxury product.





opened a store in Pacific Place, Hong Kong, bringing the total to 94 stores at year-end 2001. This year, Loewe plans to continue to fine-tune its production plant and logistics to match its sales growth and maintain the undisputed quality of its collections.

Céline

Despite the impact of the events of September 11th on tourism in the Asia-Pacific region, Céline's net sales grew in 2001. The company continued to streamline and restructure its retail network, now centered around 97 boutiques. Céline closed its Hawaiian store, which was severely impacted by the fourth-quarter slowdown in tourism. The Parisian stores on rue de Rennes and avenue Victor Hugo and the store on London's New Bond Street were renovated and redecorated to match the company's new concept. A perfume for both men and women developed by Inter Parfums was unveiled during the year.

Céline added new leather products to its line, including its high profile *Eurodyssey* collection. A purse, a belt and twelve clutch bags decorated with European coins that are no longer in circulation were introduced in a limited edition as part of a playful and unexpected celebration of the euro's arrival. With the same spirit for celebrating events with international appeal, Céline will unveil a collection of sportswear and accessories to accompany the World Football Cup in 2002.

Marc Jacobs

In 1984, Marc Jacobs, now Artistic Director at Louis Vuitton, formed the company that bears his name and which has been controlled by LVMH since 1997. Marc Jacobs has grown rapidly in the United States, and has entered other countries, particularly Japan, where it is successfully increasing both its reputation and its success.

After devoting a few years to its Femme collections, Marc Jacobs introduced a men's wear line in 1997 and then a collection of luggage and handbags. This was followed by a second line of women's ready-to-wear apparel, Marc by Marc Jacobs, in September 2000. The introduction of the new line was an immediate success, both with the press and the public, as demonstrated by unprecedented press coverage and high demand at Marc Jacobs outlets. A Marc Jacobs perfume was developed by LVMH teams in the United States and successfully launched in the autumn of 2001. The company now has two stores in New York (the most recent one opened in February 2002) and a third one in San Francisco. Plans call for new locations in other international cities.

Kenzo

Kenzo had an excellent year in 2001 with strong net sales growth after factoring in its recent purchase of an equity stake in its Japanese business. Japan has both strategic and symbolic importance for this brand founded by Kenzo Takada. Kenzo Japan, in which Kenzo is a majority partner with Chori, a Japanese textile group, will help Kenzo boost retail sales of its products on the islands in 2002.

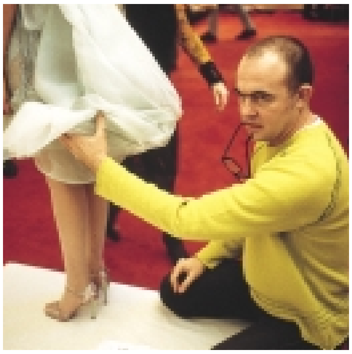
Gilles Rosier and Roy Krejberg, who design women's and men's fashion respectively, have succeeded in affirming Kenzo's new spirit while respecting the values and style that made it successful.

In 2001, Kenzo unveiled its first line of jewelry, rings, pendants and earrings, all perfectly coordinated with its apparel collections. The company continued to expand its retail network, with 54 stores at year end.

Many projects are scheduled for completion in 2002, including the expected expansion of business in Japan. A flagship store, now being refurbished, will open at Pont Neuf in the heart of Paris in 2003.

Christian Lacroix

After a strong year in 2000, Christian Lacroix, whose collections have been highly successful with excellent press coverage, again posted strong growth in net sales in 2001. Christian Lacroix returned to Japan with a long-term partnership agreement with Sanko Seiko. It opened its first Japanese shop in Tokyo's Dankanyama precinct.



This flagship store, which offers all the company's lines, features a totally new concept devised by designer and architect Christophe Carpente. In this open and transparent space, the surrounding walls display such artistic media as videos, photos, paintings and messages hand written by Christian Lacroix himself. The products are displayed in removable displays made of colored glass. The store front is meant to be as open as possible and is simply adorned with hand written text by Christian Lacroix. This very successful format has already been repeated in the nine corners and a second boutique was opened in Japan in 2001. The format will be gradually transferred to all Christian Lacroix retail outlets. Christian Lacroix also opened a new boutique in Seoul in 2001, its first site in Korea.

Givenchy

Givenchy continued to grow steadily in 2001 as it did the year before. Julien Macdonald, whose first collections were well received, joined Givenchy in 2001 as a new designer. In September, Givenchy inaugurated a new boutique concept at its rue du Faubourg-Saint-Honoré store in Paris. The concept, developed by architect India Madhavi, will gradually be introduced in the brand's other shops. The company is also working on plans to open a flagship store in Paris that will house its men's and women's lines and accessories.

In men's ready-to-wear, Givenchy regained control of its *Givenchy Men* line, and will now handle design and marketing. This initiative will give Givenchy Men, targeted toward young customers, additional growth opportunities while ensuring better coordination and stronger stylistic differentiation with its top men's line, *Givenchy Paris.*

Fendi

LVMH signed an agreement in November 2001 to buy Prada's stake in Fendi, giving it a 51% controlling share in the company. After joining LVMH, Fendi devoted the year 2001 to its priority objective of gaining control of its retailing. The company bought a 70% stake in its Japanese partner and acquired the portion it did not control previously in the United States, Hong Kong, Taiwan and China.

Fendi increased the number of stores it owned from 17 in late 2000 to 84 a year later. It opened three boutiques on rue François 1er in Paris, Sloane Street in London and Matsuya in Tokyo's Ginza district.

The company continues the work to adapt its production plant, logistics chain, financial organization, design process and advertising to achieve the ambitious targets warranted by its strong growth potential.

Thomas Pink

This distinctive British firm combines innovation with irreproachable quality in keeping with the classic principles for which it is known. It specializes primarily in men's shirts and accessories, and has recently expanded its business to women's collections.

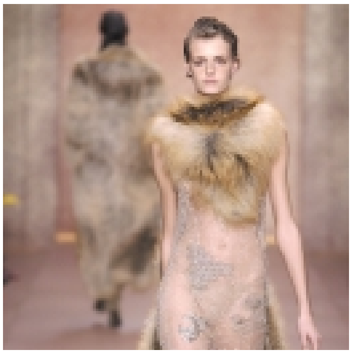
In 2001, Thomas Pink significantly expanded its operations in Great Britain where nearly all of its 36 stores are still located. Since it joined the LVMH group, Thomas Pink's goal has been to drive growth by accelerating international expansion.

Emilio Pucci

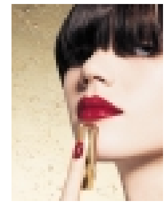
As an icon of the 1950s to 1970s, the Emilio Pucci brand is a luxury symbol of relaxation and refined leisure and has continued to influence fashion from its inception to this day. The company's objective is to achieve a global presence with support from LVMH, which it joined in February 2000.

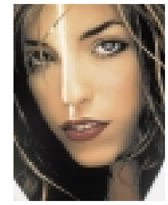
One of its priorities is to expand its retail store network. The company now has seven stores in its name in Florence, Portofino, Saint-Moritz, New York, Palm Beach, Milan and Bangkok. In November 2001, Pucci bought a majority stake in Italy's Casor, which has been its manufacturing partner in ready-to-wear apparel for several years.

Fendi was born in Rome in 1925 and has become the leading brand of Italy's exciting fashion industry. It is particularly famous for its unique savoir-faire and exceptional creativity in working with fur.

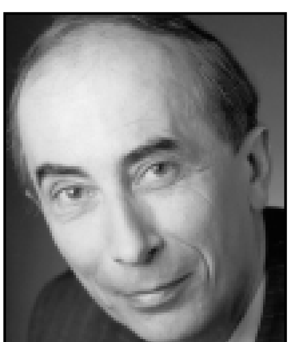


PERFUMES AND COSMETICS





LVMH is present in the perfumes and cosmetics sector through the great French houses of Christian Dior, Guerlain, Givenchy and Kenzo. In addition to this collection of world-class names, the Group recently acquired several very innovative cosmetics companies that are targeting a new customer segment—five recently formed American companies and a French brand specializing in professional makeup products. In October 2001, the LVMH group also bought a 50% equity stake in Italy's Acqua di Parma.



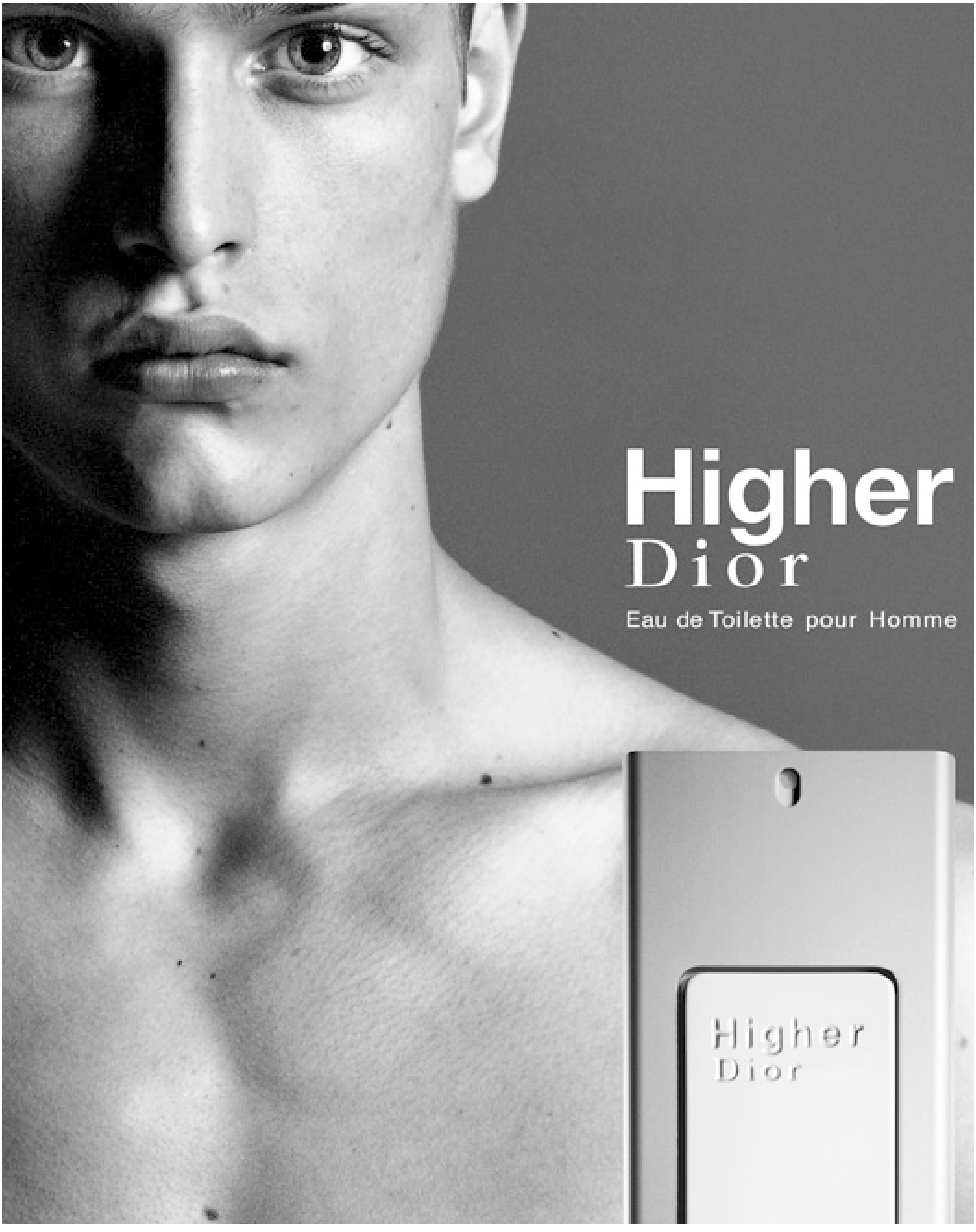
Patrick Choël

STRATEGY AND OBJECTIVES

"Our portfolio of brands and our customer base are now more diversified than in the past. Along with our French brands firmly anchored in luxury goods, we are developing some rapidly expanding young American companies. With the Group's backing, they are accelerating their growth in their own country, the world's largest market for perfumes and cosmetics, and they offer strong international potential. These brands are very much in touch with current trends and are expanding our customer base and our presence in the United States.

The creativity of our teams is the primary engine for our growth. In 2001 for the third consecutive year, we posted growth in net sales that outpaced the world market for perfumes and cosmetics. This performance, achieved in a particularly difficult business climate, can be attributed to our policy of innovation and the major commercial successes it has generated.

During the final quarter of 2001, despite the difficulties associated with the September 11 attacks, we made the strategic decision not to reduce our advertising expenditures. Maintaining this investment is essential to drive our momentum, continue to win market share, and once again outpace the market's growth in 2002."


Higher
Dior
Eau de Toilette pour Homme
Higher
Dior

An important new product

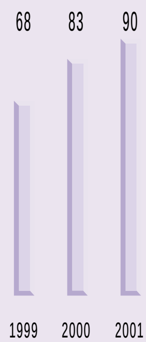
Christian Dior's new lipstick offers an innovative formulation, design and packaging. The advertising visuals were developed under the artistic direction of John Galliano, who designs Christian Dior Couture's collections. It is the perfect illustration of the possible connotations of the name Addict.

Net sales for the Perfumes and Cosmetic business group totaled 2,231 million euros. Income from operations amounted to 149 million euros.

(EUR million)	1999	2000	2001
Net sales	1,703	2,072	2,231
Income from operations	146	184	149
Operating margin	9%	9%	7%

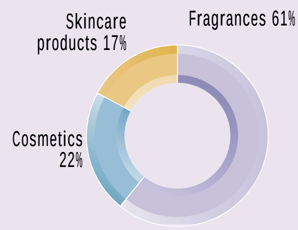
Investments

EUR million



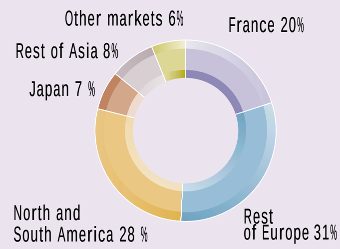
Breakdown of net sales by product category

in %



Net sales by geographic region

in %



Highlights

- Parfums Christian Dior exceeded one billion euros in net sales for the first time.
- Christian Dior launched *Higher*, a men's fragrance, and a new lipstick *Addict*.
- Kenzo, with its tremendously successful *Flower* perfume, took its first steps in cosmetics with the introduction of the *Kenzoki* natural extract line.
- The Perfumes and Cosmetics business group began a licensing program in the United States with the introduction of Michael Kors and Marc Jacobs perfumes.
- LVMH acquired a 50% equity stake in Acqua di Parma, a very selective Italian brand specializing in perfumes and aromatherapy. The agreement provides for developing product lines and opening stores in the major capitals of the world.

Fastest worldwide growth in its sector

With net sales up 30% in two years, the Perfumes and Cosmetics business group has established an exceptional momentum, the best in its competitive arena. Despite a 1% drop in sales in the fourth quarter of 2001 due to the slowdown in travel retail and difficult conditions in the American market, growth over the full year was nearly 8%, more than twice the 3% growth posted by the world market for perfumes and cosmetics. Even in a particularly difficult economy, the division's brands gained significant market share. These advances demonstrate both the strength of LVMH's brands and the great success of their creative innovation, which has earned a number of international awards. The top three Fifi Awards in the United States went to *J'adore*, *Michael Kors* and *Flower*. The Marie Claire de la Beauté Prix d'Excellence, awarded by fifteen international journalists, went to Christian Dior's *Addict* (makeup), Kenzoki (creativity) and Guerlain (special judges' award).

In an effort not to compromise this momentum, the business group maintained its advertising expenditures over the fourth quarter. This strategic decision impacted operating profit for 2001. Beyond this short-term impact, however, this effort will give us a major competitive advantage by maintaining the conditions for continued strong growth and market share gains in 2002, a year that will see a number of innovations and new efforts to increase operating efficiency for all our businesses.

Parfums Christian Dior

Parfums Christian Dior turned in an excellent performance in 2001, generating a significant increase in sales and operating profit. The recipient of a number of international awards, the brand crossed the threshold of one billion euros in net sales for the first time. The company posted its best results in France, Italy, Spain and the United States with gains in its perfume, makeup and skin care lines.

Major creative successes

The repeated major creative successes of Christian Dior, combined with strong and extremely innovative promotional campaigns, are the drivers for of its exceptional financial performance. *J'adore* is a global success, one the top five women's perfumes sold in the United States and one of the great international classics. Initial sales of the men's fragrance *Higher* and the new *Addict* lipstick in the second half of 2001 exceeded targets. Parfums Christian Dior also expanded its skin care lines in 2001, unveiling a new *IOD* product line especially designed for young women aged twenty to thirty, and *NoAge Essentiel*, an anti-aging skin care product.

The company will continue to its tradition of innovation in perfumes, skin care, and makeup in 2002. In January, it introduced *Hydra-Move*, a skin care application based on a new dynamic approach to skin hydration and formulated from a new plant-based active ingredient. A number of new initiatives are planned for the year, including a major new women's perfume to be unveiled in the second half. At the same time, Parfums Christian Dior will continue to streamline its organization, particularly logistics and the supply chain.

Guerlain

Guerlain's sales were climbing until September 11th, but were impacted by the consequences of the attacks, particularly in the duty free business. The result was a slight decline in net sales for fiscal year 2001.

Nevertheless, the brand grew in France and Japan, its two largest markets. The *Issima* skin care line performed particularly well following the introduction of its Hydramythic stick and the anti-aging line *Substantific*.

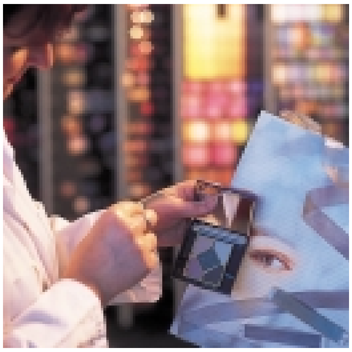
Following the success of *Aqua Allegoria*, Guerlain introduced *Aroma Allegoria*, a product line that embraces aromatherapy as conceived by a great perfume maker. The line features three *eaux de parfum*, each providing a specific benefit—Vitalizing, Exalting and Soothing. The promotional campaign for Guerlain's classic fragrance *Shalimar* was updated with a sensual press and display visual. The campaign reflects the image of this legendary perfume created 80 years ago. The new design layout emblematic of the Guerlain universe has been extremely successful in department stores. The brand leads sales at Le Bon Marché and Galeries Lafayette in Paris.

In 2002, Guerlain will continue to introduce new innovations like its *Issima Success Laser* unveiled in January, which offers a powerful wrinkle reducer containing two patented active ingredients and a complementary Resting Phase cream.

Parfums Givenchy

Since Parfums Givenchy is well established in the United States, it was particularly hard hit by the economic slowdown in this market and the consequences of the attacks in the fourth quarter.

However, the strong international performance of its *Hot Couture* perfume, symbolized by model Eva Herzigova, was in line with sales forecasts. A fresher, fruitier eau de toilette version was unveiled for the summer.



The makeup line continued the updating and expansion of its product offer initiated in 1999 with the introduction of its *Rouge Miroir* lipstick. The young actress Lou Doillon will now represent the *Miroir line*. This is a first for Givenchy, which has never before used a well-known face in the makeup segment.

Parfums Givenchy has ambitious plans for 2002, its fiftieth anniversary year. Several new perfumes are slated for launch, including *Eau Torride* for women and the men's *Givenchy pour Homme*, both in April. Following the very successful launching of the Michael Kors and Marc Jacobs perfumes, the US teams of Parfums Givenchy were licensed to design and market the fragrance and beauty products of New York designer Kenneth Cole. The first perfumes will go on sale in the autumn of 2002.

Parfums Kenzo

The immense international success of Kenzo's *Flower*, which doubled its initial sales targets, generated significant momentum for the brand. In 2001, Parfums Kenzo posted extraordinary growth in sales and earnings for the second consecutive year.

In the autumn of 2001, the brand introduced its first entry in the cosmetics world with its *Kenzoki* "well being" line. Based on plant extracts, the line consists of twenty products divided into four related lines—Energizing, Euphoria, Relaxing and Sensual. The products have been sold selectively in France since September 2001 and will be distributed more widely in Europe in 2002.

American start-ups

Although penalized by the situation in the United States after September 11th, the young companies (Bliss, BeneFit, Fresh, Hard Candy and Urban Decay) of the Perfumes and Cosmetics business group again grew by nearly 20% in 2001.

Bliss and BeneFit gained a foothold abroad, notably in Great Britain where BeneFit has done very well and where Bliss opened its first European spa. Bliss also opened a counter in Galeries Lafayette in Paris in January 2002.

Fresh expanded its business in the United States and now plans to expand to Great Britain and Korea.

Make Up For Ever

In order to highlight its professional brand image, Make Up For Ever created a backstage décor, inspired by the makeup studios, in its historic Paris shop. This concept was reproduced in the boutiqu
in 2001 in London, M
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WATCHES AND JEWELRY

Formed in 1999, Watches and Jewelry is the most recent LVMH business group. It includes TAG Heuer, Ebel and Zenith, three highly esteemed Swiss watch-makers, plus Montres Christian Dior, also made in Switzerland. Chaumet and Fred, two of France's most venerable jewelers, are part of this business group, as is the De Beers LV joint venture, created in July 2001, which will open its first store in 2002. Omas, Italy's famous designer of writing instruments acquired in 2000, rounds out the division's portfolio and strengthens a pen business already initiated by Christian Dior and Chaumet.

Philippe Pascal

STRATEGY AND OBJECTIVES

"Our business group reflects LVMH's goal to build a significant position in watches and jewelry with a portfolio of prestigious and profitable brands. In 2001, we fine-tuned the strategies of these recently acquired companies, strengthened their respective market positioning and management, and provided shared resources and methods.

Last year the Watches and Jewelry business group withdrew from certain production and retailing activities on behalf of non-LVMH brands. This was a strategic decision to ensure future profitable growth.

Each company invested significant efforts to improve its product portfolio, retaining the most promising lines and giving greater focus to the high-end, more profitable markets. We also added to our international network, pooled more administrative services, and improved coordination of our industrial activities.

For 2002, the watch and jewelry brands of LVMH have set an ambitious growth target supported by a stronger organization and additional resources. The differentiated and complementary market positionings of these brands will offer optimum synergies."

Character traits

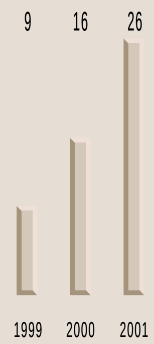
The value of the Ebel brand combine watchmaking expertise with the esthetic design imperatives. In 2001, its 90th anniversary year, Ebel received a new visual brand identity and revamped all of its advertising and publicity tools.
Its advertising campaign emphasizes its elegant product design and attention to detail.

Net sales for the Watches and Jewelry business group totaled 548 million euros.
Excluding sales for third-party brands,
net sales for LVMH brands stood at 517 million euros.
Income from operations amounted to 27 million euros.

(EUR million)	1999	2000	2001
Net sales	135	614	548
Income from operations	5	59	27
Operating margin	4%	10%	5%

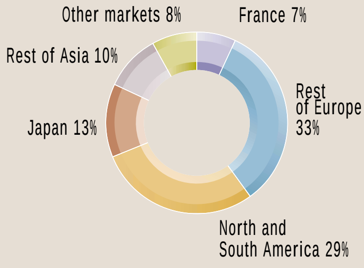
Investments

EUR million



Net sales
by geographic region

in %



Highlights

- New senior managers were appointed at Chaumet, Fred, Omas and Zenith.
- The Watches and Jewelry business group continued to integrate its international retail network by setting up subsidiaries.
- The De Beers LV joint venture was formed in July with headquarters in London. It completed its strategy and initial plan for store openings.
- The Ateliers Horlogers, located in La-Chaux-de-Fonds, Switzerland, was created from the merger of Benedom and PLD, the Ebel division specialized in “private label” watches.
- TAG Heuer acquired the metal bracelets division of Morellato Spa, its principal supplier for the last ten years. The new subsidiary has been named Artelink.

The Watches and Jewelry business group laid the foundation for profitable growth in 2001 in line with its objectives. It now has enhanced managerial expertise necessary to develop both creativity and an entrepreneurial spirit, improve the positioning of each company and product line, and gradually implement the appropriate operating synergies.

Against the backdrop of an economic downturn, LVMH’s watch and jewelry companies rigorously continued their two-pronged strategy, which has had a short-term adverse impact on net sales and profits, but has paved the way for future growth. The first task was to implement more selective and qualitative retailing by building relationships with the best specialty retailers. The second was to reduce some production and retail activities for non-LVMH brands. In 2001, sales of LVMH watch brands grew everywhere but in the United States, while also gaining market share.

The business group broadly expanded its international presence and improved the coordination and pooling of its administrative services. It beefed up its sales and marketing teams and began to set up a multi-brand customer service network around the world designed to improve customer satisfaction. By the end of 2001, LVMH Watches and Jewelry had a global organization covering all of Europe, the Americas, Northern Asia, Japan and the Asia-Pacific region. In 2002, TAG Heuer and Montres Christian Dior will open the first stores in China and India.

In 2001, we also improved our manufacturing organization by identifying common resources, such as prototyping capacities, and by sharing the best methods for developing investment plans, improving productivity, and negotiating better purchasing terms from suppliers.

With the prestigious Zenith Manufacture, currently being modernized, the Ateliers Horlogers created in 2001, TAG Heuer's specialized subsidiaries plus Artelink, LVMH's watch brands now have strong capacities for developing and manufacturing movements and supplying high quality watch cases, dials and metal bracelets.

Based, on all these developments, the Watches and Jewelry business group has set an ambitious target for growth for 2002.

TAG Heuer

TAG Heuer is one of Switzerland's leading watchmakers and the world's leader in prestige professional sports watches. Offering high quality, high-tech and leading edge style inspired by a tradition of innovation going back 142 years, TAG Heuer watches appeal to young, trend-setting active consumers.

After rapid growth in the previous two years, TAG Heuer refocused its strategy toward more selective retailing in order to exert better control over its brand image. This decision and the impact of the events of September 11th in the United States, its biggest market, resulted in lower net sales in 2001. Nevertheless, the company gained additional market share everywhere else. The company now controls over 90% of its worldwide retail outlets through its exclusive subsidiaries and those carrying other LVMH brands. Sales grew significantly in Japan, France, Great Britain, Spain, Italy, Australia and Thailand as customers purchased higher-end products across the board.

Successful leaders and promising new products

TAG Heuer's leader *2000* series celebrated its twentieth anniversary and continued to attract customers and increase sales. The introduction of the *Kirium F1*, which combines design and technology, widely surpassed sales forecasts and strengthened the brand image of leading-edge style and features.

Sales of the classic *Monaco*, *Carrera* and *Monza* models rose sharply, confirming TAG Heuer's strong potential for brand expansion into products that bring classic watchmaking to sports design, like the *Monza Calibre 36*, equipped with a movement that operates at 36,000 beats per hour and developed in collaboration with Zenith Manufacture.

The *Alter Ego* watch for women introduced in 1999 has become an established performer, supported by an advertising campaign that features Marion Jones, Zhang Ziyi and Ines Sastre photographed by Jean-Baptiste Mondino. With the sporty Link model set in diamonds or combining steel with gold, TAG Heuer continued to expand its female customer base.

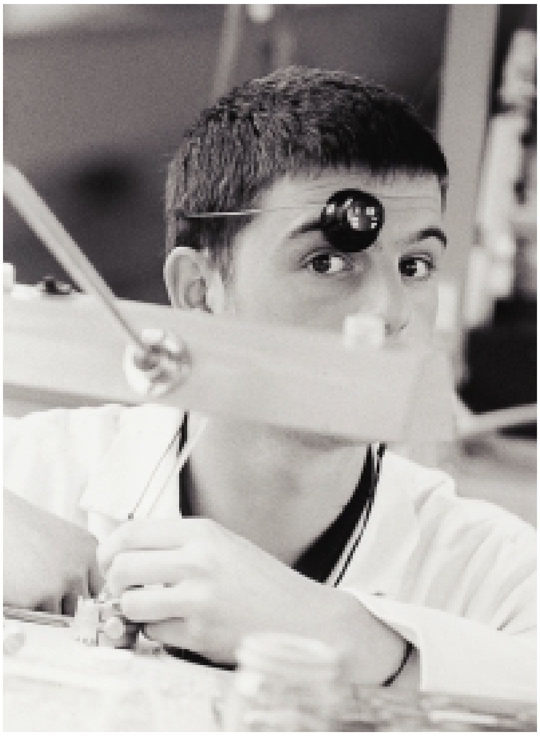
Performance values

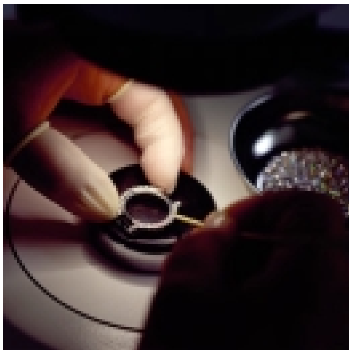
TAG Heuer continued its association with sports in 2001 as the official timekeeper for the Formula 1 world championship and the world alpine ski championship. The brand is also a partner of the Formula 1 McLaren Mercedes team, the most award winning team for the past 20 years and ranked second worldwide. Additional partnerships will be formed in 2002.

The advertising campaign initiated in 2000 will yield in early 2002 to a campaign modeled after TAG Heuer's legendary campaigns that featured its values of prestige and performance symbolized by distinctive watch models and well-known celebrities.

As part of its continual focus to retailing, TAG Heuer renovated the décor and displays in its

The Watches and Jewelry business group has invested heavily in its workshops in Locle and la-Chaux-de-Fonds in Switzerland. LVMH's watch brands now have strong capacities to develop and manufacture movements as well as to supply cases, dials and metal watchbands.



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exclusive boutiques, making them exhibit spaces that showcase the brand's entire collection. A new store opened in London and will be followed by another in New York in the spring of 2002 after a delay caused by the September 11th attacks. The company selects its multi-brand points of sale with particular attention and, with the same attention to quality and esthetic appeal, it installed a new generation of high-end display cases.

Prospects for 2002

In January 2002, TAG Heuer introduced TAG Heuer *Sportsvision*, a line of licensed sports eyewear, offering design and advanced technology that reflect the performance values associated with the brand. The gold Silmo that recognized this innovation confirms its potential.

In 2002, TAG Heuer will focus on supporting its traditional positioning in prestige professional sports watches and continue to develop more high-end lines. Growth will be driven by a revamped organization, the opening of new markets like China and India, and increased investments in marketing.

Zenith

Zenith Manufacture was founded in 1865 in Locle, in Switzerland's Jura region. It joined LVMH in late 1999 and specializes in manufacturing fine watch movements. In 2001, Zenith began to modernize its production shops and refocus on marketing mechanical watches, abandoning its quartz watch activity and making sharp cuts in its sales of movements to other companies. Despite this refocusing, Manufacture maintained net sales and sales of the Zenith grew 10%.

The rising values of fine watchmaking

Zenith makes two of the world's most prestigious mechanical movements for fine watches. *El Primero* is an automatic chronograph and the world's first to measure time to one-tenth of a second, ticking at 36,000 beats per hour. The *Elite* extra flat automatic movement is only 3.28 millimeters thick and functions at 28,000 beats an hour. Product lines equipped with these movements posted sharp growth in sales despite the economic slowdown. Zenith improved its sales across the world, except in Italy where the withdrawal from quartz watches was not entirely offset by sales of mechanical watches.

Technical advertising and selective retailing

Zenith launched its advertising comeback with a campaign focused on the quality of its movements and its watchmaking expertise and supported by new displays installed at high-end watch retail stores. The new sales force and dealers received training in watchmaking so they could capitalize on the brand's exceptional expertise.

Today, Zenith controls 85% of its retail network. In 2001, the brand entered Japan and the United States where it was warmly received by the best retail shops.

In 2002, Zenith Manufacture will make significant capital investments to meet the growing demand for mechanical movements and the specific complications generated by Zenith's growth and the growth of other LVMH brands.

As a symbol of traditional fine watchmaking, Zenith will continue to expand and develop high-end products with a more active ad campaign and selective partnerships with the best retailers. Its loyalty to tradition will not prevent the introduction of new designs that will be presented at the 2002 Basel trade show.

Montres Christian Dior

Developed by Benedom and Ateliers Horlogers, Christian Dior watches achieved growth of over 30% in 2001, despite the slow economy that heavily impacted the fashion watch segment. Thanks to close collaboration with Christian Dior Couture, the watch lines continued to expand, adding new styles and earning increased media attention.

The *Chris 47* watch, the exclusive creation of the Christian Dior Couture studios under the direction of John Galliano, was the year's most original new watch in terms of both design and color and an immediate success. Dior's *Malice*, *Diorific* and *Riva* watches also performed very well with strong support from effective marketing and sales promotions. The additional production capacity at Ateliers Horlogers will enable Dior to meet the growing demand for its watches.

The consolidation of Montres Christian Dior within the LVMH group has been an opportunity to prepare for sustained and more controlled growth in many markets.

Strategic developments

New women's models designed to harmonize with Dior Couture, like the *Dior 66* inspired by its latest collection and the new *Malice* in a round version, will help fuel growth for Montres Christian Dior in 2002. The brand will continue to focus on high-end products as it reduces the size of its collection and launches jeweled models.

The year 2002 will also be devoted to strategic developments leading to the introduction of new women's and men's models in 2003 that reflect the styles of Christian Dior Couture and Christian Dior Homme.

Chaumet

This famous jeweler located in place Vendôme in Paris implemented an in-depth review of its operations in 2001 to build a firm foundation for future growth. Chaumet, with its rich and colorful history, archives and exceptional jewelry pieces, plans to enhance its brand identity and grow systematically. Sales were up 13% in 2001, due primarily to stronger performances in Japan and Korea.

Chaumet added to its *Anneau* and *Plume* contemporary design lines, while significantly expanding its line of rings for the Japanese market.

The Class One line, combining steel and diamonds in a creative design and launched in 1999. was the top performer in the watch segment. The *Class One* chronograph for men was particularly popular.

The brand focused its advertising efforts on its leader products, concentrating on France and Japan where the approach proved effective. Chaumet did not open any new boutiques, but it did integrate the management of its "shop-in-shops" in Japan, and initiated a very tightly controlled retail activity with specialty retailers.

New momentum

Chaumet's growth in 2002 will accelerate, supported by strategic initiatives that include a strong visual identity, a new boutique format, and several new stores, notably in Japan, new watch and jewelry lines, and increased emphasis on advertising and public relations.

Chaumet will enter new markets very gradually as it develops the teams required for a very targeted expansion.

Ebel

Founded in 1911 and famous for its watchmaking excellence and elegant design, Ebel began in 2001 to reap the fruits of its integration within the LVMH group, which strengthened its organization and clarified its strategy.

The industrial reorganization initiated in 2000 resulted in significant gains in productivity. At the same time, the company ended its private labels activity and stopped producing movements for third parties.

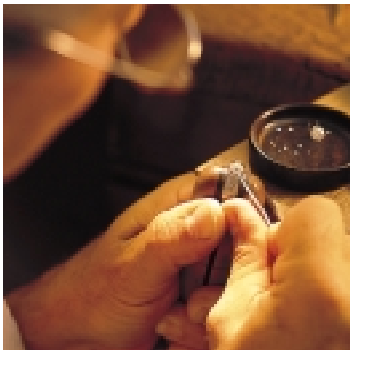
The brand also continued to integrate its retail network, creating a subsidiary in Japan. It now controls nearly 80% of its sales to retailers.

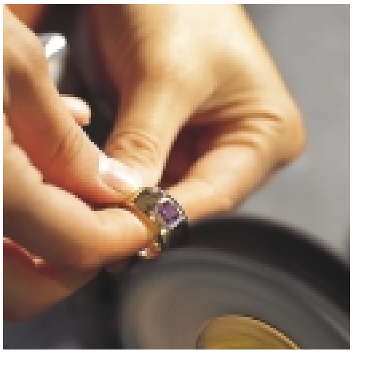
A new focus on high-end products

At the 2001 Basel Trade Show, Ebel unveiled a specialized and improved product line, centered on three of the nine lines existing in 1999. The Classic *Wave line*, a redesigned version of the *Sport Classic*, was especially well received by retailers and wholesalers who liked its elegant curved lines and the comfort they provide. The *Beluga* and *Beluga Manchette* lines were completed with many gold and jeweled models that were highly appreciated. The *1911* line, remodeled with new dials and leather straps, strengthens out the men's line. Generally, Ebel began to improve its product mix with the use of precious metals

The workshop's secret

At Place Vendôme, Chaumet's jewelry craftsmen perpetuate their expertise, handing it down from one generation to the next with the concern for quality and detail that have been the Company's hallmark since it was founded in 1780.
Five years of shop apprenticeship are necessary to acquire the skills which make Chaumet's designs so distinctive.





and diamonds. At the same time, the company redirected its retailing toward the best points of sale, particularly in Germany. Although US sales were adversely affected by the events of September 11th, Ebel's sales rose in France, Great Britain, Spain, Central America, the Middle East and in Southeast Asia.

A new ambassador

Ebel's new strategy was reflected in an advertising campaign emphasizing its elegant product design and perfection of detail. Maggie Cheung, a famous Chinese actress, is now serving as spokeswoman for the brand.

Ebel will continue its new strategy, strengthened by the strong performances of its subsidiaries created in 2000 and 2001. The year 2002 will usher in many new high-end and jewelry models for existing lines as Ebel completes preparations for the major new products to be launched in 2003.

Fred Paris

A top contemporary jeweler, Fred continued its refocusing strategy in 2001 by ending sales of third-party products in its network of stores. In the fourth quarter, three new points of sale opened in the key locations of New Bond Street in London, the Ginza in Tokyo, and rue Faubourg Saint-Honoré in Paris. These new stores increase the number of boutiques to ten, all with a décor reflecting the exclusive architectural format first used at place Vendôme in 1999.

In 2001, Fred enhanced its product line with new variants of the *Mouvementée* and *Success* rings. The highly successful *Marine* ring has a very modern design with unusual color tones. The *36* line of watches and chronographs performed particularly well.

Confirmed style

Fred updated its advertising campaign combining creativity and sensuality to feature its latest creations. This will continue in 2002.

In the spring of 2002, Fred Paris will unveil a new line of watches in keeping with its contemporary and creative positioning. Three "shops-in-shops" will be opened in Japan and France during the year. With a revamped management team and collections featuring an established style at an affordable price, Fred Paris should enjoy significant growth in 2002.

Omas

Since it joined LVMH in May 2000, Omas, a well-known pen manufacturer in Bologna, has undertaken a serious strategic review to build a firm foundation for future growth.

The company sharply reduced its private label manufacturing and made the investments essential for its growth. Its priority markets are Italy, France and the United States, the top markets for luxury writing instruments.

At the Frankfurt Trade Show in January 2002, Omas introduced its new product line which is now refocused on the top symbolic lines that made its reputation. The legendary *360* and *Arte Italiana* models are two of these lines and they will be expanded in new designs, materials and colors. Omas will continue to design very limited series reserved for collectors, like *Paris Ville Lumière* unveiled in 2001.

New display cases will be set up in the specialty stores and Omas plans to open a boutique in Milan in 2002.

De Beers LV

In July 2001, LVMH and De Beers obtained approval from the European Commission for their joint venture to create a chain of jewelry stores under the De Beers name. Formally established under the name De Beers LV, the company set up its headquarters in London and assembled an experienced management team. Its goal is to build a global network of stores that will make De Beers a leader in jewelry. The De Beers name is very well known in major markets and LVMH brings its expertise in developing luxury brands to the joint venture.

The company plans to enter the diamond jewelry market from an original angle, both in terms of creative inspiration and store concept. In late 2001, the market positioning strategy, creative management, and the initial store opening plan were being finalized.

De Beers LV's mission in 2002 is to design and produce the product lines of the future brand, develop the concept and décor for its stores, and set up management systems and advertising campaigns. The first store is slated to open in London at year end. ■

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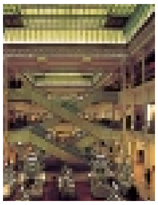
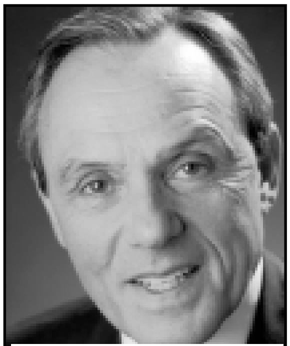
SELECTIVE RETAILING



Selective retailing is intended to promote a sales environment that enhances the image and status of luxury goods. Selective retail shops are located in Europe, the United States and Asia and they operate in two segments. The first is travel retail, or marketing luxury products to an international travel clientele. This is the business of DFS and Miami Cruiseline. The second segment is specialized selective retailing, represented by Sephora and the department store division, now composed of two prestigious Parisian establishments, Le Bon Marché and la Samaritaine.



Pierre Letzelter

STRATEGY AND OBJECTIVES

“Fiscal year 2001 was marked by deteriorating markets, particularly in the international travel sector. We continued to expand our luxury product retailing formats in this environment, but income was adversely affected. We have already adjusted our strategies and taken measures to ensure a significant rebound in 2002. These include focusing our investments on the most profitable growth opportunities and tighter management to regain profitability.

Faced with difficulties resulting from the plunge in tourism to practically all destinations, DFS implemented an extremely rigorous cost cutting program to lower its break-even point. Sephora, whose format has been extremely successful on both sides of the Atlantic, is now expanding only in those regions offering the best opportunities for profitable growth while improving its customer service organization.

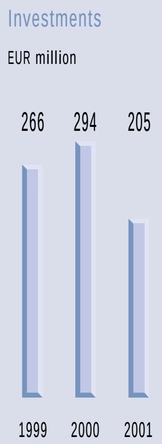
Finally, the success of our strategy for Le Bon Marché, which has become the most exclusive department store in Paris, is the inspiration for the development of la Samaritaine, maintaining the new positioning it has chosen since joining LVMH. Our two stores, ideally located in the heart of Paris, the symbol of France and luxury, embody the core values of LVMH.”

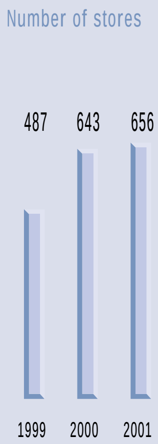
Exclusive and prestigious

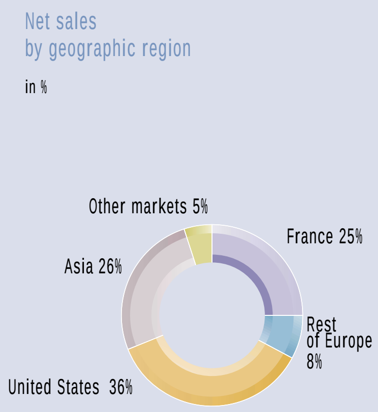
In a few years, Le Bon Marché has become the most exclusive department store in Paris based on the quality of its streamlined, selective and specialized product lines. Its image is perfectly in keeping with the surrounding Paris Left Bank and the tastes of its customers.

Net sales for the Selective Retailing business group totaled 3,475 million euros. Loss from operations amounted to 194 million euros.

(EUR million)	1999	2000	2001
Net sales	2,162	3,287	3,475
Income from operations	(2)	(2)	(194)







Highlights

- La Samaritaine joined LVMH in January 2001. With the Group's support, the department store has entered a new phase in its development. It has begun its repositioning, which includes a thorough modification of its product line, now geared toward fashion and accessories.
- DFS opened two new Galleria stores in Hawaii and Hollywood and rolled out concessions at Kennedy airport in New York, Inchon in Korea and La Tontouta in New Caledonia.
- Sephora has withdrawn from Germany and Japan in order to focus its development in Europe where it has major market positions, and in key regions in the United States.
- Le Bon Marché continued to improve both net sales and income from operations, an affirmation of its goal to be the most exclusive department store in Paris.

In an especially difficult economy, the Selective Retailing division's results in 2001 mask contrasting situations.

DFS net sales fell 10% on a full-year basis against a backdrop of a very weak yen, which reduced the purchasing power of Japanese travelers. Sales dropped 21% on a constant-currency basis in the fourth quarter alone, a time when practically all travel destinations suffered dramatically following the September 11th attacks. This situation heavily impacted Selective Retailing's results in 2001.

However, Sephora's net sales rose 23% from the previous year. Same store sales rose in Europe and the United States, despite the temporary problems stemming from the drop in tourism, demonstrating the success of its format with international customers. This strong advance justifies the investments made in Sephora's expansion over the last few years, so that it can now funnel its resources to regions where the company has been able to gain significant market share and profitable growth.

DFS

Despite the slowdown in sales in an unfavorable economy, DFS pursued its strategy which gives priority to developing and promoting its Galleria stores, which now account for most of its net sales.

Galleria stores—shopping pleasure in city centers

Gallerias, with retail space ranging from 3,000 to 17,000 square meters, are located in the downtown areas of major air destinations in the Asia-Pacific region and the United States. Each store combines three different and complementary commercial spaces in one location: a general line of luxury goods like perfumes and cosmetics, fashion and accessories; a gallery of designer label boutiques, including Louis Vuitton, Hermès, Bulgari, Tiffany, Christian Dior, Chanel, Prada, Fendi and Céline; and, finally, a recreational complex with souvenir shops.

In the first half of 2001, DFS reopened its Galleria store in Waikiki beach, Hawaii after expansion and renovation. This space is now considerably more attractive and has attracted additional customers. Similarly, after construction work, the Hollywood Galleria reopened its doors to shoppers at year end. DFS also inaugurated a new store in Kuala Lumpur, Malaysia and plans to reopen its Galleria in Singapore sometime in 2002.

DFS is selectively pursuing additional or renewed airport concessions offering strategic benefits. New shops were opened in New York's Kennedy airport, Inchon in Korea and in New Caledonia. DFS also renewed some major concessions in Singapore.

Strong long-term potential

To limit the economy's impact on earnings and cash flow, DFS implemented a number of strict cost cutting measures which included closing several regional administrative offices and negotiating rate reductions on concessions.

Thanks to these restructuring efforts, we expect a gradual recovery in 2002 no matter how the economy performs. In addition to the current uncertainty about the timing of the recovery in tourism, DFS' growth potential is ensured by the sector's favorable long-term growth prospects as new tourist destinations open.

Miami Cruiseline

The acquisition of Miami Cruiseline in 2000 gave the travel retail business a better geographic balance and greater diversification of its clientele, which was originally mostly Asian, with the addition of cruises dominated by Americans and Europeans.

In 2001, several outside factors affected Miami Cruiseline's business. Tourism declined after September 11th while passengers spent less per capita. Meanwhile the Commodore and Renaissance cruise lines went out of business. Sales dipped slightly from 2000 levels and appropriate measures were taken to limit the negative impact of this situation.

Satisfying the customers on each ship

2001 was a transition year devoted to integrating Miami Cruiseline. A new management team was appointed and a more efficient organization installed. At the same time, Miami Cruiseline focused on improving the quality of its product line and adapting its offerings to each cruise ship. Special emphasis is placed on watches and jewelry that provide good opportunities for future growth.

Sephora

The objectives of the initial development phase of Sephora, aimed at building up good relations with customers, suppliers, and landlords in some key markets, have been largely achieved.

Thus, Sephora implemented a new two-pronged strategy in 2001—achieve profitable growth and open new stores in countries where Sephora can eventually gain significant market share. Under this new strategy, Sephora withdrew from Germany and Japan.

Streamlined stores and management in Europe

Despite a significant slowdown in store openings in Europe, Sephora continued to open stores in key countries, like France and Italy, where its concept is now firmly established, but also in markets that are expected to become quickly profitable, like Poland or Romania.

A major effort was made to integrate the chains Sephora acquired over the past few years in Italy and Greece into its network, both in marketing and in management techniques.

These efforts made it a very good year for Sephora Europe in 2001. Same store sales were up despite the drop in international travel following the September 11 attacks.

Better-than-market performance in the United States

In the United States, Sephora's strategy of geographic concentration on three main markets in New York, California and the Sun Belt continued to prove its worth with double-digit growth on a same-store basis. This performance is even more remarkable since other American retailers are reporting negative trends.

During 2001, the company continued to concentrate its store openings in areas like Manhattan where it can quickly gain significant market share.

During the year, Sephora also worked on stocking and developing new partner brands, particularly in skin care. The top cosmetics brands are now stocked in most of Sephora's American stores, including a large number on its sephora.com site.

Rapidly improving productivity

Recently opened stores are obtaining excellent results in terms of productivity and reached breakeven point in their first year of business.

Although the immediate consequences of the September 11th attacks impacted the company's performance, mainly in Manhattan and Las Vegas, the stores recovered quickly, proof that the Sephora concept is valid in the United States.

In 2002, Sephora will continue to make qualitative adjustments to benefit its customers and partner brands. The company will harvest the fruit of its dual strategy of profitable growth and concentration in profitable geographic regions.

Le Bon Marché

Over the past few years, this venerable left bank establishment has thoroughly transformed its retail space and image. It has become the most exclusive department store in Paris by implementing a very exacting product selection program, close attention to customer service, and a powerful and original advertising plan.

Le Bon Marché continued to grow in 2001, both in terms of net sales and earnings, as customers continued to appreciate its concept of selectivity.

La Grande Epicerie, a recently revamped food and groceries department, has also done well.

The store has many plans for 2002, its one hundred and fiftieth anniversary. These include adding new luxury brands that will drive the company's future growth while enhancing its image of unique prestige.

La Samaritaine

Acquired by the LVMH group April 2001, la Samaritaine defined a growth strategy that will be implemented with the Group's support. A new management team was named to carry out the program.

The first initiative was to reduce the retail space in order to concentrate on the two main buildings located on rue de Rivoli and Quai du Louvre. The other two buildings will be rented to outside parties, producing an income stream for la Samaritaine.

The department store has begun its repositioning, which includes a thorough modification of its product line, now geared toward fashion and accessories, to anchor the company in its environment and attract a young, affluent clientele at the leading edge of fashion trends and buyer preferences.

A new visual identity, unveiled in February 2002, was adopted and a publicity campaign was launched under the "Ever-evolving Store" banner.

La Samaritaine will continue its makeover and transformation under a comprehensive master plan to ensure a steady increase in earnings beginning in 2003. ■

OTHER ACTIVITIES

LVMH is present in the media sector through its D.I group and two specialty magazines, Connaissance des Arts and Art & Auction Magazine. The Group sold its controlling interest in Phillips, de Pury & Luxembourg to its two principal executives in February 2002, and the transaction is included in the 2001 financial statements. Other activities also includes administrative costs.

D.I group

In 2001, D.I group expanded the product offer of each of its media in order to offer a broad audience of decision-makers a complete publishing line, particularly coverage of economic and financial news.

La Tribune added several new pages to its daily newspaper to cover mergers and acquisitions, the euro, and regional economic news. The 2001 edition of tribune.fr also offers new topical pages. .

Investir site. This site provides investors with high value-added information–from the pre-opening session through the closing bell–that is available because of the dual contributions of editorial and market flows.

Radio Classique, which offers a dual thematic orientation of classical music and economic news, confirmed its status as a national radio network with over 600,000 listeners a day. It has also added new frequencies in several French cities.

In the area of cultural news, D.I group publishes Jazzman and Monde de la Musique. These two magazines, both leaders in their field, increased their circulation in 2001.

The entire segment suffered, as did all the media, from the slowdown in the advertising market in 2001. Management has taken measures to cut costs without sacrificing the quality of its written and musical offerings.

In 2001, D.I group will focus its efforts on bolstering its core business.

Phillips, de Pury & Luxembourg

Since LVMH group acquired Phillips, de Pury & Luxembourg in 1999, the firm has become one of the world's leading art auction houses. This breakthrough is due to the dynamic efforts and remarkable expertise of the Phillips management team and the strategic support provided by LVMH.

With the agreement of the company's two principals, Simon de Pury and Daniella Luxembourg, LVMH group reduced its stake to 27.5%. This decision is in line with the strategy of Phillips, de Pury & Luxembourg which, unlike its two rivals, is not targeting size, but is focusing on the quality of its offerings. The transaction also reflects LVMH's desire to concentrate on the development of luxury products. Thus, it was logical and practical for the company's two principals to take effective control at this time.

Phillips, de Pury & Luxembourg is now well positioned, in terms of organization, management and financing, to continue its growth in the high-end art market with Simon de Pury et Daniella Luxembourg at the helm.

Phillips, de Pury & Luxembourg's results will no longer have an impact on the operating income of LVMH.

LVMH
MOËT HENNESSY . LOUIS VUITTON

CONSOLIDATED FINANCIAL STATEMENTS 2001

The consolidated financial statements presented in the following pages are abbreviated.

CONSOLIDATED KEY FIGURES

(EUR million)	1997	1998	1999	2000	2001
Net sales	7,323	6,936	8,547	11,581	12,229
Income from operations	1,269	1,184	1,547	1,959	1,560
Income before income taxes	1,185	1,013	1,435	1,692	667
Net income before amortization of goodwill and unusual items	742	525	738	846	334
Net income	690	267	693	722	10
(in EUR)					
Earnings per share before amortization of goodwill and unusual items[1]	1.55	1.09	1.53	1.75	0.68
Earnings per share[1]	1.44	0.55	1.43	1.49	0.02
(EUR million)					
Total assets	15,212	16,294	20,734	23,192	23,832
Stockholders' equity	6,179	6,316	6,704	7,031	6,901
Net cash provided by operating activities before changes in current assets and liabilities	1,163	481	1,051	1,214	919

(1) Figures have been adjusted to reflect the bonus share distribution of June 1999 (one new share, for ten shares previously held on this date) and the five for one stock split of July 3, 2000.

CONSOLIDATED BALANCE SHEET

ASSETS (EUR million)	2001	2000	1999
Current assets			
Cash and cash equivalents	795	695	546
Short-term investments	622	1,326	183
Treasury shares	1,046	1,289	853
Trade accounts receivable	1,538	1,638	1,442
Deferred income taxes	544	266	273
Inventories	3,655	3,382	2,943
Prepaid expenses and other current assets	1,352	1,596	1,500
	9,552	10,192	7,740
Investments and other assets circulant			
Investments accounted for using the equity method	77	21	10
Unconsolidated investments and other investments	1,386	1,892	3,959
Treasury shares	318	156	210
Other non-current assets	467	307	251
Property, plant and equipment, net	4,208	3,367	2,856
Brands & other intangible assets, net	4,308	3,415	2,527
Goodwill, net	3,516	3,842	3,181
	14,280	13,000	12,994
Total	23,832	23,192	20,734

LIABILITIES AND STOCKHOLDER'S EQUITY *(EUR million)*	2001	2000	1999
CURRENT LIABILITIES			
Short-term borrowings	3,765	5,333	4,439
Accounts payable	1,401	1,305	1,087
Accrued expenses and other current liabilities	2,622	2,371	2,548
Income taxes	–	318	139
Current portion of long-term debt	238	235	161
	8,026	9,562	8,374
NET DEFERRED INCOME TAXES	169	110	167
LONG-TERM LIABILITIES			
Long-term debt, less current portion	5,402	3,498	3,085
Other long-term liabilities	1,250	1,164	921
Repackaged notes	284	346	406
	6,936	5,008	4,412
MINORITY INTERESTS IN SUBSIDIARIES	1,800	1,481	1,077
STOCKHOLDERS' EQUITY			
Common stock	147	147	147
Additional paid-in capital and retained earnings	6,894	7,017	6,679
Cumulative translation adjustment	(140)	(133)	(122)
	6,901	7,031	6,704
STOCKHOLDERS' EQUITY AND MINORITY INTERESTS	8,701	8,512	7,781
TOTAL	23,832	23,192	20,734

- LVMH total consolidated balance sheet climbed 3% from the 2000 year-end level of 23.2 billion euros to 23.9 billion euros, at December 31, 2001.

- Investments and other assets totaled 14.3 billion euros, compared with 13.0 billion euros at year-end 2000, representing 60% of the total balance sheet compared to 56% the previous year.

- Tangible and intangible assets increased from 10.6 billion euros at year-end 2000 to 12.0 billion euros. This increase is the result of capital expenditures during the year, specifically in the Louis Vuitton and DFS retail networks, and the consolidation of equity investments in Gabrielle Studio (Donna Karan), La Samaritaine, Newton Vineyards, MountAdam and the Fendi supplement.

- Financial assets remained stable at 2.2 billion euros. This stability reflects the sale of the Group's stake in Gucci, offset by the reclassification of the Bouygues stake as a long-term financial asset and by the increase in LVMH long-term treasury shares.

- Inventories totaled 3.7 billion euros, against 3.4 billion at year-end 2000, driven by the gradual reconstitution of Louis Vuitton inventories, reacquisition of direct control of the distribution of certain brands, and the decreasing performance of certain segments at year-end.

- Cash equivalents and short-term securities dropped from 2.0 billion euros at December 31, 2000 to 1.4 billion euros. The book value of this item was 2.5 billion euros after including LVMH short-term treasury shares.

- Stockholders' equity, before allocation of earnings, remained stable at 6.9 billion euros. Minority interests rose from 1.5 billion euros a year earlier to 1.8 billion euros, due primarily to the consolidation of La Samaritaine and the full consolidation of Fendi at December 31, 2001.

- Total shareholders' equity and minority interests was 8.7 billion euros, representing 36% of the total consolidated balance sheet.

- Medium and long-term liabilities amounted to 7.1 billion euros at the end of December, thereby raising its relative share in the total balance sheet to 30%, against 22 % a year earlier. Financial debt accounted for 5.7 billion of this figure.

- Permanent capital totaled 15.8 billion euros and exceeded the amount of fixed assets.

- Short-term liabilities fell from 9.6 billion at year-end 2000 to 8.0 billion euros at December 31, 2001, primarily due to the drop in short term financial debt. Its proportion of the balance sheet fell from 41% at year-end 2000 to 34%.

- Short and long-term financial debt, net of short-term investments and cash equivalents, was 8.3 billion euros at December 31, 2001. This represents 95% of shareholders' equity and minority interests. After deducting the market value of the Bouygues stake and the treasury shares not reserved for stock option plans, net financial debt accounted for 79% of shareholders' equity and minority interests.

- In 2002, LVMH will continue its policy to reduce financial debt, which was implemented at the end of 2001 with the sale of its Gucci stake.

- The portion of long-term financial debt increased significantly to 69% of total net debt.

- Confirmed credit lines totaled approximately 5.3 billion euros. They were very partially drawn at year-end and more than cover the commercial paper program, which had a total outstanding amount of 2.8 billion euros at December 31, 2001.

CONSOLIDATED STATEMENT OF INCOME

(EUR million except EPS)	2001	2000	1999
NET SALES	12,229	11,581	8,547
Cost of sales	(4,654)	(4,221)	(3,132)
GROSS MARGIN	7,575	7,360	5,415
Marketing and selling expenses	(4,568)	(4,206)	(2,964)
General and administrative expenses	(1,447)	(1,195)	(904)
INCOME FROM OPERATIONS	1,560	1,959	1,547
Financial expense - net	(459)	(421)	(227)
Dividends from nonconsolidated investments	21	45	97
Other income or expense - net	(455)	109	18
INCOME BEFORE INCOME TAXES	667	1,692	1,435
Income taxes	(192)	(633)	(554)
Income (loss) from investments accounted for using the equity method	(42)	(34)	(6)
NET INCOME BEFORE AMORTIZATION OF GOODWILL, MINORITY INTERESTS AND UNUSUAL ITEMS	433	1,025	875
Amortization of goodwill	(168)	(141)	(102)
Minority interests	(99)	(179)	(137)
Unusual items	(156)	17	57
NET INCOME	10	722	693
NET INCOME BEFORE MINORITY INTERESTS	100	964	848
NET INCOME BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	334	846	738
EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	0.68	1.75	1.53
Average number of common shares outstanding during the year(1)	488,064,659	484,800,930	483,157,146
FULLY DILUTED EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	0.68	1.75	1.53
Number of common shares and share equivalents after dilution(1)	488,072,374	484,886,474	483,445,278

(1) 1999 figures have been adjusted to reflect the bonus share distribution of June 1999 (one new share, for ten shares previously held on this date) and the five for one stock split of july 3, 2000.

● Consolidated net sales for 2001 were 12,229 million euros, up 6% from the previous year and 43% from 1999.

● Net sales rose 13% in the first half. However, economic uncertainty and the tragic events of September 11th put a significant damper on activity in the second half, particularly during the fall shopping season, which is critical for LVMH.

● Although business remained steady throughout the European Union, up 10% for the full year, the other regions where LVMH has traditionally operated were less buoyant. Revenues from the United States rose only 5%, while Japan posted a 4% increase (13% in yen). Sales in other Asian countries excluding Japan remained stable.

● The economic environment had a mixed effect on the Group's main business groups. Growth for Fashion & Leather Goods was remarkable, both because of the 13% rate and because of the geographic distribution of this growth. Only Asia posted growth of less than 10%, while revenues in yen from Japan were up 20%.

● Perfumes & Cosmetics sales rose 8%, mainly in Europe and the United States. Sales for Wines & Spirits were down 4%, with the trend affecting all of the division's principal markets, and masking a 3% increase in cognac revenues. Selective Retailing reported a 6% increase on higher revenues from Sephora and the consolidation of La Samaritaine. Net sales fell by 10% at DFS.

● Watches & Jewelry net sales fell 11% due to the shutdown of some sub-contracting activities and the business group's recent market repositioning in late 2000.

● The overall rise in consolidated net sales factors in a 3% positive effect from changes in consolidation scope and a slightly negative currency effect of less than 0.5% as the dollar's rise could not offset the weaker yen. Net sales would have risen about 3% on a like-for-like basis.

● The following changes in consolidation had an impact on sales and earnings.
– In the Fashion & Leather Goods, the proportionate consolidation of 51% of Fendi for the full year as compared with six months in 2000;
– In Selective Retailing, La Samaritaine was consolidated for the full year. In addition, the Sephora acquisitions of Carmen in Italy and Marinopoulos in Greece were consolidated for the full year as opposed to six months in 2000.

● Donna Karan's business will not be consolidated until fiscal year 2002. Only Gabrielle Studio, which owns the Donna Karan brand, was consolidated in 2001.

● These changes in consolidation did not have a material impact on the breakdown of net sales by business group, which remained stable in 2001. Wines & Spirits accounted for 18% of total sales, Fashion & Leather Goods 30%, Perfumes & Cosmetics 18%, Watches and Jewelry 5% and Selective Retailing 28%. By contrast, the change in the economic and monetary environment slightly altered the breakdown of total revenue among the various billing currencies: there was a decline in the weight of the US dollar, the proportion of which in the total declined from 35 to 32% in favor of the euro, which rose from 29 to 31%, with the proportion of other currencies remaining stable, particularly the yen, which represented 16%.

● Gross profit stood at 7,575 million euros, representing a gross margin of 62%, down one point from fiscal year 2000.

● Sales expenses rose 9% to 4,568 million euros. This is a 6% increase on a like-for-like basis. The increase is tied to the growth in the number of owned stores to 1,501 at year-end 2001, with Louis Vuitton and the Selective Retailing companies accounting for most of this. Spending on advertising and publicity for new product launches, notably in Perfumes & Cosmetics, also played a role.

● Administrative expenses rose 21% to 1,447 million euros. The increase was 17% on a like-for-like basis.

● Income from operations fell 20% to 1,560 million euros.

● Income from operations for Fashion and Leather Goods was up 9% to 1,274 million euros. Wines & Spirits and Perfumes & Cosmetics posted 6% and 19% declines in income from operations to 677 and 149 million euros respectively, primarily due to the economic factors previously described. However, the change in income for Wines & Spirits hides two opposing trends. Income for champagne and wine fell 18%, whereas cognac improved by 15%. Watches and Jewelry posted income from operations of 27 million euros, versus 59 million euros in 2000, because of the repositioning of businesses and products. Selective Retailing reported a 194 million euro loss in 2001 compared with flat results in 2000. The figures are particularly the result of Sephora's activities in the United States, where its recently opened stores have not yet reached break-even point. DFS and Miami Cruise Line also incurred losses, suffering from the steep decline in the number of year-end bookings, both on international flights and cruise ships. In addition, DFS was hurt by the yen-US dollar parity, which hurt international purchases by Japanese tourists. Other Activities recorded a 372 million euro loss from operations, reflecting both higher corporate expenses for the Group's expansion and costs to develop the international activities of Phillips, de Pury & Luxembourg. Internet site development costs, particularly for Sephora.com, were down sharply with this phase largely completed.

- Net financial expenses came to 459 million euros versus 421 million euros in 2000. The increase reflects a rise in net financial debt, the result of the larger size of the Group together with higher capital expenditures and long-term investments.

- Dividends from unconsolidated equity investments fell from 45 to 21 million euros, since the Group sold its final stake in Diageo in June 2001. In 2001, this item consisted primarily of dividends received on holdings in Gucci common stock.

- Other income and expenses include the results linked to LVMH's treasury shares: in 2001, this item included 39 million euros of realized capital gains and a 343 million euro provision for depreciation of the shares held at year-end. For 2000, LVMH recorded 115 million euros of capital gains from the sales of its treasury shares. In 2001, this item also includes various asset write-offs, notably for unconsolidated equity investments.

- The average tax rate for 2001 is down from 2000, primarily because of the temporary increase in deficits for some businesses, and the tax use of these losses.

- Equity affiliates accounted for a 42 million loss. This item mainly represents LVMH's equity stake in the e-Luxury web site and start-up costs for its joint venture with De Beers.

- Net income before goodwill amortization and unusual items totaled 334 million euros in 2001, down from 846 million euros in 2000.

- Goodwill amortization came to 168 million euros versus 141 million euros the previous year based on changes in consolidation scope. Minority interests in net income before amortization of goodwill and unusual items was 99 million euros compared with 179 million euros in 2000. The impact of economic factors was behind the decline.

- Unusual items include 864 million euros of proceeds from Gucci, which include 774 million euros in capital gains from the disposal of these shares and 90 million euros for an exceptional dividend received in the fourth quarter. Unusual charges included 446 million euros in restructuring provisions, 385 million of which was for Selective Retailing in order to lower the break-even point of these companies, which are very sensitive to economic fluctuations. Exceptional asset depreciation totaling 480 million euros was also recorded. This figure includes 323 million euros for DFS goodwill, 83 million on the Bouygues equity stake and 60 million euros on the Group's equity investments in the new technologies business. Lastly, the balance includes notably a charge for the sale of LVMH's controlling stake in Phillips, de Pury & Luxembourg to its current principals at December 31, 2001, including a full write-off of goodwill. Unusual items are disclosed net of a 71 million euro positive tax effect.

- The Group reported a net income of 10 million euros.

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in EUR million)	2001	2000	1999
I. Operating activities			
Net income	10	722	693
Minority interests	90	242	155
Equity interest in undistributed earnings of associated companies, less dividends received	46	36	7
Depreciation and amortization	1,356	635	434
Change in provisions	658	(267)	180
Change in deferred taxes	(304)	35	(92)
(Gain) loss on sale of assets or treasury shares	(937)	(189)	(326)
Net cash provided by operating activities before changes in current assets and liabilities	919	1,214	1,051
Inventories	(358)	(190)	(121)
Trade accounts receivable	128	(54)	(99)
Accounts payable	(25)	98	66
Other current assets and liabilities	(90)	(209)	(225)
Net change in current assets and liabilities	(345)	(355)	(379)
Net cash provided by operating activities	574	859	672
II. Investing activities			
Purchases of brands and other intangible assets	(80)	(63)	(76)
Purchases of property, plant and equipment	(904)	(794)	(498)
Disposal of fixed assets	149	86	158
Acquisition of other investments	(445)	(399)	(1,725)
Reclassification between short-term investments and other investments	(677)	817	0
Procceeds from sale of unconsolidated investments	2,122	1,195	1,560
Change in other non-current assets	(431)	(119)	(121)
Net effect of acquisitions & disposals of consolidated companies	(628)	(547)	(1,215)
Net cash used in investing activities	(894)	176	(1,917)
III. Financing activities			
Proceeds from issuances of common stock	38	11	52
Change in treasury shares	(13)	(339)	(718)
Dividends and interim dividends paid by the parent company (including related tax)	(343)	(322)	(372)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(171)	(70)	(100)
Proceeds from short-term borrowings and long-term debt	2,469	2,256	3 524
Principal repayments on short-term borrowings and long-term debts	(2,294)	(1,286)	(1,091)
Change in shot-term investments in quoted securities	880	(1,071)	112
Net cash provided by (used in) financing activities	566	(821)	1,407
IV. Effect of exchange rate changes	2	(22)	(77)
Net increase/decrease in cash and cash equivalents	248	192	85
Cash and cash equivalents at beginning of year (net of bank overdrafts)	630	438	353
Cash and cash equivalents at end of year (net of bank overdrafts)	878	630	438
Non cash transactions:			
- increase of capital through conversion of debt	–	–	–
- lease financing operations	16	7	74

The net increase/decrease in cash and cash equivalents during the period includes the change in cash and cash equivalents that comprise the readily convertible short-term investments net of provision, excluding short-term investments in quoted securities starting January 1, 2001. The prior period figures have been restated accordingly.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- The consolidated statement of cash flows presented on page 19 details the key financial flows for the year 2001.

- Net cash provided by operating activities of the Group before changes in current assets and liabilities in 2001 totaled 919 million euros.

- Working capital requirements rose 345 million euros. In particular, changes in inventories and suppliers resulted in working capital requirements of 383 million euros. This change primarily reflects the partial reconstitution of Louis Vuitton inventories, which were reduced in 2000 to an insufficient level, the gradual acquisition of control over the direct retail of certain brands in Fashion and Leather Goods or Watches and Jewelry, as well as the poor performance of some business groups at year-end due to the sluggish economy.

- Total cash provided by operating activities amounted to 574 million euros, compared with 859 million euros in 2000.

- Net cash used by investing activities totaled 894 million euros, as the balance between investments and disposals. It represents an outflow of only 217 million euros if are excluded the effects of securities reclassifications, particularly the reclassification of the Bouygues stake from short-term securities at the end of 2000 to a long-term investment.

- Group operating investments resulted in a net cash outflow of 984 million euros. They represent primarily the costs for upgrading the production capacities of Louis Vuitton, developing the DFS and Louis Vuitton retail networks, and property investments.

- Other investments represented 1,073 million euros for 2001. In particular, the acquisition of Gabrielle Studio and Donna Karan International had an impact of 436 and 206 million euros on the Group’s cash flow. Similarly, the acquisition of Prada’s interests in Fendi cost 40 million euros, with an agreement to defer payment of the balance. La Samaritaine had an impact of 112 million euros.

- Inversely, assets disposals had a positive effect of 2,271 million euros on cash flow. This sum results primarily from the sale of the Gucci stake for 2,122 million euros.

- The LVMH share buyback program implemented by the Group, net of sales, led to a disbursement of 13 million euros in 2001.

- Dividends paid by LVMH SA, excluding treasury shares, totaled 343 million euros, 243 million euros of which were paid in June as the final 2000 dividend payment, and 100 million euros in December as an interim 2001 dividend. In addition, dividend payments to minority shareholders of consolidated subsidiaries, mainly Diageo in relation to its stake in Moët Hennessy, totaled 171 million euros.

- Financing requirements, after all operating and investment activities and after payment of the 2000 dividend totaled 809 million euros.

- These requirements, as well as those resulting from the amortization of borrowings and financial debt in the amount of 2,294 million euros, were met by new borrowings and financial debt.

- Bond issues and subscriptions and financial debt generated 2,469 million euros. The Group continued its policy to extend the maturity of its debt, mainly through bond issues which reached 1,950 million euros in volume in 2001. These included a 3-year bond issue in February with a nominal amount of 800 million euros and a 7-year issue with a nominal amount of 500 million euros in June. In addition, the Euro Medium Term Notes program (under French law) implemented in 2000 allowed a number of bond issues for a total amount of 650 million euros. The Group's use of short-term debt decreased, and the outstanding amount of French commercial papers dropped by 833 million euros over the year.

- Following these transactions, the Group’s net cash position showed a positive balance of 248 million euros, with cash, cash equivalents and short-term investments at a high level. At December 31 2001, taking into account LVMH treasury shares held outside stock option plans, the Group’s cash and liquid assets exceeded 2.2 billion euros in book value.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(EUR million)	Number of shares	Capital	Additional paid-in capital & reserves	Cumulative translation adjustment	Total
As of December 31, 2000	489,858,345	147	7,017	(133)	7,031
Final dividend paid on 2000: income			(244)		(244)
and related taxation					–
Long term investment in LVMH shares			211		211
Employee stock option plans	42,770		1		1
Net income			10		10
Interim dividend paid on 2001 income			(101)		(101)
Foreign currency translation				(7)	(7)
As of December 31, 2001	489,901,115	147	6,894	(140)	6,901

LVMH
MOËT HENNESSY . LOUIS VUITTON

For information,
contact LVMH, 30, avenue Hoche - 75008 Paris - France
Tel.: 33 1 44 13 22 22 - Fax: 33 1 44 13 21 19
Internet : http://www.lvmh.com

Design and production
Phénix COMMUNICATION

41, rue Camille Pelletan - 92300 Levallois-Perret - France

Photographs:

Cover photo: Ann Oost photographied by Sean Ellis

Philippe Stroppa / Studio Pons

Nick Knight, Patrick de Marchelier, H. Ueda, Pesarini Simena, N. Nakagawa, Nakara & Partners, Nicolas Bruant, Dan Lecca, Eric Manas / RCA-BMG,
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LVMH

MOËT HENNESSY . LOUIS VUITTON

2001

LEGAL AND FINANCIAL INFORMATION

LVMH GROUP
LEGAL AND FINANCIAL INFORMATION FOR 2001

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This document is a free and non exhaustive translation of the French original “Document de référence”

LVMH GROUP
CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL DATA

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HISTORY OF THE GROUP

The LVMH Group came into being in 1987, with the merger of Moët-Hennessy and Louis Vuitton giving rise to the global leader in luxury goods.

With a long historical heritage, LVMH is a combination of noble crafts with strong traditions making a unique galaxy of globally-renowned brands.

Many of the group's champagne, spirits and leather goods companies are more than a hundred, or even two hundred years old: the origins of Moët & Chandon date back to 1743, Veuve Clicquot Ponsardin to 1772, Hennessy cognac to 1765; Johan-Joseph Krug founded his champagne house in 1843 and the wines of Yquem were first made in 1593. The house of Louis Vuitton was founded in 1854.

In the domain of perfumes and cosmetics, as with couture, the companies have flourished internationally over time, even if some were founded relatively recently. The house of Guerlain was established in 1829 and Christian Dior in 1947. Givenchy was founded in 1951 and its first perfumes were launched in 1957.

The LVMH group was brought together through a series of rapprochements of complementary companies.

Always true to its roots, LVMH has become a powerful and innovative group on an international scale.

The quality of its image, the elegance of its products, its creativity and traditions make LVMH the ambassador, the world over, of all that is most refined about the art of living.

KEY STEPS IN GROUP DEVELOPMENT

1743

Foundation of the Moët champagne house by Claude Moët, a wine producer and merchant continuing the work of Dom Pérignon, a procurator and head of the cellar at the Hautvillers abbey, who discovered the secret of making champagne at the end of the 17th century.

1832

Jean-Rémy Moët, grandson of Claude Moët, leaves the house to his son Victor and his son-in-law Pierre-Gabriel Chandon de Briailles.

The house takes the name of Moët & Chandon

1854

Louis Vuitton sets himself up as a trunkmaker on rue Neuve des Capucines, in the heart of Paris.

1860

First Louis Vuitton workshop is built in Asnières.

1896

Creation of Monogram material with the initials of Louis Vuitton.

1914

Louis Vuitton opens the largest travel goods boutique in the world at 70 Champs-Elysées.

1962

Moët & Chandon is listed on the Paris Bourse.

This step marks the beginning of a period of significant development.

1963

Moët & Chandon acquires a stake in Ruinart Père & Fils.

1968

Moët & Chandon takes a 34% stake in Parfums Christian Dior, increased to 50% the following year.

1970

Controlling stake taken in Champagne Mercier.

1971

Acquisition of the remaining share capital of Parfums Christian Dior.

Rapprochement of Moët & Chandon with the Jas. Hennessy house of cognac and creation of a holding company called Moët Hennessy.

1973

Control taken of Champagne Ruinart.

Acquisition of 520 hectares in the United States, in the most highly-renowned wine area of California, the Napa Valley : Domaine Chandon formed.

1974

Acquisition of 80 hectares in Brazil.

1977

Moët Hennessy wine products launched in California and Brazil.

Louis Vuitton starts to spread its exclusive distribution on a global basis, opening controlled boutiques.

1984

Louis Vuitton floated on the Paris and New York stock exchanges.

1985

Louis Vuitton acquires Loewe International, to manage distribution of the Spanish group Loewe's products around the world, excluding Spain.

Louis Vuitton becomes a holding company. Its traditional activities are grouped together into an operating subsidiary : Louis Vuitton Malletier.

Moët Hennessy acquires a 130 hectare estate in Australia's Yarra Valley, east of Melbourne : Domaine Chandon Australia formed.

1987

Louis Vuitton acquires the Veuve Clicquot Ponsardin group (Veuve Clicquot Ponsardin and Canard-Duchêne champagne, Parfums Givenchy).

Moët Hennessy and United Distillers (Guinness group) make an agreement for joint use of a number of distribution companies in key global markets.

**Merger of Louis Vuitton and Moët Hennessy:
Formation of LVMH Moët Hennessy Louis Vuitton.**

1988

LVMH takes a 12% stake in the share capital of Guinness.

Acquisition of the haute couture house of Givenchy.

1989

Groupe Arnault becomes the main shareholder of LVMH.

Wine products launched in Australia and Spain.

1990

LVMH increases its stake in the Guinness group to 24%.

Veuve Clicquot acquires two vineyards – Cape Mentelle in Australia and Cloudy Bay in New Zealand.

1991

Acquisition of Pommery champagne.

1993

Acquisition of the Christian Lacroix house of couture, created in 1987.

Acquisition of the Kenzo group (fashion and perfumes), created in 1970.

LVMH takes control of the economic press group Desfossés International, which owns the daily newspapers La Tribune-Desfossés and L'Agefi and the weekly magazine Investir.

1994

The house of Guerlain, founded in 1829, joins LVMH.

LVMH and Guinness restructure their financial ties : Guinness takes a 34% stake in the share capital of Moët Hennessy. LVMH reduces its stake in Guinness to 20%.

1995

LVMH takes control of Fred, a French jewelry company.

1996

LVMH acquires the Spanish company Loewe SA.

Céline, the prêt-à–porter and top range leather goods specialist, joins LVMH.

1997

LVMH acquires a 61.25% stake in DFS, the global leader in luxury goods retailing.

LVMH acquires Sephora, the leading French chain by sales for perfumes and cosmetics retailing and No. 2 in Europe.

LVMH makes new distribution agreements in the wines and spirits sector with the Diageo group, formed from the merger of Guinness and GrandMet. LVMH is the first shareholder in Diageo, with 11% of the share capital.

1998

Le Bon Marché joins LVMH.

LVMH acquires Marie-Jeanne Godard perfumeries.

The wines and spirits distribution companies, Moët Hennessy Distribution, CSA (subsidiaries of LVMH) and Sovedi France (subsidiary of Diageo), are joined together as MH UDV France, a joint venture between Moët Hennessy and UDV.

LVMH creates the LV Capital investment fund.

1999

LVMH takes a 34.4% stake in Gucci.

LVMH acquires Krug champagne.

Château d'Yquem joins LVMH.

Sale of Simi Winery, Pellisson and Porto Rozès.

Diageo stake reduced to approximately 7%.

LVMH acquires TAG Heuer, Ebel, Chaumet and Zenith and creates a new Watches & Jewelry business group.

In partnership with Prada, LVMH acquires a 51% stake in Fendi, through a « joint venture » 50% held by each partner.

LVMH strengthens its Perfumes & Cosmetics division by acquiring Bliss, Hard Candy and BeneFit, three young American companies, followed by the acquisition of Make Up For Ever, a French professional make-up brand.

LVMH acquires Thomas Pink, one of the leading top range shirtmakers in Britain, and Phillips, the No. 3 auction house in the world.

Launch of Sephora.com in the United States.

LVMH acquires a 33.3% stake in Le Tanneur et Cie.

2000

LVMH acquires Miami Cruiseline Services, the world leader in duty free luxury goods sales on cruise boats.

LVMH acquires 67% of the share capital of Pucci.

Agreement made with the Tajan family for the acquisition of Etude Tajan by LVMH.

LVMH takes control of a fourth US cosmetics company, Urban Decay.

LVMH acquires the Connaissance des Arts magazine.

LVMH acquires Omas, an Italian company specialising in luxury pens.

LVMH launches the commercial eLUXURY website in the United States, dedicated to luxury and the art of living.

LVMH acquires the US review Art & Auction Magazine.

LVMH takes a majority stake in the US cosmetics company Fresh.

LVMH acquires 3.5% of the Italian luxury house Tod's.

LVMH acquires Gabrielle Studio, owner of the US fashion brand Donna Karan.

The private sale company de Pury & Luxembourg Art merges with Phillips. The new company is called Phillips, de Pury & Luxembourg.

LVMH takes control of Newton and MountAdam, two vineyards in California and Australia respectively.

2001

LVMH takes a majority stake in the Parisian department store la Samaritaine.

LVMH announces the creation of a joint diamond company with De Beers, to create and distribute jewellery under the De Beers brand.

LVMH finalises the acquisition of the Donna Karan group.

LVMH sells its stake in Gucci.

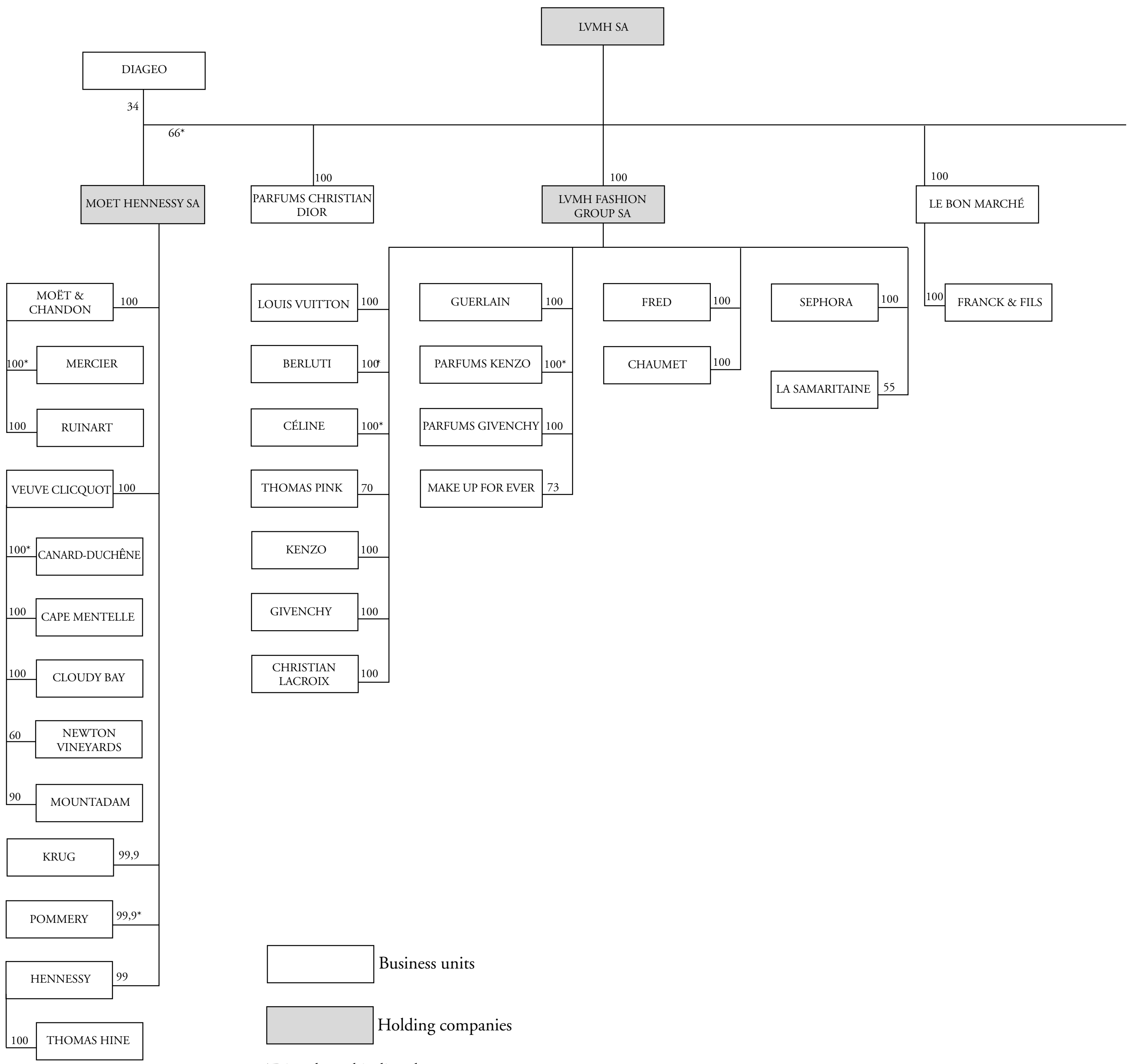
LVMH takes a 50% stake in the Italian company Acqua di Parma.

LVMH strengthens its control of Fendi, by buying Prada's stake. As a result, LVMH holds 51% of the share capital of the Italian company, alongside the Fendi family, which holds 49%.

2002

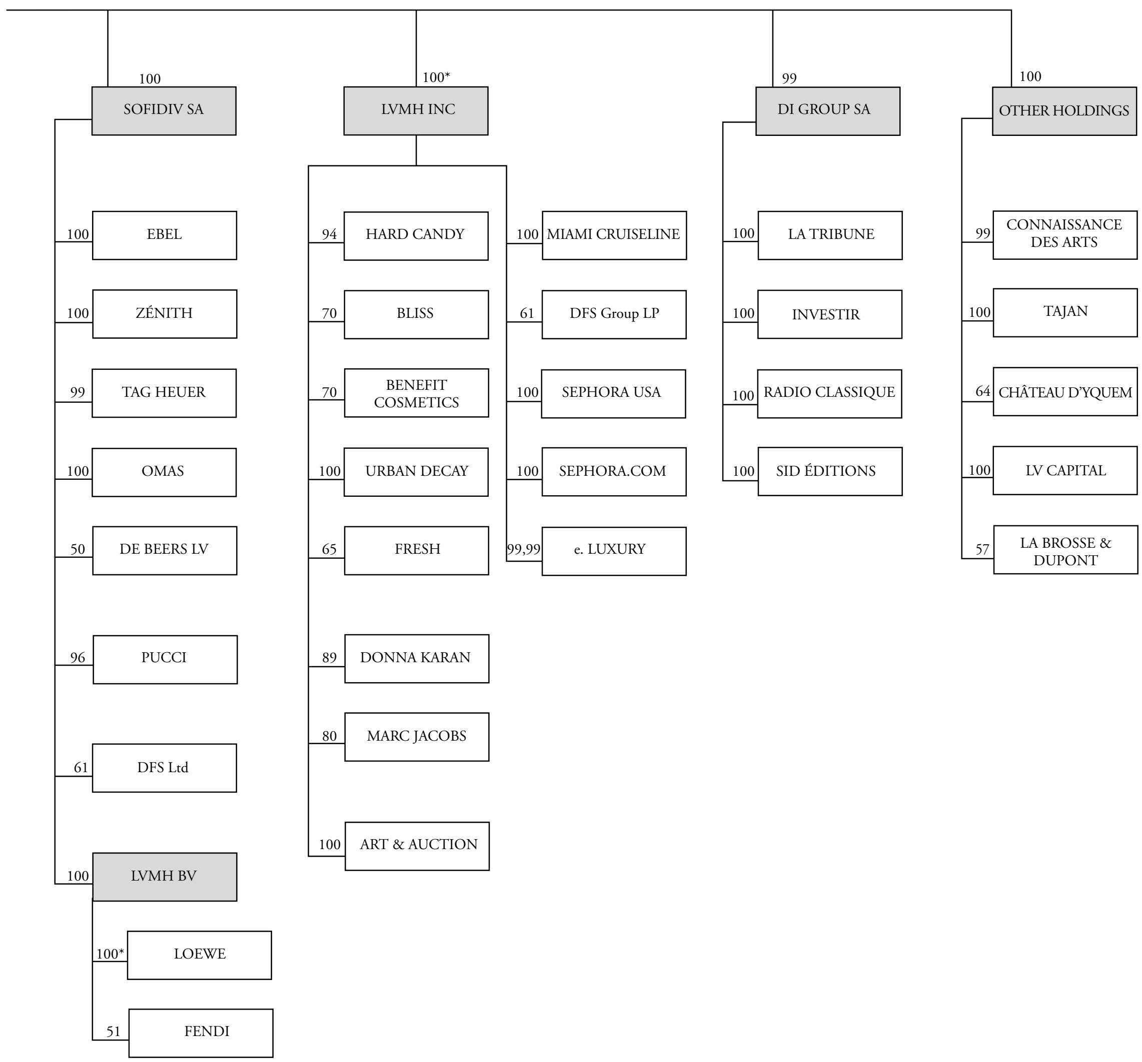
In February 2002, reducing its stake to 27.5%, LVMH transfers control of Phillips, de Pury & Luxembourg to its two management principals.

SIMPLIFIED CHART OF THE GROUP AS OF MARCH 1, 2002



*Directly and indirectly

The above chart has been established in view of evidencing trademarks and/or trademarks' control by the main holding companies of the Group. It does not provide for an exhaustive list of shareholdings within the Group.



SIMPLIFIED CHART OF GROUP AS OF MARCH 1, 2002

I. ANALYSIS OF STATEMENT OF INCOME

- 2001 consolidated sales were 12,229 million euros, up 6% from the previous year, and 43% higher than 1999.
  Growth in activity was 13% in the first half-year; the uncertain economic environment and the consequences of the tragic events of September in the United States weighed heavily on second-half activity, particularly in the final months of the year, which are crucial for LVMH.
  While activity remained steady for the European Union as a whole, with growth of 10% for the year, LVMH's other traditional areas of activity saw their revenue growth limited to 5% for the US and 4% for Japan (13% in yen), with sales in Asia (outside Japan) remaining steady.

  The effects of this environment on the main business activities of the Group varied widely. Growth in the Fashion and Leather Goods business group remained remarkable both for its 13% growth rate and for its geographic range, as Asia (including Japan) is the only region growing less than 10%, although Japan grew 20% in yen.

  The Perfumes and Cosmetics activity expanded 8%, primarily in Europe and the United States. Sales of Wines and Spirits declined 4%, with this trend being distributed among all major markets, and despite growth of 3% in cognac. The Selective Retailing business group, which grew by 6%, benefited from the growth of Sephora and the effects of the acquisition of La Samaritaine, although DFS total revenue declined by 10%.

  The change in total revenue for the Watches and Jewelry activity, which declined 11%, was due to the shutdown of certain subcontracting activities and to the market repositioning of this new business group, which was created in late 2000.

- The change in total revenue included the positive effects of changes in the consolidation scope, totaling 3%, and the negative effects of exchange rate fluctuations of less than 0.5%, with the increase in the dollar not offsetting the decline in the yen. Considering constant consolidation scope and exchange rate, activity growth would be approximately 3%.

- The changes in consolidation scope that have had an effect on the level of activity and results for the fiscal year include the following:
  – in the Fashion and Leather Goods business group: the proportionate consolidation of 51% of Fendi for the entire fiscal year (6 months in 2000),
  – in the Selective Retailing business group, the consolidation of La Samaritaine as of January 1, 2001, and the inclusion over 12 months, compared to 6 months in 2000, of certain acquisitions of Sephora (Carmen in Italy, Marinopoulos in Greece).

  Donna Karan International will be consolidated as of January 1st, 2002. Gabrielle Studio, owner of the Donna Karan brand, was consolidated as of January 1st, 2001.
  These changes in consolidation scope did not have a significant impact on the breakdown of total revenue for the fiscal year by specialty, which remained stable: Wines and Spirits, 18%; Fashion and Leather Goods, 30%; Perfumes and Cosmetics, 18%; Watches and Jewelry, 5%, and Selective Retailing, 28%.

- On the other hand, the change in the economic and monetary environment slightly altered the breakdown of total revenue among the various billing currencies: there was a decline in the weight of the US dollar, whose proportion declined from 35 to 32% of the total sales in favor of the euro, which rose from 29 to 31%. The proportion of other currencies remained stable and particularly the yen, which represented 16%.

- Gross margin for the fiscal year totaled 7,575 million euros, i.e., a margin rate on total revenue at 62%, a decline of one point from fiscal year 2000.

- Marketing and selling expenses were 4,568 million euros, increasing by 9%; at constant consolidation scope and exchange rate, the increase would have been 6%. This change related to the increase in the number of own-managed stores, which was 1,501 at the end of December 2001, primarily under the Louis Vuitton name and the Selective retailing brands. This increase comes also from communication expenses, particularly in the Perfumes and Cosmetics activities, relating to the new product launches during the fiscal year.

- General and administrative expenses, at 1,447 million euros, increased 21%, or 17% when evaluated at constant exchange rate and consolidation scope.

- Income from operations totaled 1,560 million euros, a decline of 20%.
  Income from operations for the Fashion and Leather Goods activities was 1,274 million euros, increasing by 9%. The Wines and Spirits and the Perfumes and Cosmetics business groups reported income from operations of 677 million and 149 million euros respectively, declining by 6 and 19%, essentially for the reasons described above relating to the economic environment; however the decline in income from the Wines and Spirits activities, results from two opposing trends: a decline of 18% for champagnes and wines, but an increase of 15% for cognac. Watches and Jewelry achieved an income from operations of 27 million euros, compared to 59 million euros in 2000, because of the repositioning of its activities and products. The income from operations of the Selective Retailing group, which was at break-even in 2000, became negative 194 million euros in 2001. This was primarily the result of Sephora's US activities, whose stores recently opened have not yet reached their break-even point; it is also the result of DFS and Miami Cruiseline, which suffered at year-end from a sharp fall in the number of passengers, on both international flights and cruise ships; DFS was also affected by the yen / US dollar exchange rate, which made it unfavorable for Japanese tourists. Operating income from Other Activities, which was negative to 372 million euros, reflected both the increase in corporate expenses attributable to the growth of the Group, and the costs of developing the international activities of Phillips, de Pury & Luxembourg. The internet sites, particularly Sephora.com, sharply reduced their expenses, as their development phase has been largely completed.

- Net financial expenses amounted to 459 million euros, compared to 421 million euros in 2000; this change reflects an increase in the current net financial debt, resulting from the expansion of the Group and from the operating and financial investments it has incurred.
  Dividends from non-consolidated interests declined from 45 to 21 million euros, mainly a result from the reduction achieved in June 2001 in the interest held in Diageo. In 2001, this amount mainly included ordinary dividends received from the interest held in Gucci.

- Other income and expenses included income from the LVMH's treasury shares; in 2001, this item included capital gains of 39 million euros, and a 343 million euros provision for depreciation of the shares held at year-end. In 2000, capital gains from the LVMH's treasury shares totaled 115 million euros. In 2001, this item also included the depreciation of point of sales advertising items from the Perfumes and Cosmetics business group, and the depreciation of various assets, specifically non-consolidated investments.

- The average 2001 effective tax rate is lower than that of 2000, because of the tax use of the temporary increase in deficits for some businesses.

- Loss from equity accounted investments amounted to 42 million euros. This loss mainly represents LVMH interests in results from the e-Luxury internet site, and from the joint venture with De Beers that incurred startup costs.

- Net income before amortization of goodwill and unusual items totaled 334 million euros, compared to 846 million euros, in 2000.

- Amortization of goodwill totaled 168 million euros, compared to 141 million euros for the previous fiscal year, because of changes in the consolidation scope.

- Minority interests in the net income before amortization of goodwill and unusual items were 99 million euros, compared to 179 million euros for 2000; this decline is related to the effects of the economic downturn on the income.

- Unusual items include earnings of 864 million euros related to the investment in Gucci stock, including a capital gain of 774 million euros from the sale of this investment and an exceptional dividend of 90 million euros recorded during the fourth quarter of the year. Unusual items also include a restructuring provision of 446 million euros, including 385 million euros for Selective Retailing in order to reduce the break even of these companies which are very sensitive to changes in the economic environment. Exceptional asset depreciation or amortization expenses of 480 million euros were also recorded, including 323 million euros for DFS goodwill, 83 million euros for the Bouygues investment and 60 million euros for media and telecommunications unconsolidated investments. Additionally, an expense of 141 million euros relating to the sale of the Group's controlling interest in Phillips, de Pury & Luxembourg to its current management was recorded; this expense mainly corresponds to the full amortization of the goodwill.
  Unusual items are presented net of their positive impact on taxes representing 71 million euros.

- Group share in net income was 10 million euros.

II. COMMENTS ON BUSINESS

Wines and Spirits Group

Revenue for the Wines and Spirits business group totaled 2,232 million euros, a 4% decline compared to 2000.

Income from operations totaled 676 million euros, down 6% from 2000.

Beginning January 1, 2001, this activity group incorporated Newton Vineyards in California and MountAdam Vineyards in Australia. These structural changes had a negligible impact on growth in the business group's total revenue:

Activity	2001	2000	1999
Sales volume (millions of bottles):			
Champagne	49.8	53.7	62.7
Cognac	40.1	38.0	36.5
Net sales by geographic region of destination (as a %)			
France	11	10	12
Europe excluding France	24	24	25
Americas	38	39	36
Japan	12	13	13
Asia excluding Japan	11	11	9
Other markets	4	3	5
	100	100	100
Net sales (in millions of euros)	2,232	2,336	2,240
Income from operations (in millions of euros)	676	716	655
Operating margin (as a %)	30	31	29
Operating investments (in millions of euros)	61	66	52

- *Champagne and Wines*

Revenue for the Champagne and Wines activity totaled 1,372 million euros, down 9% from 2000.
Income from operations was 364 million euros, down 18% from 2000. This change was as a result of the decline in volume sales.

Champagne

Volume sales of all LVMH Champagne brands declined 7% compared to 2000, while shipments from the Champagne region as a whole rose 3.7%; this change corresponded to a growth of 9.8% for France and 1.5% for the EEC outside France, with a decline of 16% for the rest of the world.

This temporary decline in volume sales resulted from the ongoing reduction of inventories created by distribution for the Millennium celebrations; it also derived from the events of September 11, which affected premium cuvée sales.
The market shares of LVMH brands declined 3.3 points, to 18.9%.
The change in Group volume sales was as follows: growth in France, Great Britain and Japan of 10%, 5% and 11%, respectively, while sales in the United States, Italy and Germany declined by 27%, 11% and 2% respectively.

As in 2000, the 2001 harvest was remarkable for its quality level; the AOC yield was set at 10,950 kilograms. The indicative price per kilogram of top-quality grapes was 4.00 euros, stable compared to 2000.

Still and sparking wines

Volume sales of still and sparkling wines were 25.2 million bottles, down 7% from 2000. This was primarily a result of the Argentine crisis affecting sales of the local subsidiary. The incorporation as of January 1, 2001 of Newton and MountAdam had a positive effect of 3 points on growth in volume sales for the entire activity.

- *Cognac and Spirits*

Revenue for the Cognac and Spirits activity totaled 860 million euros, up 3% from 2000. 2001 was marked by new growth in sales volume, of 6%.

Market by market, changes were contrasting: growth remained strong in the United States with an increase of 10% over 2000, while declining sales continued in Japan with a fall by 12% compared to 2000.
Sales of quality aged products (VSOP and XO) continued the recovery noted in 2000.

Shipping volumes from the Cognac region were stable compared to 2000, while volume shipments of LVMH brands increased 1%. LVMH market share was thus 37.4%, up 0.4 points over 2000.

Income from operations totaled 312 million euros, an increase of 15% over 2000.

Fashion and Leather Goods Group

Activity	2001	2000	1999
Net sales by geographic region of destination (as a %)			
France	11	11	12
Europe excluding France	14	14	13
Americas	19	17	17
Japan	36	37	37
Asia excluding Japan	18	19	19
Other markets	2	2	2
	100	100	100
Net sales (in millions of euros)	3,612	3,202	2,295
Number of stores	765	566	505
Income from operations (in millions of euros)	1,274	1,169	826
Operating margin (as a %)	35	37	36
Operating investments (in millions of euros)	210	194	155

Sales for the Fashion and Leather Goods business group totaled 3,612 million euros, an increase of 13% over 2000.

This segment benefited from the proportionate consolidation of 51% of Fendi income over twelve months instead of six months only in 2000. 2001 also included the royalties paid by Donna Karan International to Gabrielle Studio as a license for Donna Karan brand; Donna Karan International will be consolidated as of January 1, 2002. Finally, the revenue from the Japanese distributor of Kenzo is included as of January 1, 2001.
Excluding these effects revenue growth in 2001 was 8%, and 11% when considering constant consolidation scope and exchange rates.

Despite the negative effects of the events of September 11, 2001 on travel to the Pacific tourism regions, and because of strong growth in other markets, particularly in Japan, with growth of 18% in yens, Louis Vuitton is again having a very good year, with overall growth in sales volumes of 10% over 2000.
The Louis Vuitton distribution network totaled 292 stores at year-end 2001, 36 of which were "global stores," representing a network growth of 8 units compared to the year 2000.

Fendi sharply increased its revenue through a purchase of distributors and the development of its network of stores, which had 84 units at year-end 2001 compared to 17 at year-end 2000.

Although suffering the effects of the events of September 11 during the last quarter of 2001, Loewe and Céline revenues increased over 2001 as a whole.

Loewe is continuing the development of its ready-to-wear and leather goods lines as well as the renovation of its own retail network, which remained stable compared to 2000, with 94 points of sale.

Céline, having achieved a strong image in ready-to-wear, is accelerating the development of its shoe and accessory lines. Céline own retail network totaled 97 points of sale as of year-end 2001.

As of January 1, 2001, Kenzo is taking over the activities of its women ready-to-wear distributor in Japan, thereby directly controlling a network of 26 stores; the total number of shops at year-end 2001 was 54.

Christian Lacroix has developed licenses, specifically with a new ready-to-wear licensee in Japan; these licenses contributed to its sharp revenue growth compared to 2000.

Givenchy revenue is increasing significantly thanks to the success of its ready-to-wear lines and accessories.

The Marc Jacobs lines have experienced tremendous success in the United States and Japan.

Thomas Pink has successfully developed its Men and Women lines: its distribution network consists of 36 stores, primarily in Great Britain and the United States.

Berluti is seeing strong growth in revenue; the brand already has 6 stores.

In 2001, Pucci took over its distributor Casor, which will ensure its future growth.

Income from operations for the Fashion and Leather Goods business group totaled 1,274 million euros, a 9% increase over 2000.

Perfumes and Cosmetics Group

	2001	2000	1999
Activity			
Net sales by product category (as a %)			
Fragrances	61	61	61
Cosmetics	22	21	22
Skin care products	17	18	17
	100	100	100
Sales by geographic region of destination (as a %)			
France	20	20	26
Europe excluding France	31	30	32
Americas	28	27	22
Japan	7	9	8
Asia excluding Japan	8	8	7
Other markets	6	6	5
	100	100	100
Net sales (in millions of euro)	2,231	2,072	1,703
Income from operations (in millions of euros)	149	184	146
Operating margin (as a %)	7	9	9
Operating investments (in millions of euros)	90	83	68

The Perfumes and Cosmetics business group had total sales revenue of 2,231 million euros, increasing by 8% over 2000.
As of January 1, 2001, the business group included the US company Fresh, a developer and distributor of skin care products; this structural change had a minor impact on the activity revenue level.

Sales growth of the four perfume houses was favored by the successful launch of a number of new products such as the men's perfume Higher and Dior's Addict lipstick, and by the success of Kenzo's Flower in foreign markets; it was also a result of the continuing excellent performance of Dior's J'Adore.

Market by market, growth in Europe was sustained: France: 6%; Italy: 7%; Great Britain: 6%; Germany: 9%. In the United States, where sales were less favorable at the end of the year, revenue was approximately the same as in 2000, as well as in Asia (outside Japan), despite the decline in tourist travel. In Japan, sales expressed in year also remained stable.

Within a difficult context, the US cosmetics companies that were acquired achieved remarkable growth of 16% compared to 2000, considering a comparable consolidation scope.

The perfumes for which LVMH holds the license, "Michael," by Michael Kors and "Marc" by Marc Jacobs, have very quickly ranked among the best selling perfumes in the United States.

Income from operations for the Perfumes and Cosmetics business group totaled 149 million euros, declining by 19% from 2000. This decline resulted from weak sales in the US and Asian markets at the end of the year, because of the events of September 11, 2001; it also resulted from the ongoing long-term and necessary communication expenses incurred in the fourth quarter.

Watches and Jewelry Group

	2001	2000
Activity		
Net sales by geographic region of destination (as a %)		
France	7	8
Europe excluding France	33	35
Americas	29	30
Japan	13	11
Asia excluding Japan	10	9
Other markets	8	7
	100	100
Net sales (in millions of euros)	548	614
Income from operations (in millions of euros)	27	59
Operating margin (as a %)	5	10
Operating investments (in millions of euros)	26	16

Sales for the Watches and Jewelry business group totaled 548 million euros, declining by 11% from 2000. This drop in revenue was primarily attributable to the shutdown of subcontract manufacturing for competing brands. In addition, sales to the United States suffered a blow in the last quarter as a consequence of the events of September 11.

As of January 1, 2001, this business group included the italian company Omas, a luxury pen manufacturer.

The joint venture in association with De Beers was implemented in 2001. Since commercial activity will not start up until 2002, the expenses of this entity are included under other income and expenses.

In 2001 the Watches and Jewelry group continued to improve its organization: in term of commercial, by strengthening its organization in the various world markets; in terms of logistics, after-sales service and administration, by implementing common resources; and finally in manufacturing, by strengthening production capacity and technology resources.

All brands completed the redefinition of their product lines, allowing a consistent offering to clients.

Income from operations for the Watches and Jewelry activity totaled 27 million euros in 2001, compared to 59 million euros in 2000.

Selective Retailing Group

	2001	2000	1999
Activity			
Net sales by geographic region of destination (as a %)			
France	25	21	28
Europe excluding France	8	6	2
Americas	36	39	30
Asia	26	29	34
Other markets	5	5	6
	100	100	100
Net sales (in millions of euros)	3,475	3,287	2,162
Income from operations (in millions of euros)	(194)	(2)	(2)
Operating investments (in millions of euros)	205	294	266

Sales for the Selective Retailing business group totaled 3,475 million euros, an increase of 6% over 2000.

As of January 1, 2001, this business group included the Parisian department store La Samaritaine. The consolidation of this company contributed to 4 points of growth in total revenue.

DFS sales declined by 10% compared to 2000. The events of September 11 had a strong impact on DFS performance in the final quarter of 2001, particularly on sales levels in the tourist regions of Hawaii, Guam, Saipan and the United States, especially Las Vegas, San Francisco and Los Angeles. Income from operations, which was near break-even at the end of September 2001, thus declined to negative figures by year-end 2001.

A decision was quickly made to close points of sale that had become structurally loss-making, such as those in Las Vegas and Union Square in San Francisco. A large-scale restructuring was undertaken, which should allow a reduction in the business's fixed operating costs and thereby put DFS in a profitable position in the future. These restructuring costs were posted under unusual items.

In 2001, DFS restored the Galleria in Hawaii, opened a Galleria in Los Angeles and began work to relocate the Galleria in Singapore.

Miami Cruiseline was also affected by the events of September 11, which caused a sharp decline in tourist reservations, thereby reducing sales of cruise ship products and the company income in the fourth quarter of 2001.

Sephora consolidated its positions in Europe and the United States with revenue growth of 23%.
The number of shops managed by Sephora totaled 468 units at year-end 2001, with the major countries being, in order: France: 177 shops, then Italy, the United States, Greece, Poland and Spain, with 107, 72, 40, 27 and 17 shops, respectively. In Japan and Germany a decision was made to close all points of sale, as these markets had not proven to be profitable. In the United States, where revenue increased by 14% on a constant-store basis, commercial restructuring measures have been taken, to reduce the network's fixed expenses; these restructuring costs were posted under unusual items.

For Le Bon Marché, growth in sales continued in 2001, thereby demonstrating the appropriateness of the distribution concept it implemented. In turn, La Samaritaine began a process of renovation, allowing it to ensure its growth.

Loss from operations for the entire Selective Retailing business group was 194 million euros, a sharp decline from 2000.

Other activities

In 2001, the Media business unit managed by DI Group (formerly Desfossés International), the auction house Phillips, the e-commerce site Sephora.com, and headquarters expenses were consolidated under this category. This category also included the elimination of intra-group sales and margins made by Group companies towards Selective Distribution.

The auctioneer firm Tajan, which was acquired in 2001, will be consolidated as of January 1, 2002. Half of the income of e-Luxury was equity accounted in 2001.

Within the DI Group, the media companies La Tribune, Investir and Radio Classique saw their advertising revenue decline in the second half of 2001 as a result of the economic slowdown; however, the activity levels of Défis magazine and System TV were not affected. Certain interests taken in 1999 and 2000 in the video domain were depreciated. The net income for the DI Group was negative in 2001.

Phillips held major auctions in New York in May and November 2001. The development costs of its international activity weighted on Phillips income from operations, which was sharply negative.

III. ACTIVITY-RELATED RISK FACTORS AND INSURANCE POLICY

3.1 Activity-related risk factors

The Group brand names, know-how and production methods may be counterfeited or copied; the Group products may be distributed without Group control, through parallel distribution networks.

LVMH group is essentially characterized by numerous brands, a unique know-how and specific production methods for products sold around the world.
Brand names are the key element of the group activities, and their legal protection is an absolute necessity, especially for the Louis Vuitton brand; brand names, product names and trade marks are therefore always filed or registered to ensure this protection, whether in France, in the United States or in any other country; in general, all measures are applied at the international level, in order for this legal protection to be complete.

The Group products, particularly leather goods, are subject to counterfeiting, especially in Europe and Southeast Asia.

Perfumes and cosmetics can also be found without LVMH control in certain distribution networks not appropriate to the image or nature of these products; these networks have therefore been termed as being parallel or “gray market.”

Counterfeiting and parallel distribution have an immediate unfavorable impact on revenue and income and may gradually harm the brand image of the products in question.
Every measure is therefore taken to fight against these risks.

An action plan has been specifically developed to address the counterfeiting of Louis Vuitton products, which aims at developing close cooperation in the countries concerned, with the government authorities, customs officials and attorneys specializing in these issues. The Group is also very present among all industry organizations comprising the major luxury industry names, to promote concerted action and a common message worldwide, which is the only key to success.
The Group also takes various measures to fight the sale of its products in parallel distribution networks, specifically by developing product traceability, prohibiting direct sale to these networks, and taking specific actions to allow for better control of the distribution networks.

The Group operates in competitive markets.

LVMH areas of activity are markets currently characterized by an increase in the number of products offered. Within the context of this competition, the Group product positioning is related to the existence of famous brands, and to the fact that the products are high quality and often innovative; this positioning also relates to the design or form of the products, their brand image, and their reputation.

Competition in these markets also derives from the concentration of distribution networks, and the appearance of new participants. This is true in the Wines and Spirits or Perfumes and Cosmetics activities, which are currently characterized by pressure on the margins, a profusion of new product launches, and the emergence of distribution channels. Competition is also present and very active in the Fashion and Leather Goods sector, the constant creation and improvement of Group products constituting in that environment the Group principal strengths.

Our activities are subject to several regulations.

In France and in other countries where the group is active, many of the Group products are subject to regulations. These regulations apply to their production or manufacturing conditions, the sale of the products, consumer safety, labeling, or the composition of the products.

Annual Group sales are partially seasonal.

Nearly, all the Group activities are seasonal in nature; this is clearly the case for the portion of sales occurring in the last quarter of the year, because of year-end festive events. In 1999 and 2000, over 32% of sales occurred in the fourth quarter. This figure was not significant for 2001, because of the negative effect of the September 11 attacks in the United States; these tragic events, however, confirm that unexpected events in the final months of the year may affect the Group's level of activity and results.

The Group is subject to risks and uncertainties related to business activities in several countries.

Risks and activities related to business activities in several countries are various: they include fluctuations in foreign currencies, with regard to both operations or customer purchasing power, and operating assets located abroad; they also include economic changes that are not necessarily simultaneous from one country to another; finally, they include customs regulations or import restrictions that certain countries may impose, and which may penalize the Group. Comments relating to foreign exchange risk management measures are provided below, in the chapter "Aspects of financial policy," as well as in note 27 to the consolidated financial statements.

It is also important to emphasize that activity is balanced over three geographic and monetary zones: Asia, the Euro zone, and the United States, which partially offsets the risk exposure.

Finally, the LVMH group has a very small presence in countries that limit the repatriation of assets or apply severe foreign exchange control.

Other risk factors

- **Client risk**

  Because of the nature of its activities, a significant portion of Group sales do not involve client risk; they are sales made directly to our clientele through our Selective Retailing network, the boutiques of the Fashion and Leather Goods business group and, to a lesser extent, through the boutiques of the Perfumes and Cosmetics business group; all of these sales represent approximately 46% of total 2001 revenue.

  Moreover, for sales not included in this figure, the various areas of specialization are not dependent upon one or more clients whose loss could have a significant effect on our level of activities or results.

- **Country risk**

  In general, the LVMH group has little presence in politically unstable areas.

  Impact of the Argentine crisis:
  The LVMH group total revenue in Argentina represented only 0.9% of the Group total revenue in 2001, down 17% compared to 2000.
  The income from operations of the principal company operating in Argentina, a winery that prepares and sells still and sparkling wines, represents about 1% of the Group income from operations.
  Depreciation allowances were posted under unusual items in 2001. Moreover, restructuring measures were applied and also subject to provisions in the year-end 2001 financial statements.

The other risk factors that are not directly related to commercial activities but to financing or investment activities are described in the following chapter, "Aspects of financial policy."

3.2 Insurance policy

The LVMH group's risk management policy relies on a dynamic approach, focused on:

- the systematic and documented identification of risks,
- the organization of the prevention and protection of industrial assets,
- the deployment of a crisis management device and emergency plans on a worldwide basis,
- an overall insurance device aimed at reducing the consequences of major events on the Group resuand equity.

Coordination of the LVMH group's insurance policy is carried out within the framework of global and centralized programs. These programs cover risks of damage to assets and the resulting operating losses, transportation, civil liability related to operations or products, and product recalls. Environmentally-related risks and accidental pollution are also covered within the framework of these programs. Coverage and guarantee amounts are consistent with those of companies engaged in similar activities.

Actions are also carried out to manage risks aiming at reducing the potential impact of any accident on assets and persons, as well as at ensuring the continuation of activities. Safety audits of industrial sites are carried out by qualified professionals every year.

In 2001, the LVMH group also initiated a risk sensitivity approach by implementing a major risk self-evaluation among the Group operating entities. The objective of this approach is to further develop and formalize the Group's knowledge of risk and thereby reduce the potential for unanticipated events.

The financial strength of our principal insurance partners is regularly remeasured.

IV. ASPECTS OF FINANCIAL POLICY

During the financial year, the main areas of focus of the Group's financial policy have been the following:

- Maintenance of a sound financial structure, with the following as the main indicators:
  - a high level of stockholders' equity;
  - continuous and significant growth in the long-term portion of net financial debt;
  - high levels of cash, cash equivalents and short-term investments;
  - the Group's financial flexibility, thanks to a significant cushion of confirmed lines of credit;
  - potential liquidity, achieved through various negotiable investments.
- A conservative foreign exchange and interest rate risk management policy, primarily aimed at hedging risks generated directly or indirectly by the Group's operations or investments.

  Regarding foreign currency exchange hedging, the Group has continued to favor hedging for export companies in the form of purchases of options or tunnels, allowing the Group to limit the negative impact of a decline in a currency versus the euro while preserving its upside potential. Despite the weak Japanese currency, this strategy has allowed the Group to obtain significantly more advantageous hedge rates than the previous year's vis-à-vis the US dollar, the Japanese yen and the British pound.
- A stabilization of financial expenses.

  Net financial expenses remained stable overall in 2001: they totaled 459 million euros, compared to 421 million euros in 2000, despite the increased net average financial debt, because of lower interest rates, specifically on the US dollar. What is more, 21 million euros were received as dividends from unconsolidated investments, including Gucci, Diageo, Fininfo, etc. Net financial expenses thus incurred were moderate, given the net financial debt of 7,391 million euros at year-end 2000 and 8,272 million euros at year-end 2001.
- An attractive distribution policy for shareholders, reflecting the Group's confidence in the future:
  - payment of an interim dividend of 0.22 euro in December 2001;
  - payment of a dividend excluding tax credit of 0.75 euro per share for the financial year, which was stable when compared to the preceding year. This resulted in the distribution to LVMH shareholders of a total of 367 million euros for financial year 2001, before elimination of the effect of treasury shares.

4.1 Management of exposure to market risks

• Exposure to foreign currency risks

A predominant portion of Group sales is made in currencies other than the euro, particularly the US dollar and the Japanese yen, while most production expenses are denominated in euros.
Exchange rate fluctuations between the euro and the major currencies in which the Group's sales are denominated may therefore have a material impact on Group sales and income reported in euros, and make it difficult to compare the Group's performance from year to year.

The Group actively manages its foreign currency risks in order to reduce its sensitivity to unfavorable changes in the exchange rates, by implementing hedges in the form of forward sales or options products.

A significant part of Group assets are denominated in foreign currencies (mainly US dollar, British pound and Swiss franc), which also creates a foreign exchange risk. This currency risk is managed by complete or partial funding of the assets in question through borrowings denominated in the same currency as the related asset.

• Exposure to interest rate risks

The Group's exposure to interest rate risks may be assessed through its total net consolidated debt, which amounted to approximately 8.3 billion euros on December 31, 2001. Approximately 29% of net debt was then fixed rate debt or capped floating rate debt, and approximately 71% was floating rate.

Since the Group's debt is denominated in various currencies, the Group is exposed to fluctuations in the various interest rates of its main debt currencies (the euro, US dollar, Swiss franc and British pound).
This risk is managed by implementing interest rate swaps and by purchasing caps (upside rate protection) in order to limit the negative effects of unfavorable interest rates fluctuations.

• Exposure to equity market risks

The Group's exposure to equity market risk is essentially related to LVMH shares held in treasury and to its interest in Bouygues. The Group does not use hedging instruments to limit the exposure.

• Foreign currency, interest rate and equity market risk management policy

The Group applies a centralized and non-speculative strategy to manage its foreign currency and interest rate risks, aimed at limiting the negative impact of currency or interest rate fluctuations on its business and investments.

Group policy relies specifically on the following tools:

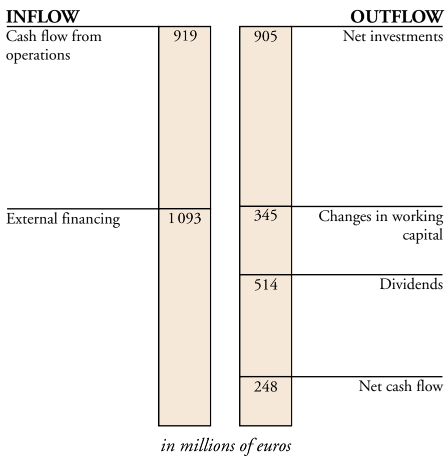
- hedging through forward contracts or options:
  - of the foreign currency risks corresponding to current or future sales;
  - of local currency denominated dividends to be received from foreign subsidiaries, and in certain cases, of their local currency denominated net assets;
  - of financial expenses on foreign currency debts
- borrowing denominated in the currency of the asset or of the future cash flows from the investment,
- use of swap contracts, interest rate caps or floors to balance the Group's debt structure (distribution between fixed rate debt and variable rate debt).

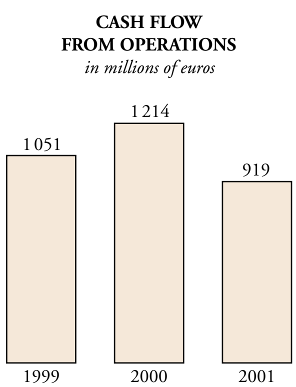
The Group has set up stringent management rules and procedures to assess, manage and monitor these market risks.
The organization of these activities is based on the strict separation of the risk assessment, hedging implementation (front office), administrative management (back office) and financial control functions.
This organization is leveraged by an integrated information system which allows real-time monitoring of hedging activities.

The Group's hedging strategy is submitted to the Audit Committee. Hedging decisions are made according to a clearly defined process that includes regular presentations to the Group Executive Committee, and are fully documented.

Acceptable counterparties are selected based on a minimum rating level and according to a risk diversification approach.

4.2 Consolidated statement of cash flows





The consolidated statement of cash flows, included in the consolidated financial statements, details the major financial flows for the year.

Financing requirements, as a result of operating and investing activities, and after payment of dividends during the period, amounted to 809 million euros. These needs, as well as those relating to the amortization of financial loans and debts, were met through new loans and financial debts, a large proportion of which were long-term.

- Net cash provided in 2001 by Group operating activities before changes in current assets and liabilities amounted to 919 million euros. Changes with respect to 2000 resulted primarily from the decline in net income, which was partially offset by the increase in depreciation and amortization.

- Working capital requirements increased by 345 million euros. Specifically, the changes in inventory and accounts payable led to the need for 383 million euros in cash. This change specifically reflects the partial restoration of Louis Vuitton inventory, which was reduced in 2000 to an insufficient level, and a gradual increase in the direct distribution of certain brands in the Fashion and Leather Goods or Watches and Jewelry business groups. It is also the result of the economic slowdown at year-end in certain activities.

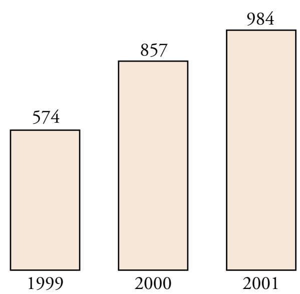
In all, operating activities gave rise to a net cash inflow of 574 million euros, compared with 859 million euros in 2000.

- Investing activities (acquisitions and operating investments, net of disposals) represented an outflow of 894 million euros, limited to 217 million euros when excluding the effects of the reclassification of securities. Indeed the stake in Bouygues was reclassified from short-term investments in 2000 to long term investments in 2001.

Group operating investments constituted a cash disbursement of 984 million euros. They primarily included the increase in Louis Vuitton's production capacity, the development of DFS and Louis Vuitton distribution networks, and real estate investments. Investments in the Fashion and Leather Goods and the Selective Retailing business groups accounted for roughly 60% of total LVMH investments in 2001.

Operating investments

in millions of euros



Acquisitions of consolidated companies and other investments totaled 1,073 million euros in 2001. Specifically, the cash impact of the acquisitions of Gabrielle Studio and Donna Karan International represented 436 and 206 million euros; the effect of purchasing Prada's interest in Fendi was 40 million euros, with the balance being subject to deferred payment; and the effect of La Samaritaine acquisition was 112 million euros.

Sales of fixed assets generated proceeds of 2,271 million euros. This amount mainly resulted from the sale of the interest in Gucci, which contributed some 2,122 million euros to this positive effect.

- The Group's purchases of LVMH's treasury shares, net of disposals, represented 13 million euros in 2001, compared with 339 million in 2000.

- During the same time, capital increases of LVMH S.A. and those of Group subsidiaries subscribed by minority shareholders generated inflows of 38 million euros.

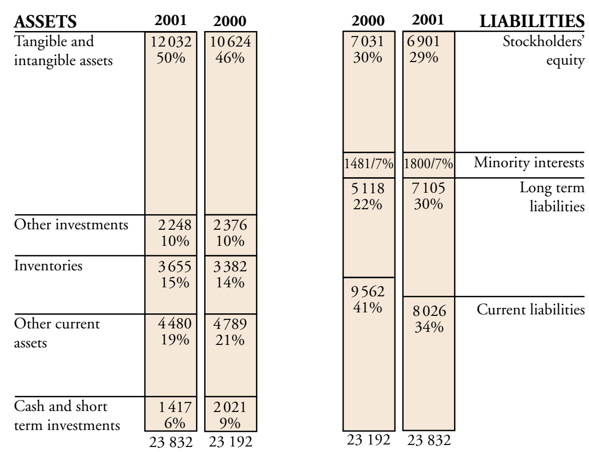
- In 2001, dividends paid by LVMH S.A., not including shares held in treasury, totaled 343 million euros, 243 million euros of which were distributed in June as the balance for fiscal year 2000, and 100 million euros in December as an interim dividend for fiscal year 2000. In addition, dividends paid to minority shareholders of the consolidated subsidiaries, primarily Diageo due to its holding in Moët Hennessy, totaled 171 million euros.

- Repayments on short-term borrowings and long-term debt amounted to 2,294 million euros.

- Issuances of borrowings and financial debt generated proceeds of 2,469 million euros. The Group pursued its policy of lengthening the maturity of its debt, primarily by means of bond issues, the volume of which totaled 1,950 million euros in 2001. Specifically, in February 3-year bonds with a par value of 800 million euros, and in June 7-year bonds with a par value of 500 million euros were issued. In addition, the Euro Medium-Term Notes program set up under French law in 2000 allowed LVMH to issue numerous bonds totaling 650 million euros. The Group's recourse to short-term financial debt was lower, with the issuance of commercial paper declining by 833 million euros during the financial year.

- Following these operations, change in cash flow is thus a positive 248 million euros, and cash, cash equivalent and short-term investments remain at a high level. As of December 31, 2001, taking into account LVMH shares held outside option plans, the Group's cash available and liquid investments had a book value exceeding 2.2 billion euros.

4.3 Financial structure



in millions of euros

LVMH total consolidated assets as of December 31, 2001 was 23,832 million euros, i.e., 3% higher than on December 31, 2000.

- Fixed assets totaled 14,280 million euros, compared to 13,000 million at year-end 2000; this represented 60% of the total balance sheet, compared with 56% the previous year.

Intangible fixed assets totaled 7,824 million euros, compared with 7,257 million at year-end 2000. Brands and other intangible fixed assets totaled 4,308 million euros, compared to 3,415 million a year earlier; this increase resulted from the consolidation of the investments in Gabrielle Studio (Donna Karan), La Samaritaine, Newton Vineyards, MountAdam, and the additional investment in Fendi. Goodwill net of depreciation fell to 3,516 million euros, compared to 3,842 million at year-end 2000, primarily because of the extraordinary depreciation in 2001 of the DFS goodwill.

Tangible fixed assets net of depreciation, however, represented 4,208 million euros, compared to 3,367 million euros, because of the acquisitions that took place in 2001, particularly that of La Samaritaine, as well as operating investments, specifically in the Louis Vuitton, DFS and Sephora distribution networks.

The stability of financial assets at 2,248 million euros, versus 2,376 million last year, results from the decrease of "unconsolidated investments and other investments" due to the sale of the Group's interest in Gucci, offset by the reclassification under long-term investment of the investment in Bouygues, as well as the increase in LVMH treasury shares held for more than one year allocated to stock option plans.

Inventories amounted to 3,655 million euros, as compared to 3,382 million at 2000 year-end, due to the gradual recreation of Louis Vuitton inventories, the take-over of direct distribution of certain brands and the slow-down of certain activities at the end of the financial year.

- Stockholders' equity remained stable, totaling 6,901 million euros at year-end 2001 before allocation of income, compared to 7,031 million at year-end 2000.

Minority interests, primarily comprising Diageo's 34% interest in Moët Hennessy and the family interests in Fendi, increased to 1,800 million euros at year-end 2001, compared to 1,481 million one year earlier. This change resulted primarily from Fendi's full consolidation as of December 31, 2001.

Total stockholders' equity and minority interests therefore totaled 8,701 million euros, representing 36% of the total balance sheet.

- Long-term financial debt, including repackaged notes, increased to 5,686 million euros, compared with 3,844 million euros at year-end 2000. Its portion within net financial debt totaled 69%, thereby continuing the medium-term consolidation of Group debt.

Short-term financial debt fell to an amount of 4,003 million euros, compared with 5,568 million one year earlier, reflecting the decline in commercial paper issuance.

Cash, cash equivalents and short-term investments remained high, at 1,417 million euros as of December 31, 2001. They totaled 2,270 million euros, when including LVMH treasury shares not allocated to stock option plans.

Total short and long-term financial debt, net of cash, cash equivalents and short-term investments (stricto sensu), totaled 8,272 million euros at year-end 2001. It represented 95% of stockholders' equity and minority interests, compared with 87% at year-end 2000. When including the market value of the stake in Bouygues and of the treasury shares not allocated to stock option plans, this ratio was 79%.

LVMH will continue in 2002 its policy to reduce the amount of financial debt, started in 2001 with the sale of Gucci's shares.

Confirmed lines of credit totaled approximately 5.3 billion euros. They were mostly undrawn, and constitute both a reserve of available cash and the back-up of the commercial paper program, which outstanding totaled 2,837 million euros as of December 31, 2001, compared with 3,670 million one year earlier.

V. OPERATING INVESTMENTS

LVMH group investment strategy is brand-based; this strategy is expressed in two ways: through the acquisition of high-potential brands, and through the development of brands in portfolio. Selective retailing networks have also been acquired and developed, provided that such acquisitions maintain synergies with the brands that are held, specifically in terms of control of their distribution.

Brand acquisitions carried out over the past three fiscal years are described in Note 2 to the consolidated financial statements, "Changes in the composition of the Group." The major acquisitions during this period are noted below by business group:

– Wines and Spirits: Krug and Chateau d'Yquem;

- Fashion and Leather Goods: Thomas Pink, Fendi and Donna Karan International,
- Watches and Jewelry: TAG Heuer, Ebel, Zénith and Chaumet, those acquisitions having allowed the Watches and Jewelry activities business group to be established,
- Selective Retailing: La Brosse & Dupont, La Samaritaine, Miami Cruiseline, and various perfume and cosmetics distribution networks: Laguna, Boidi, Carmen in Italy, Beauty Shop in Greece.

The holding of brands, particularly prestigious brands, requires ongoing investment in two areas:

- in communication, for maintaining or developing their image and gaining market shares,
- in research and development, particularly in the Wines and Spirits, and Perfumes and Cosmetics activities.

Over the past three fiscal years, communication expenses represented a total of 3,698 million euros, broken down by year as follows:

1999	996	million euros
2000	1,331	„
2001	1,371	„

These expenses correspond primarily to the costs of advertising campaigns, specifically for new product launches.

Costs related to research and development activities, incurred during this period totaled 74 million euros.

In addition to investments in intangible assets, such as brands, the principal operating investments concerned store networks and production units.
Stores are held by the Fashion and Leather Goods business group, which partially, or exclusively in the case of Louis Vuitton, assume their own distribution, and by the Selective Retailing business group.
Excluding Selective Retailing, all business groups include production units.
These operating investments amount to 2.4 billion euros over the past three years.

VI. EXTRAORDINARY EVENTS AND LITIGATION

In the ordinary course of its business, LVMH is a party from time to time to legal proceedings and claims involving trademarks and intellectual property, selective distribution agreements, licensing, employee relations, tax audits and other matters incidental to its business. LVMH estimates that the provisions included in the balance sheet, related to litigation and contingent liabilities known or in-process as of December 31, 2001, are sufficient to cover any unfavorable outcome, so that the Company's financial position would not be significantly affected.

Regarding the interest in Gucci:

Since 1999, LVMH had been involved in a dispute with the Pinault Printemps-Redoute (PPR) and Gucci groups; this dispute concerned the validity of two reserved capital increases that took place on February 18 and March 19, 1999, which reduced LVMH's stake in Gucci from 34.4% to approximately 20%.

In September 2001, the PPR, Gucci and LVMH groups settled this dispute through a transactional agreement providing for the following:

- PPR's purchase from LVMH in October 2001 of 8.6 million Gucci shares at USD 94 a share, for a total of USD 806 million (EUR 897 million);
- the payment by Gucci in December 2001 of an exceptional dividend of USD 7 per share; given LVMH's residual interest on that date, this resulted in earnings of USD 81 million (EUR 90 million);
- PPR's takeover bid in March 2004 for all of Gucci's stock at the price of USD 101.5 per share.

In December 2001, LVMH sold its residual interest of 11.6 million shares to Crédit Lyonnais.

See also paragraph III of this report, "Activity-related risk factors" for measures against counterfeiting and distribution of the group's products through so-called "parallel" networks.

VII. SUBSEQUENT EVENTS

• In February 2002, a draft agreement was entered into between LVMH and the managers of Phillips, de Pury & Luxembourg, Mrs. Daniella Luxembourg and Mr. Simon de Pury, who at that time held 25% of Phillips. This agreement should be implemented in April 2002 and provides as follows:

– LVMH, will transfer the control of Phillips to its managers, decreasing its stake from 75 to 27.5%.
– prior to this transfer, several operations will be carried out by LVMH, including: capitalization of the new holding company, relinquishing of part of the financing and purchase of some of Phillips' assets. Financial support will also be set up to ensure future trade development.

The impact of this agreement on LVMH's December 31, 2001 financial statements is a total expense of EUR 141 million recorded as unusual items; this amount mainly represents the full depreciation of the previously recorded goodwill.

• In April 2002, the sale of the Pommery champagne brand to the Vranken Monopole Group was completed. The sale also comprises the production and administrative sites, the cellars, the related champagne stock and supply contracts. LVMH will retain the Pommery vineyards.

VIII. OUTLOOK FOR 2002

After an acquisition phase that allowed LVMH to expand its incomparable brand portfolio, in 2002 the Group will concentrate on internal growth, profitability and cash flow.

Within an uncertain economic environment that could persist in 2002, LVMH will focus its efforts on the growing of its luxury products and particularly on the promotion of its major brands. Through the measures implemented and financed in 2001 to address difficulties related to the economic situation, and because of the priority given to generating cash flow, the Group is well positioned for 2002 to fully benefit from a possible market recovery. As in the case of previous crises, the geographic distribution of our activities, the strength and complimentary nature of our brands, and the talent of our teams will allow the Group to continue to grow, to gain market share and to progress even more strongly against all its competitors.

The Group's 2002 goal is to significantly increase its income from operations.

At the end of March, the increase in LVMH sales reflects the excellent performances of the Group brands in an environment made difficult by the continued sluggishness in travel retail.

Sales by business group at that date are as follows:

(EUR millions)	March 2002	March 2001	Change (%)
Wines & Spirits	457	384	+19
Fashion & Leather Goods	1,087	891	+22
Perfumes & Cosmetics	495	506	–
Watch & Jewelry	122	121	–
Selective Distribution	781	820	(5)
Other activities	13	23	NA
TOTAL	**2,955**	**2,745**	**+ 8**

*
* *

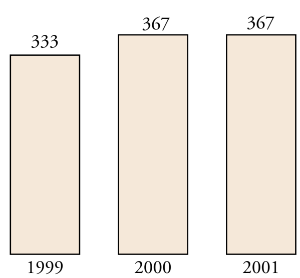
1. DIVIDEND

The proposed dividend per share for the financial year 2001 amounts to 0.75 euro, which would maintain the dividend paid for financial year 2000.

The gross dividend, including the French tax credit ("avoir fiscal") of 0.375 euro, shall represent a revenue of 1.125 euro paid to the 489,901,115 shares comprising the share capital.

LVMH shall therefore pay as dividend a total of 367 million euros for the financial year 2001, including shares held by the parent company LVMH. Dividends paid for the financial year 2000 represented an amount of 367 million euros.

Distributed dividends
in millions of euros



2. CHANGE IN SHARE CAPITAL

Number of shares as of December 31, 2000	489,858,345
Effects of the exercise of stock options	42,770
Number of shares as of December 31, 2001	489,901,115

3. QUOTED BONDS

Of the bonds issued by LVMH that were outstanding as of December 31, 2001, the following are quoted on stock exchanges. Their characteristics are detailed in the note 15 to the financial statements.

3.1 Bonds quoted in Paris

Currency	Outstanding (in currency)	Issue Date	Interest Rate
EUR	500,000,000	2001	6.25 %
EUR	600,000,000	2000	5.75 %*
EUR	800,000,000	1999	5 %*
EUR	198,184,020	1998	indexed*
EUR	130,000,000	2001	variable
EUR	40,000,000	2000	variable
EUR	228,673,526	1996	5.25 %

* Bonds also quoted in Luxembourg.

3.2 Bonds quoted in Luxembourg

Currency	Outstanding (in currency)	Issue Date	Interest Rate
EUR	850,000,000	2001	5.375 %
EUR	150,000,000	2001	variable
EUR	55,000,000	2001	variable
JPY	2,400,000,000	2001	0.15 %
EUR	20,000,000	2001	variable
JPY	2,000,000,000	2001	0.65 %
JPY	1,500,000,000	2001	0.95 %
JPY	1,500,000,000	2001	0.21 %
JPY	1,100,000,000	2001	variable
JPY	1,000,000,000	2001	variable
EUR	120,000,000	2000	variable
EUR	30,000,000	2000	variable
EUR	25,000,000	2000	variable

3.3 Bonds quoted in Singapore

Currency	Outstanding (in currency)	Issue Date	Interest Rate
SGD	125,000,000	2001	4 %

4. PER SHARE PERFORMANCE (1)

(in euros)	1999	2000	2001
Net income (2)	1.43	1.49	0.02
Net income before amortization of goodwill and unusual items (2)	1.53	1.75	0.68
Gross Dividend (net + tax credit)	1.02	1.125	1.125
Change from previous year	10%	10.3%	0.0%
Share price : highest	91.5	98.7	75.5
Share price : lowest	30.9	66.5	28.4
Share price as of December 31	88.9	70.5	45.7
Change from prior year	190%	-21%	-35%

(1) Figures adjusted to take into account the one for ten bonus share distribution of June 21, 1999 and the five for one stock split of July 3, 2000.

(2) Fully diluted.

5. SECURITIES MARKETS

Company shares are quoted on Euronext-Paris, Euronext-Brussels and on the Nasdaq in New York (in the form of American Depositary Shares (ADS), under the symbol "LVMHY").

Each American Depositary Share represents one fifth of a company share. The depositary for the program is the Bank of New York in New York. Shares traded in this market annually represent on average less than 0.5% of the company share capital. Average daily volume on the Nasdaq in 2001 was approximately 43,379 ADRs (the equivalent to 8,676 common shares). This is to be compared to an average daily volume traded on the Euronext-Paris of 1,538,903 shares.

6. NUMBER AND TRADING VALUE OF THE COMPANY'S SHARES TRADED ON THE EURONEXT-PARIS MARKET AND STOCK PRICE HIGHLIGHTS OVER THE LAST EIGHTEEN MONTHS

	Opening price 1st day (EUR)	Closing price last day (EUR)	Highest price (EUR)	Lowest price (EUR)	Number of shares traded	Traded value (billion EUR)
2000 : SEPTEMBER	87.4	85.55	92.3	81.2	22,042,265	1.90
OCTOBER	83.6	86.0	87.9	78.0	19,928,230	1.65
NOVEMBER	87.0	76.0	88.0	74.55	18,055,556	1.47
DECEMBER	76.0	70.5	77.75	66.5	19,900,590	1.44
2001 : JANUARY	72.3	70.30	75.5	61.7	27,986,044	1.93
FEBRUARY	71.0	66.75	71.3	65.5	17,859,309	1.21
MARCH	66.05	57.0	66.65	52.0	31,800,376	1.87
APRIL	57.9	69.6	69.9	52.3	22,916,039	1.41
MAY	70.0	67.0	71.25	61.95	32,629,643	2.19
JUNE	67.3	59.5	67.65	57.9	24,043,236	1.51
JULY	59.25	60.5	61.0	53.0	27,452,231	1.56
AUGUST	59.8	53.45	60.3	53.25	22,337,673	1.27
SEPTEMBER	53.35	34.9	54.6	28.4	55,509,439	2.20
OCTOBER	35.75	39.17	45.3	31.02	51,444,434	1.96
NOVEMBER	38.75	45.33	50.0	38.3	48,770,423	2.15
DECEMBER	45.0	45.7	50.15	42.75	26,593,666	1.22
2002 : JANUARY	45.68	46.7	49.88	42.15	41,413,964	1.91
FEBRUARY	46.4	54.0	54.9	42.99	39,544,661	1.93

7. DIVIDEND HISTORY FROM FISCAL YEAR 1997 TO 2001

Year	Net dividend (EUR)	Tax credit (EUR)	Total (EUR)
2001	0.75	0.375	1.125
2000	0.75	0.375	1.125
1999	0.68	0.34	1.02
1998	0.618	0.309	0.927
1997	0.618	0.309	0.927

Figures adjusted to take into account the one for ten bonus share distribution of June 21, 1999 and the five for one stock split of July 3, 2000.

CONSOLIDATED HIGHLIGHTS

(EUR millions)	1997	1998	1999	2000	2001
Net sales	7,323	6,936	8,547	11,581	12,229
Income from operations	1,269	1,184	1,547	1,959	1,560
Income before taxes	1,185	1,013	1,435	1,692	667
Net income before amortization of goodwill and unusual items	742	525	738	846	334
Net income	690	267	693	722	10

(EUR)					
Earnings per share before amortization of goodwill and unusual items*	1.55	1.09	1.53	1.75	0.68
Earnings per share*	1.44	0.55	1.43	1.49	0.02

(EUR millions)					
Total assets	15,212	16,294	20,734	23,192	23,832
Stockholders' equity	6,179	6,316	6,704	7,031	6,901
Net cash provided by operating activities before changes in current assets and liabilities	1,163	481	1,051	1,214	919

* Figures have been adjusted to reflect the bonus share distribution of June 21, 1999 and the five for one stock split of July 3, 2000.

CONSOLIDATED STATEMENT OF INCOME FOR 2001

(EUR millions except EPS)	NOTES	2001	2000	1999
Net sales	21	**12,229**	**11,581**	**8,547**
Cost of sales		(4,654)	(4,221)	(3,132)
Gross margin		**7,575**	**7,360**	**5,415**
Marketing and selling expenses		(4,568)	(4,206)	(2,964)
General and administrative expenses		(1,447)	(1,195)	(904)
Income from operations	21	**1,560**	**1,959**	**1,547**
Financial expense – net	23	(459)	(421)	(227)
Dividends from nonconsolidated investments		21	45	97
Other income or expense – net		(455)	109	18
Income before income taxes		**667**	**1,692**	**1,435**
Income taxes	24	(192)	(633)	(554)
Income (loss) from investments accounted for using the equity method	8	(42)	(34)	(6)
Net income before amortization of goodwill, minority interests and unusual items		**433**	**1,025**	**875**
Amortization of goodwill	25	(168)	(141)	(102)
Minority interests	18	(99)	(179)	(137)
Unusual items	26	(156)	17	57
Net income		**10**	**722**	**693**

Net income before minority interests	**100**	**964**	**848**

Net income before amortization of goodwill and unusual items	**334**	**846**	**738**

Earnings per share before amortization of goodwill and unusual items	**0.68**	**1.75**	**1.53**
Earnings per share	**0.02**	**1.49**	**1.43**
Number of common shares and share equivalents(1)	488,064,659	484,800,930	483,157,146
Fully diluted earnings per share before amortization of goodwill and unusual items	**0.68**	**1.75**	**1.53**
Number of common shares and share equivalents after dilution(1)	488,072,374	484,886,474	483,445,278

(1) Figures have been adjusted to reflect the bonus share distribution of June,1999 (1 new share, for ten shares previously held on this date) and the five-for-one stock split of July, 2000.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2001

ASSETS (EUR millions)	NOTES	2001	2000	1999
Current assets				
Cash and cash equivalents	3	795	695	546
Short-term investments	3	622	1,326	183
Treasury shares	4	1,046	1,289	853
Trade accounts receivable	5	1,538	1,638	1,442
Deferred income taxes	24	544	266	273
Inventories	6	3,655	3,382	2,943
Prepaid expenses and other current assets	7	1,352	1,596	1,500
		9,552	**10,192**	**7,740**
Investments and other assets				
Investments accounted for using the equity method	8	77	21	10
Unconsolidated investments and other investments	9	1,386	1,892	3,959
Treasury shares	4	318	156	210
Other non-current assets		467	307	251
Property, plant and equipment – net	12	4,208	3,367	2,856
Brands & other intangible assets – net	11	4,308	3,415	2,527
Goodwill – net	10	3,516	3,842	3,181
		14,280	**13,000**	**12,994**
Total		**23,832**	**23,192**	**20,734**

LIABILITIES AND STOCKHOLDERS' EQUITY (EUR millions)	NOTES	2001	2000	1999
Current liabilities				
Short-term borrowings	13	3,765	5,333	4,439
Accounts payable		1,401	1,305	1,087
Accrued expenses and other current liabilities	14	2,622	2,371	2,548
Income taxes		–	318	139
Current portion of long-term debt	15	238	235	161
		8,026	**9,562**	**8,374**
Net deferred income taxes		**169**	**110**	**167**
Long-term liabilities				
Long-term debt, less current portion	15	5,402	3,498	3,085
Other long-term liabilities	16	1,250	1,164	921
Repackaged notes	17	284	346	406
		6,936	**5,008**	**4,412**
Minority interests in subsidiaries	18	**1,800**	**1,481**	**1,077**
Stockholders' equity				
Common stock		147	147	147
Additional paid-in capital and retained earnings		6,894	7,017	6,679
Cumulative translation adjustment		(140)	(133)	(122)
	19	**6,901**	**7,031**	**6,704**
Total		**23,832**	**23,192**	**20,734**

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(EUR millions)	Number of shares	Capital	Additional paid-in capital & reserves	Cumulative translation adjustment	Total
As of January 1, 1999	**88,983,072**	**136**	**6,330**	**(150)**	**6,316**
Final dividend paid on 1998 income			(209)		(209)
and related taxation			(72)		(72)
Long-term investment in LVMH shares[1]			34		34
Conversion of capital into euro		(2)	2		–
Conversion of debt	211				–
Employee stock option plans	73,413		7		7
Bonus share distribution	8,900,954	13	(13)		–
Other changes, net			(1)		(1)
Net income			693		693
Interim dividend paid on 1999 income			(91)		(91)
Foreign currency translation				27	27
As of December 31, 1999	**97,957,650**	**147**	**6,680**	**(123)**	**6,704**
Final dividend paid on 1999 income			(222)		(222)
and related taxation			(1)		(1)
Long term investment in LVMH shares[1]			(62)		(62)
Employee stock option plans	26,587		1		1
Five for one stock split	391,874,108				–
Net income			722		722
Interim dividend paid on 2000 income			(101)		(101)
Foreign currency translation				(10)	(10)
As of December 31, 2000	**489,858,345**	**147**	**7,017**	**(133)**	**7,031**
Final dividend paid on 2000 income			(244)		(244)
and related taxation					–
Long term investment in LVMH shares[1]			211		211
Employee stock option plans	42,770		1		1
Net income			10		10
Interim dividend paid on 2001 income			(101)		(101)
Foreign currency translation				(7)	(7)
As of December 31, 2001	**489,901,115**	**147**	**6,894**	**(140)**	**6,901**

(1) Refer to accounting policies, Note 1.11

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR millions)	2001	2000	1999
I. OPERATING ACTIVITIES			
Net income	10	722	693
Minority interests	90	242	155
Equity interest in undistributed earnings of associated companies, less dividends received	46	36	7
Depreciation and amortization	1,356	635	434
Change in provisions	658	(267)	180
Change in deferred taxes	(304)	35	(92)
(Gain) loss on sale of fixed assets or treasury shares	(937)	(189)	(326)
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN CURRENT ASSETS AND LIABILITIES	**919**	**1,214**	**1,051**
Inventories	(358)	(190)	(121)
Trade accounts receivable	128	(54)	(99)
Accounts payable	(25)	98	66
Other current assets and liabilities	(90)	(209)	(225)
NET CHANGE IN CURRENT ASSETS AND LIABILITIES	**(345)**	**(355)**	**(379)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**574**	**859**	**672**
II. INVESTING ACTIVITIES			
Purchases of brands and other intangible assets	(80)	(63)	(76)
Purchases of property, plant and equipment	(904)	(794)	(498)
Acquisition of other investments	(445)	(399)	(1,725)
Proceeds from sale of fixed assets and other investments	149	86	158
Reclassifying between investments and short-term investments	(677)	817	–
Proceeds from sale of unconsolidated investments	2,122	1,195	1,560
Change in other non-current assets	(431)	(119)	(121)
Net effect of acquisitions & disposals of consolidated companies	(628)	(547)	(1,215)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(894)**	**176**	**(1,917)**
III. FINANCING ACTIVITIES			
Proceeds from issuances of common stock	38	11	52
Change in treasury shares	(13)	(339)	(718)
Dividends and interim dividends paid by the parent company (including related tax)	(343)	(322)	(372)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(171)	(70)	(100)
Proceeds from short-term borrowings and long-term debt	2,469	2,256	3,524
Principal repayments on short-term borrowings and long-term debt	(2,294)	(1,286)	(1,091)
Change in quoted short-term investments	880	(1,071)	112
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**566**	**(821)**	**1,407**
IV. EFFECT OF EXCHANGE RATE CHANGES	**2**	**(22)**	**(77)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**248**	**192**	**85**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (net of bank overdrafts)	**630**	**438**	**353**
CASH AND CASH EQUIVALENTS AT END OF YEAR (net of bank overdrafts)	**878**	**630**	**438**

Non cash transactions:			
– increase of capital through conversion of debt	–	–	–
– lease financing operations	16	7	74

The statement of cash flows shows the change in cash (net of bank overdrafts) and cash equivalents consisting of short-term investments that can be readily converted into cash, excluding, since January 1, 2001, quoted securities. Figures from previous periods have been adjusted to allow comparisons.

1. ACCOUNTING POLICIES

1.1 General

The consolidated financial statements of LVMH Group have been prepared in accordance with French accounting principles as defined by the French law of January 3, 1985. The adoption of the new French regulation 99-02 by the Comité de Réglementation Comptable, published on June 22, 1999, effective as from January 1, 2000, had no material impact on stockholders' equity and Group earnings.

The methods applied for the implementation of these principles are also in conformity with U.S. generally accepted accounting standards, with the exception primarily of the amortization of brands and the accounting method for foreign exchange hedging, treasury shares and reorganizing costs.

Because its shares are listed on the NASDAQ, LVMH prepares a table of concordance between its presentation of income and stockholders' equity under French accounting standards and US GAAP which is included in Form 20F filed with the Securities Exchange Commission (SEC). See Note 33.

1.2 Principles of consolidation

The accounts of subsidiaries in which LVMH has, directly or indirectly, a controlling interest are consolidated.

For the companies controlled jointly by LVMH and another shareholder-party, only the portion of assets and liabilities and income from operations relating to LVMH interest is included in the consolidated financial statements (proportionate consolidation method).

For the companies owned jointly with Diageo plc, only the portion of assets and liabilities and results of operations relating to LVMH activity is included in the accompanying financial statements.

Investments in companies where LVMH has a significant influence but no controlling interest are accounted for using the equity method.

1.3 Foreign currency translation, hedging of exchange and interest rate risks

a) The consolidated financial statements are stated in euros; the accounts of subsidiaries using a different functional currency are converted into euros:
   - at the exchange rate prevailing at year end for the balance sheet items;
   - at the average rates of the financial year for statement of income items.

   Translation adjustments arising from the application of these rates are recorded in stockholders' equity, under "Cumulative translation adjustment".

b) Foreign currency transactions are accounted for at the exchange rate prevailing at the transaction date.
   Trade receivables and debts denominated in foreign currency are converted at the prevailing exchange rate on December 31. The unrealized losses and gains resulting from this translation are recorded in the statement of income, except when they result from the translation of foreign currency debt or other instruments designated as hedges of long-term investments in the same currency: in which case they are recorded in shareholders' equity under "Cumulative translation adjustment".

c) Foreign exchange and option contracts are revalued using the year-end exchange rates. Unrealized gains and losses resulting from such revaluations are:
   - recorded in the statement of income to compensate the unrealized gains or losses on the assets or liabilities covered by these instruments;
   - deferred if the instruments have been designated as hedges for transactions of the following accounting period;
   - recorded as income or losses for the period if they have not been designated as hedges.

   Deferred unrealized gains and losses are included in "Other current assets or liabilities".

d) Foreign exchange gains and losses arising from contracts hedging commercial risks are recorded as operating income or expenses to offset gains and losses recognized on such risks, except for premiums and discounts of forward contracts, which are recorded on a prorata basis as financial income and expenses. Foreign exchange gains and losses arising from contracts hedging financial risks are recorded as financial income or expenses.

e) Gains and losses resulting from interest rate hedging contracts (swap contracts, future rate agreements, collars, etc.) are accounted for on a prorata basis, over the period of the related contracts.

1.4 Brands and other intangible assets

Only the acquired brands that are well known and individually identifiable, with value development over time that can be measured, are recognized as assets in the financial statements.

Expenses incurred for creating a new brand or boosting an existing one are recorded under expenses.

A provision for depreciation is recorded when a brand value is permanently impaired. The criteria used to evaluate the brand at acquisition are used in the impairment test.

Other intangible assets are, if appropriate, amortized over their useful lives:

– Leasehold acquisition rights:	duration of lease
– Software:	1 to 5 years

1.5 Goodwill

Goodwill is defined as the difference between the purchase price of acquired businesses and the Group's share of the underlying net assets at the date of acquisition. This calculation is made after the net assets of the acquired company have been restated in conformity with the Group accounting principles and after revaluation to fair value, when fair value differs from net book value at the purchase date.

In the selective retailing business or in other businesses operations such as the media sector, the value of intangible assets such as name, market shares or business goodwill, are not reported separately from goodwill.

For all acquisitions subsequent to January 1, 2000, goodwill is recorded in the functional currency of the acquired company. It was previously reported in euros.

Goodwill is amortized over periods ranging from 5 to 40 years. Exceptional amortization may be recorded if the expected future cash flows are significantly and permanently less than the estimation made at the time of the acquisition.

Goodwill from businesses acquired under French regulation ("fonds de commerce") is amortized over a period which may not exceed 18 years.

1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost, and includes, as the case may be, the interest expense capitalized during the period prior to the date when the asset is put to use. Assets acquired under capital lease contracts are recorded on the basis of the present value of future lease payments.

Depreciation is charged using the straight-line method, at rates calculated on the basis of the estimated useful lives of the assets concerned. Principal useful lives used to calculate depreciation are as follows:

– Buildings	20 to 50 years
– Machinery and equipment	3 to 20 years
– Retail leasehold improvements	3 to 10 years
– Producing vineyards	18 to 25 years

Vineyards preparation and development costs are capitalized until the vineyards become commercially productive (generally the first three years) and are included in "tangible assets in progress."

1.7 Unconsolidated investments

Unconsolidated investments are recorded at acquisition cost.

An impairment provision is recorded for any other than temporary difference between the fair value for the Group of such investment and the net book value.

The fair value of investments is measured according to such criteria as the value of the Group's share in the net assets, the stock price or earnings and cash flow prospects, weighted by the effects of holding these investments in terms of the Group's strategy, or synergy with existing businesses.

1.8 Inventories and work-in-progress

Inventories are recorded at cost, excluding financial costs, without this exceeding the net realization value; the cost price comprises production cost (finished goods) or purchase price, plus incidental costs (raw material, goods).

Cost for the major part of inventories is determined either according to the weighted average cost method or according to the FIFO (first-in, first-out) method.

Due to the length of the aging process for champagne and cognac, a substantial portion of the inventories is not sold within one year. However, in accordance with industry practices, these are classified as current assets.

1.9 Trade accounts receivable and other receivables

Receivables are recorded at their face value. An allowance for non-collectibility risk is recorded based on the probability of their recovery.

1.10 Short-term investments

Short-term investments and equivalent receivables (investment fund units, money-market funds, etc.) are stated at the lower of cost or market value.

Market value for traded securities is determined by reference to the average price quoted on the related stock exchange during the last month of the year, and if applicable, translated at the year-end exchange rate. Market value of non-traded securities is based on published values or estimated realizable value. This calculation is determined on a line-by-line basis.

In case of partial sales of an investment, the FIFO method is used to determine the gain or loss to be recognized.

1.11 Treasury shares

LVMH shares are recorded at acquisition cost.

Shares held by the parent company LVMH SA under French market regulations for stock price equalization or for employee stock option plans, as well as shares held by subsidiaries on a short-term basis, are recorded as assets in the balance sheet.

LVMH shares held by the parent company or group companies on a long-term basis, or for the purpose of future cancellation or exchange are recorded as a deduction from stockholders' equity, including the related realized capital gains or losses. Until the 1999 financial period, only LVMH shares held by subsidiaries, in accordance with applicable regulation, were deducted from stockholders' equity.
Shares acquired within the framework of stock price equalization or as short-term investments are treated as short-term securities (see above 1.10).
The shares held for stock option purchase plans are allocated to these plans for the duration of the option plan period. A loss provision is recorded when applicable to bring the acquisition cost in line with the exercise price.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in banks and short-term deposits which are immediately available, and restricted cash.

1.13 Pension and early retirement plans

In some countries including France, salary-based contributions are paid under these plans to government organizations which are liable for the payment of benefits. The Group has no actuarial liability under such plans.
Where specific retirement plans or other commitments are the responsibility of the Group, the corresponding actuarial commitments are charged to the statement of income either by way of a provision for "Other long-term liabilities" or by contributions to independent organizations responsible for the payment of the benefits.

1.14 Sales repurchase commitments

Companies in the Perfumes and Cosmetics business group repurchase unsold or outdated products from their distributors. The estimated costs of such repurchases are provided upon a percentage of sales and gross margin of the related period.

1.15 Research and development costs

Research and development costs are expensed in the year they are incurred.

1.16 Bonds issuance costs and redemption premiums

Redemption premiums and issuance costs are charged to the income statement over the life of the debt.

1.17 Income taxes ; deferred taxation

Deferred taxes are provided for on timing differences arising between the net assets of consolidated companies as reported in the consolidation and the amount resulting from the application of tax regulations. These amounts are recorded under the liability method, based on the tax rates known at the closing date.
Future tax savings from tax losses carried forward are only recorded as deferred tax assets when their recovery is deemed more likely than not.
Taxes that would become payable in the event of distribution of the retained earnings of subsidiaries are provided for if such a distribution is probable.

1.18 Income from operations; other income and expense; unusual items

The Group's main business is the management and development of its brands and distribution network. Income from operations is derived from these activities, be they recurring or non recurring operations, principal or incidental.
Other income and expenses comprise statement of income items, which, due to their nature or frequency, may not be considered as inherent to the Group's main business.
Other income and expenses of a material amount and of an exceptional nature are recorded as unusual items. Unusual items are presented net of tax and minority interests.

1.19 Earnings per share

Earnings per share is calculated based on the weighted average number of common shares outstanding during the year, excluding the treasury shares deducted from equity.
Fully diluted earnings per share is computed based on the weighted average number of common shares outstanding during the year, less those shares deducted from equity, plus shares resulting from the assumed conversion of outstanding convertible debt and the exercise of all existing options. This calculation eliminates the effect of the related interest expense and redemption premiums charge, net of their tax effect.

2. CHANGES IN THE COMPOSITION OF THE GROUP

2.1. In 2001

Wines and Spirits

The Group's acquisitions of 60% of the Newton (Nappa Valley, California) and 90% of MountAdam (Eden Valley, southern Australia) winegrowing estates of EUR 34.5 million have been fully consolidated as of January 1, 2001.

Fashion and Leather Goods

In January 2001, for USD 405 million, LVMH acquired 100%

of Gabrielle Studio, an American company and owner of the brand Donna Karan New York. In March 2001, LVMH drafted an agreement with the owner of the exclusive license of the Donna Karan Brand, Donna Karan International Inc ("DKI", a New York stock exchange company). This draft agreement with DKI was approved DKI's General Meeting of November 27, 2001 and included the following provisions :

– LVMH required to transfer its 100% interest in Gabrielle Studio to DKI and
– LVMH then to purchase substantially all of DKI's stock at the price of USD 10.75 per share, or a total of USD 185 million.

Following these actions, LVMH currently holds 100% of the preferred stock and 89.40% of the common stock of the DKI.
Gabrielle Studio has been fully consolidated for the entire fiscal year, with the USD 405 million purchase price of Gabrielle Studio being fully allocated to the value of the Donna Karan New York brand. The investment in DKI will be consolidated beginning January 1, 2002.

In December 2001, LVMH bought out Prada's stake in their former 50/50 joint venture created for investment in Fendi (see below: Changes in Group Composition in 2000). This buyout increased LVMH's ownership in Fendi to 51%. The buyout with LVMH's represents an additional investment of EUR 295 million, of which EUR 255 million will be paid over a 4-year period. As part of the purchase price allocation, EUR 404 million was allocated to the value of the Fendi brand and EUR 136 million was recorded as additional goodwill to be amortized over 30 years.
The Fendi investment had been consolidated on a proportionate basis since July 2000; however, as a result of the additional investment, the company has been fully consolidated at December 31, 2001.

Perfumes and Cosmetics

The Group's 65% interest in American cosmetics company Fresh, acquired in September 2000 for EUR 18 million, has been fully consolidated since January 1, 2001.

Selective Retailing

In January 2001, LVMH acquired 55% of the Paris department store La Samaritaine for EUR 256 million, including EUR 88 million through a reserved capital increase.
The price paid has been allocated mainly to the real estate assets, which includes other buildings than the one housing the department store, for EUR 471 million (EUR 182 million after deferred tax for the Group part). The related goodwill of EUR 57 million will be amortized over 20 years. La Samaritaine has been fully consolidated since January 1, 2001.

Watches and Jewelry

In January 2001, LVMH and the De Beers group signed an agreement to form a 50/50 joint venture. This agreement was approved by the European Commission in July. Starting in 2002, this company will have an exclusive license for the worldwide sale of diamond jewelry in a network of stores to be created under the "De Beers" name. This joint venture has been accounted for using the equity method since July 2001.

Other Activities

In January 2001, the founders of the Geneva art gallery de Pury et Luxembourg Art, Mrs. Daniella Luxembourg and Mr. Simon de Pury, transferred all of their interest in de Pury et Luxembourg Art to Phillips. This contribution was remunerated with a 25% interest in Phillips, and a payment of USD 10 million. Following this operation, Phillips was renamed Phillips, de Pury & Luxembourg (PPL).
In November 2001, within the framework of an agreement drawn up in July, PPL's UK activities and the activities of the British auction company Bonhams & Brooks merged within a joint entity 49.9% held by PPL, with PPL keeping control of its international activities.
The transfer of de Pury & Luxembourg Art to Phillips gave rise to a goodwill of EUR 54 million, added to the initial goodwill of EUR 95 million.
De Pury & Luxembourg Art has been fully consolidated in Phillips since January 1, 2001; as of November 2001, the stake in the joint venture with Bonhams & Brooks has been accounted for using the equity method.

In December 2001, the 50% stake in the luxury product internet site e-Luxury was increased to 99.99%, through subscription to a capital increase. This operation gave rise to goodwill of EUR 45 million, corresponding to the value of the clientele and prior site development costs. e-Luxury was accounted for using the equity method as of January 1, 2001 and was fully consolidated at December 31, 2001.

In January 2001, the Télématique Victoire Multimédia business was transferred by LVMH to the Jet Multimedia group in exchange for 479,125 shares in Jet Multimedia with a guaranteed price. This disposal gave rise to a capital gain of EUR 25 million before tax.

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Investments in Pucci and Rossimoda (Fashion and Leather Goods group), in Acqua di Parma (Perfume and Cosmetics group) and Etude Tajan (Other Activities), representing a total of EUR 98 million, will be consolidated in 2002.

2.2 In 2000:

Fashion and Leather Goods

In July 2000, pursuant to the memorandum of agreement signed at the end of 1999, LVMH acquired with the Prada Group 51% of Fendi. EUR 404 million of the total EUR 564 million paid by the joint venture corresponds to the value of the Fendi brand, and EUR 92 million to goodwill.
Fendi has been consolidated using the proportionate method since July 1 for 51%,including 25.50% for LVMH's share.

Perfumes and Cosmetics

In 1999, LVMH acquired 70% of the US company BeneFit Cosmetics for EUR 67 million, the value of the BeneFit brand comprising the majority of the price paid.
Other acquisitions in 1999 but consolidated in 2000 include 73% of the French company Make Up For Ever, and 94% of the US cosmetics company Hard Candy; in 2000, LVMH acquired 100% of Urban Decay: these three investments represent a total amount of EUR 42 million.
All of these companies have been fully consolidated for the entire year.

Watches and Jewelry

In addition to the investment in TAG Heuer, LVMH acquired the entire share capital of the watch companies Ebel and Zenith at the end of 1999, for EUR 19 and 75 million respectively, as well as 100% of Chaumet, the famous Paris jeweler, for EUR 47 million. The values attributed to these brands are EUR 125 million for Ebel, 58 million for Zenith, and 33 million for Chaumet.
These investments are consolidated as from January 1, 2000.

Selective Retailing

In the perfumes and cosmetics selective retailing activity, the acquisitions made by Sephora and consolidated in 2000 include the Italian networks Laguna acquired at the end of 1999, Boidi in February 2000, Carmen in July 2000 and 50% of the Greek company Marinopoulos, which owns a local retail network called "Beauty Shop".
The total investment of EUR 154 million has been principally allocated to the value of these retail networks names; the related amount, recorded under goodwill, is amortized over periods of 10 to 15 years. Investments in Laguna and Boïdi have been consolidated from the beginning of the year and investments in Carmen and Marinopoulos from July 2000.

In January 2000, LVMH acquired Miami Cruiseline, an American company that sells luxury goods aboard cruise ships. The investment cost of EUR 361 million resulted in the recording of goodwill of EUR 359 million, to be amortized over 20 years. The investment is consolidated for the full year.

Other activities

At year end 1999, LVMH acquired the Phillips auction sale house for EUR 90 million. The corresponding goodwill of EUR 95 million is amortized over 30 years. Phillips has been consolidated from January 1, 2000.

2.3 In 1999:

Wines and Spirits

In January, LVMH acquired the Krug champagne house for EUR 153 million; the difference between this price and the net assets was allocated to the value of the Krug brand for EUR 100 million. Krug has been consolidated from January 1, 1999.

The stake in Château d'Yquem was increased to 64% in April, and consolidated as from July 1. The difference between the price paid of EUR 98 million, and the net book value was allocated to the Yquem brand and the revaluation of the vineyards, up to EUR 108 and 18 million respectively (EUR 70 and 11 million respectively, for the Group's share).

Fashion and Leather Goods

In March 1999, the Group bought the minority interests in the Southeast Asian subsidiaries of Louis Vuitton Malletier and Loewe for USD 182 million. The corresponding goodwill, representing an additional share for the group in the unbooked value of the Louis Vuitton trademark, is amortized over 40 years.

In September, LVMH acquired through its subsidiary LV Capital 70% of the British company Thomas Pink, for GBP 42 million; this amount was allocated to the Thomas Pink brand for EUR 50 million, of which EUR 35 million for the Group share, and to a EUR 19 million residual goodwill, to be amortized over 20 years. Thomas Pink has been consolidated in the Selective Retailing business group since October 1 and transferred in 2000 to the Fashion and Leather Goods business group.

Perfumes and Cosmetics

Also in January, the stake in Compagnie Financière Laflachère was increased to 52%; after the tender offer of February 1999, and the final withdrawal in December. Laflachère owns over

99% of the group La Brosse et Dupont, previously listed on the Paris stock exchange.

The total investment is EUR 90 million, EUR 62 million of which is recorded under goodwill, representing the La Brosse et Dupont “know-how” in the area of distribution; the goodwill is amortized over 25 years. This activity has been consolidated in the Perfumes and Cosmetics business group since January 1, 1999.

Watches and Jewelry

In September 1999, as part of the creation of a Watches and Jewelry business group, LVMH acquired on the Zurich stock exchange, more than 98% of the TAG Heuer group through a takeover bid. The price of this acquisition of CHF 1.151 billion, represents principally the value of the TAG Heuer brand. TAG Heuer was consolidated as from October 1 in Other Activities, as the Watches and Jewelry business group was not formed until 2000, and transferred from January 1, 2000.

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The other investments carried out and consolidated in the period included 70% of the US company Bliss, 100% of the Swiss company Benedom, Radio Classique and Sid Editions, representing a total of EUR 97 million.
Finally, in 1999 the investments of the Champagne and Wine business group in the Simi Winery (California) and Porto Rozès (Portugal), and those of the Cognac and Spirits business group in Etablissements Pellisson were disposed of. These disposals resulted in a total capital gain of EUR 29 million.

2.4 Summarized pro forma information and impact on cash flow:

A simplified pro forma statement of income is presented below for 2000 and 2001, on the basis of a comparable group structure taking into account, as of January 1, 2000, the changes that occurred in 2001 or over less than 12 months in 2000:

– in 2001: the consolidation of Newton Vineyards, MountAdam, Gabrielle Studio, the additional investment in Fendi, Fresh, de Pury & Luxembourg Art and La Samaritaine.
– in 2000: the consolidation of the initial investment in Fendi, as well as Kenzo Homme (Ecce), Carmen and Marinopoulos (Beauty Shop).

These pro forma data do not necessarily represent the results that would have been reported in the consolidated accounts if the operations described had occurred at the indicate date. Moreover, they may not be presumed to indicate the future evolution of the Group consolidated results.

(EUR millions)	2001 pro forma	2000 pro forma
Sales	12,229	11,955
of which: – *Champagne and Wines*	*2,232*	*2,346*
– *Fashion and Leather Goods*	*3,612*	*3,342*
– *Perfumes and Cosmetics*	*2,231*	*2,083*
– *Watches and Jewelry*	*548*	*617*
– *Selective Retailing*	*3,475*	*3,494*
Income from operations	1,560	1,981
Income before income taxes	665	1,658
Net income before amortization of goodwill and unusual items	332	819
Net income before unusual items	164	667

The impact of changes in consolidation scope in 2001 on the balance sheet at year-end is as follows:

(EUR millions)			at December 31, 2001
Net trade receivables	39	Other short term debt	173
Net inventories	80	Other long term debt	228
Other assets	161	Net financial debt	1,241
Net tangible assets	519	Minority interests	323
Net intangible assets	894	Stockholders’ equity	–
Goodwill	272		
Total	**1,965**		**1,965**

The impact on Group cash of the changes in consolidation scope, net from the cash acquired or disposed of companies, and net of deferred payments on these acquisitions, amounts to EUR 628 million (EUR 547 million in 2000).
This figure mainly represents the 2001 investments in Gabrielle Studio (EUR 436 million), la Samaritaine (EUR 112 million) and de Pury Luxembourg Art (EUR 56 million).
In 2000, the impact on Group cash mainly concerned the investments in Fendi and Miami Cruiseline.

3. SHORT-TERM INVESTMENTS AND CASH

(EUR millions)	2001	2000	1999
Short-term investments:			
Listed securities	202	1,133	62
Mutual funds at cost	405	154	90
Negotiable notes and other unlisted securities	49	86	61
Depreciation allowances	(34)	(47)	(30)
Net book value	**622**	**1,326**	**183**
Market value of short-term investments	692	1,397	186
Of which, market value of listed securities and mutual funds	693	1,311	125
Cash and cash equivalents:			
Fixed-term deposits (maturity >3 months)	9	12	19
Fixed-term deposits (maturity <3 months)	59	123	15
Ordinary bank accounts	727	560	512
	795	**695**	**546**
Of which, restricted cash	5	13	4

At December 31, 2000, listed securities included for respectively EUR 126 and 956 million, 12,500,000 shares in Diageo Plc (UK), and 18,465,940 in Bouygues SA (France). In 2001 the Diageo shares were sold and the Bouygues shares were reclassified into unconsolidated investments (see Note 9).

4. TREASURY SHARES

The allocation of LVMH shares held as an asset in the balance sheet at year end is as follows:

	2001		2000	1999
(EUR millions)	Number	EUR	EUR	EUR
More than 1 year:				
– stock option plans	**6,277,002**	**318**	**156**	**210**
Less than one year:				
– stock option plans	7,407,975	193	110	90
– stock price equalization or short term investments:				
• gross	18,643,571	1,196	1,179	763
• depreciation allowance		(343)	–	–
	26,051,546	**1,046**	**1,289**	**853**

During the period, the following transactions occured:

	Stock price equalization or short term investments		Stock option plans	
(EUR millions)	Number	Euros	Number	Euros
At January 1, 2001	**17,744,615**	**1,179**	**9,682,385**	**266**
– Purchases	4,835,074	229	1,708,377	111
– Transfers	(82,260)	(5)	2,688,855	144
– Options exercised	–	–	(394,640)	(10)
– Disposals at sale price	(3,853,858)	(245)	–	–
– Gross capital gains realized	–	39	–	–
– Provisions	–	(343)	–	–
At December 31, 2001	**18,643,571**	**854**	**13,684,977**	**511**
Stock market value		854		

The market value is based on the December average quoted price of LVMH shares, i.e. EUR 45.76
See also: consolidated statement of changes in stockholders' equity.

5. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2001	2000	1999
Gross value	1,636	1,708	1,492
Allowance for doubtful accounts	(98)	(70)	(50)
Net book value	**1,538**	**1,638**	**1,442**

At December 31, 2001, an outstanding amount of EUR 260 million was securitized under a "Daily" agreement (123 million at December 31, 2000 and nil at December 31, 1999).

6. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2001	2000	1999
Merchandises	852	694	509
Finished goods	1,235	1,027	845
	2,087	1,721	1,354
Wines and distilled alcohol in the process of aging	1,707	1,618	1,612
Other raw materials and work in progress	453	386	185
	2,160	2,004	1,797
Gross value	**4,247**	**3,725**	**3,151**
Provision	(592)	(343)	(208)
Total net	**3,655**	**3,382**	**2,943**

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

(EUR millions)	2001	2000	1999
Currency hedging operations: deferred gains and losses	246	623	352
Tax: income tax	47	–	–
other taxes	243	207	115
Advances and down payments	94	91	59
Prepaid expenses	216	243	210
Other receivables, net	506	432	764
	1,352	**1,596**	**1,500**

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(EUR millions)	2001	2000	1999
Bonhams Brooks PS&N Ltd (United Kingdom)	41	–	–
De Beers LV Ltd (United Kingdom)	16	–	–
e-Luxury.com Inc (USA)	–	(*)	2
Other	20	21	8
Investments accounted for using the equity method	**77**	**21**	**10**
De Beers LV Ltd	(4)	–	–
e-Luxury.com Inc	(31)	(38)	(8)
Other	(7)	4	2
Income (loss) from investments accounted for using the equity method	**(42)**	**(34)**	**(6)**

(*) Portion of net loss transferred to the contingencies and loss provision.

9. UNCONSOLIDATED INVESTMENTS AND OTHER INVESTMENTS

	2001		2000		1999	
(EUR millions)	Gross	Allowance	Gross	Allowance	Gross	Allowance
Gucci Group NV (Netherlands)	–	–	1,256	–	1,256	–
Bouygues SA (France)	819	(82)	–	–	–	–
Diageo Plc (United Kingdom)	–	–	–	–	1,919	–
Other investments	551	(215)	619	(118)	325	(25)
Unconsolidated investments	1,370	(297)	1,875	(118)	3,500	(25)
Investments acquired during the year and consolidated the year after	313	–	135	–	484	–
	1,683	**(297)**	**2,010**	**(118)**	**3,984**	**(25)**

9.1 Unconsolidated investments

(EUR millions)	Group Interest	Net book value	Dividends received	Share capital[1]	Net income[1]	Market value[2]
Bouygues SA (France)	5%	737	7	4,500	421	606
Tod's Spa (Italy)	4%	47	–	332	10	49
Investments in various Internet funds (USA)	less than 20%	34	–	NA	NA	–
Marnier Lapostolle SA (France)	10%	23	1	174	29	34
Oxygen Media LLC (USA)	10%	19	–	189	(179)	–
SFMI SA (France)	13%	15	–	49	2	–
Other investments	–	77	1	–	–	–
Investments less than 20%		**952**	**9**			
Pechel Industries SA (France)	43%	33		99	1	–
L Capital FCPR (France)	48%	22	–	44	(2)	–
Inter Parfums Inc. (USA)	21%	21	–	62	7	31
Other investments	–	22	–	–	–	–
Investments between 20% and 50%		**98**	**–**			
Other investments		23	–			
Investments greater than 50%		**23**	**–**			
		1,073	**9**			

(1) The accounting data are prior to December 31, 2001.
(2) Average stock market price for December 2001.

The above-mentioned more than 20%-held investments remain unconsolidated since the Group has no significant influence on their management, or does not intend to keep them over the long term.

Investment in Gucci:

Since 1999, LVMH had been involved in a dispute with the Pinault Printemps-Redoute (PPR) and Gucci groups; this dispute concerned the validity of two reserved capital increases that took place on February 18 and March 19, 1999, which reduced LVMH's stake in Gucci from 34.4% to approximately 20%.

In September 2001, the PPR, Gucci and LVMH groups settled this dispute through a transactional agreement providing for the following:
- PPR's purchase from LVMH in October 2001 of 8.6 million Gucci shares at USD 94 a share, for a total of USD 806 million (EUR 897 million);
- the payment by Gucci in December 2001 of an exceptional dividend of USD 7 per share; given LVMH's residual interest on that date, this resulted in earnings of USD 81 million (EUR 90 million);
- PPR's takeover bid in March 2004 for all of Gucci's stock at the price of USD 101.5 per share.

In December 2001, LVMH sold its residual interest of 11.6 million shares to Crédit Lyonnais for USD 1,037 million (approximately 89.6 dollars per share), or EUR 1,150 million. The share disposal contract comprises an earn-out provision entitling LVMH to a price supplement until March 2004 which depends on the price of Gucci shares and dividends paid by Gucci during that period.

LVMH's total capital gain on the disposal of 20.1 million Gucci shares amounts to EUR 774 million and EUR 864 million taking into account the exceptional dividend.

Investment in Bouygues:

The LVMH Group has an interest in Bouygues, managed as part of the Group's investment portfolio. During 2001, management determined that the prospects for a rise in the value of the investment must be appreciated over the medium term; this interest, which had at December 31, 2000 been included in the short-term investment portfolio, has therefore been reclassified on June 30, 2001 to long-term investments (over one year), after deduction of the block sold in July 2001 (2,650,000 shares).
At December 31, 2001, a depreciation expense of EUR 82 million (approximately 10%) was recorded to reflect the other than tempory drop in the fair value of media and telecommunications stocks.

Diageo stock:

In addition to the partnership regarding the distribution of their goods, LVMH and Diageo have maintained reciprocal capital investments for several years. At December 31, 2001, Diageo had a 34% stake in Moët Hennessy, the holding company for the LVMH Wines and Spirits business group. At December 31, 2000, LVMH stake in Diageo was reduced to under 0.5% from 6.87% at the end of 1999.
The interest of the Group in Guinness, historically 20%, and then in Diageo, has been gradually reduced since 1997. LVMH's shareholding in Diageo was accounted for using the equity method until June 30, 1998.
In May 2000, the residual investment in Diageo was reclassified to short-term investments and sold during 2001.

9.2 Investments acquired in 2001, consolidated in 2002

(EUR millions)		Group Interest	Net book value	Equity(1)	Net income(2)	Sales
Donna Karan Internationnal Inc (USA)		89%	212	48	(133)	710
Emilio Pucci Srl (Italy)	(2)	95%	38	(1)	(1)	3
Acqua di Parma Srl (Italy)	(2)	50%	24	–	–	7
Rossimoda SpA (Italy)	(2)	45%	23	17	6	60
Art Transfert Services SA (Etude Tajan)	(2)	100%	13	3	–	30
Other			3			
			313			

(1) Parent company or consolidated shareholders' equity before purchase price allocation .
(2) The data provided relates to 2000.

10. GOODWILL

(EUR millions)	2001 Amortization period	2001 Gross value	2001 Accumulated amortization and provisions	2000 Gross value	2000 Accumulated amortization and provisions	1999 Gross value	1999 Accumulated amortization and provisions
DFS – Galleria	20	1,996	(581)	2,061	(206)	2,061	(155)
Sephora	5 to 30	587	(83)	583	(54)	418	(30)
Louis Vuitton	40	419	(47)	419	(37)	412	(20)
Miami Cruiseline	20	378	(38)	359	(18)	–	–
Veuve Clicquot	40	292	(115)	292	(108)	292	(101)
Fendi	30	228	(10)	92	(2)	–	–
Phillips	15	123	(123)	95	(3)	–	–
Laflachère	20	65	(8)	63	(5)	62	(2)
La Samaritaine	20	57	(3)	–	–	–	–
e-Luxury	3	45	–	–	–	–	–
Other		538	(224)	473	(191)	399	(177)
Subtotal		4,728	(1,232)	4,437	(624)	3,644	(485)
Goodwill under French regulation (fonds de commerce)		42	(22)	40	(11)	30	(8)
		4,770	**(1,254)**	**4,477**	**(635)**	**3,674**	**(493)**

- The goodwill from the Sephora subgroup includes the value of several perfumes and cosmetics selective retailing network names: “Sephora”, present in several European countries, as well as “Carmen”, “Laguna” and “Boïdi” in Italy, and “Beauty Shop” (Marinopoulos Group) in Greece.
  Louis Vuitton’s goodwill is not representative of a price paid for acquiring the brand, since this was developed by the Group; it is the result of successive acquisitions of minority interests in the different legal structures of the Louis Vuitton subgroup.

- Goodwill amortization periods, ranging from 5 to 40 years are determined according to the estimate of their permanence at first consolidation; this estimate is made with reference to the market rank of the acquired company, especially in terms of its positioning, age and geographical establishment.

- Goodwill on DFS:
  Successive international crises (economic crisis in South East Asia, tragic events at the World Trade Center) since LVMH took control of DFS have had negative impacts on the level of activity and results of DFS.
  Moreover, the economic situation in Japan, including the major changes occurring in that country and the unfavorable yen/dollar exchange rate, especially in 2001, have persistently reduced the number of Japanese tourists, DFS’s main clientele, as well as those tourists’ purchasing power.

In 2001, management considered the long-term drop in the activity level and profitability of DFS and the greater volatility of its results in comparison with Group expectations at the time of its acquisition. The following adjustment were deemed necessary:

- the recording of an exceptional amortization expense of EUR 323 million, reducing the net book value of the goodwill to a level justified by future discounted cash flows;
- a reduction of the goodwill amortization period from 40 to 20 years; thus the net adjusted book value of EUR 1,415 million at December 31, 2001 will be amortized over the remaining 15 years amortization period.

11. BRANDS AND OTHER INTANGIBLE ASSETS

	2001		2000		1999	
(EUR millions)	Gross	Accumulated amortization and loss provisions	Gross	Accumulated amortization and loss provisions	Gross	Accumulated amortization and loss provisions
Brands	4,138	(20)	3,235	(4)	2,395	(4)
including:						
– Tag Heuer	*837*	–	*823*	–	*735*	–
– Fendi (1)	*809*	–	*404*	–	–	–
– Donna Karan New York (2)	*460*	–	–	–	–	–
– Guerlain	*441*	–	*441*	–	*441*	–
– Céline	*351*	–	*351*	–	*351*	–
– Ebel	*123*	–	*125*	–	–	–
– Loewe	*122*	–	*122*	–	*122*	–
– Veuve Clicquot	*113*	–	*113*	–	*113*	–
– Château d'Yquem	*108*	–	*108*	–	*108*	–
– Krug	*100*	–	*100*	–	*100*	–
– Other (<EUR 100 M)	*674*	*(20)*	*648*	*(4)*	*425*	*(4)*
Leasehold rights	157	(64)	121	(34)	94	(28)
Software	156	(103)	123	(66)	77	(34)
Others	136	(92)	115	(75)	87	(60)
	4,587	**(279)**	**3,594**	**(179)**	**2,653**	**(126)**

(1) Refer to Note 2 "Changes in the composition of the Group"
(2) Investment in Gabrielle Studio only

- The "acquired" brands included in the "others" line above are primarily:
  - Wines and Spirits: Pommery, Canard Duchêne, Newton Vineyards, MountAdam;
  - Fashion and Leather Goods: Givenchy, Kenzo, Christian Lacroix, Berluti and Thomas Pink;
  - Perfumes and Cosmetics: Parfums Christian Dior, Parfums Givenchy, Parfums Kenzo, Bliss, Make up for Ever, Urban Decay, Hard Candy, BeneFit Cosmetics and Fresh;
  - Watches and Jewelry: Zénith, Fred, Chaumet and Omas;
  - Other activities: La Tribune and Investir newspapers.
- Brands developed by the Group, particularly Louis Vuitton and Hennessy, Moët & Chandon, Dom Pérignon, Mercier and Ruinart champagnes, are not capitalized in the balance sheet.
- The methods used for brand valuation depend on the industry segment and correspond to a capitalization of net income or marginal net income after income tax, the application of a multiple to consolidated sales, or a combination of these methods.
  These multiplier or capitalization coefficients are calculated according to the renown and age of the brand, and an estimate of its useful life, as well as by reference to past transactions.

12. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2001 Cost	2001 Accumulated depreciation	2000 Cost	2000 Accumulated depreciation	1999 Cost	1999 Accumulated depreciation
Land	909	(5)	581	(5)	505	(5)
Vineyards land and producing vineyards	423	(56)	406	(48)	397	(43)
Buildings	2,041	(694)	1,703	(563)	1,555	(489)
Machinery and equipment	1,569	(989)	1,329	(893)	1,189	(787)
Other tangible assets	1,687	(677)	1,340	(483)	894	(360)
	6,629	**(2,421)**	**5,359**	**(1,992)**	**4,540**	**(1,684)**
including assets acquired or financed under capital leases	340	(91)	305	(78)	296	(76)

Changes from one financial period to another are analyzed as follows:

(EUR million)	2001 Gross	2001 Amortization	2000 Gross	2000 Amortization	1999 Gross	1999 Amortization
Balance at beginning of year	**5,359**	**(1,992)**	**4,540**	**(1,684)**	**3,816**	**(1,459)**
Additions	900	–	758	–	595	–
Disposals	(261)	167	(173)	121	(152)	118
Depreciation allowance	–	(516)	–	(350)	–	(257)
Effects of change in consolidation scope	582	(61)	158	(53)	88	(17)
Effect of exchange rate fluctuations	49	(19)	76	(26)	193	(69)
Balance at year-end	**6,629**	**(2,421)**	**5,359**	**(1,992)**	**4,540**	**(1,684)**

In 2001:
Acquisitions in the year primarily consisted of investments in the Louis Vuitton, DFS and Sephora retail networks.
The effects of change in consolidation scope mainly relates to the consolidation of La Samaritaine for EUR 471 million (of which EUR 245 million for land and EUR 225 million for buildings).

13. SHORT-TERM BORROWINGS

The breakdown analysis of short-term borrowing, by nature and currency, is as follows:

(EUR millions)	2001	2000	1999		2001	2000	1999
Commercial papers	2,837	3,670	2,454	EUR (2)	3,285	4,111	3,464
Other credit lines	570	1,359	1,129	JPY	201	323	290
Bond issue (1)	–	–	600	USD	88	608	425
Bank overdrafts	358	304	256	GBP	4	61	44
				Other	187	230	216
	3,765	**5,333**	**4,439**		**3,765**	**5,333**	**4,439**

(1) Issued and reimbursable at par and yielding floating rate interest
(2) Part of the other euro-denominated financial debts was swapped at one to three months, and transformed into foreign currency outstanding debts of CHF 1,336 million, GBP 104 million, JPY 6,100 million and USD 566 million.

At December 31, 2001, the unused and confirmed short term credit lines totaled approximately EUR 2,8 billion.

14. OTHER SHORT-TERM LIABILITIES

(EUR millions)	2001	2000	1999
Foreign currency hedging – deferred gains and losses	276	388	249
Personnel expenses	358	362	222
Taxes excluding income tax	194	201	119
Advances and downpayments received from customers	116	116	89
Deferred payments on fixed assets or long-term investments	235	70	38
Reorganisation costs	171	154	119
Sales repurchase commitment	116	119	53
Other contingency and loss provisions	200	170	620
Deferred income	20	72	24
Other	936	719	1,015
	2,622	**2,371**	**2,548**

15. LONG-TERM DEBT

15.1 Analysis by nature

(EUR millions)	Interest rates	Floating rate swap	Maturities	2001	2000	1999
• Bonds issued						
– Public issues:						
EUR 500 000 000, 2001	6.125%	total	2008	500	–	–
EUR 850 000 000, 2001 (1)	5.375%	partial	2004	850	–	–
EUR 600 000 000, 2000 (2)	5.75%	total	2005	600	600	–
EUR 800 000 000, 1999 (3)	5%	total	2006	800	800	800
EUR 150 000 000, 1999	3.75%	total	2001	–	150	150
FRF 1 300 000 761, 1998 indexed (4)	1%	total	2005	198	198	198
USD 200 000 000, 1997	6.75%	total	2000	–	–	176
FRF 1 500 000 000, 1996	5.25%	total	2002	229	229	229
– Private placements (Euro Medium Term Notes program):						
EUR 130 000 000, 2001	floating rate	–	2003	130	–	–
EUR 150 000 000, 2001	floating rate	–	2002	150	–	–
SDG 125 000 000, 2001	4.00%	total	2006	79	–	–
EUR 55 000 000, 2001	floating rate	–	2006	55	–	–
JPY 3 000 000 000, 2001	0.16%	–	2002	26	–	–
JPY 2 400 000 000, 2001	0.15%	–	2002	21	–	–
EUR 20 000 000, 2001	floating rate	–	2002	20	–	–
JPY 2 000 000 000, 2001	0.65%	total	2004	19	–	–
JPY 1 500 000 000, 2001	0.95%	total	2006	14	–	–
JPY 1 500 000 000, 2001	0.21%	total	2002	14	–	–
JPY 1 100 000 000, 2001	floating rate	–	2006	10	–	–
JPY 1 000 000 000, 2001	floating rate	–	2006	9	–	–
EUR 120 000 000, 2000	floating rate	–	2002	120	120	–
SGD 100 000 000, 2000	3.55%	–	2001	–	64	–
EUR 60 000 000, 2000	floating rate	–	2001	–	60	–
EUR 40 000 000, 2000	floating rate	–	2004	40	40	–
EUR 30 000 000, 2000	floating rate	–	2005	30	30	–
EUR 25 000 000, 2000	floating rate	–	2002	25	25	–
EUR 18 500 000, 2000	floating rate	–	2001	–	19	–
HKD 100 000 000, 2000	floating rate	–	2003	15	15	–
• Long-term finance-leases and rentals			2001 to 2006	178	166	147
• Other financial debts			2001 to 2009	1,508	1,217	1,546
				5,640	3,733	3,246
Less current portion (5)				(238)	(235)	(161)
Portion in excess of one year				**5,402**	**3,498**	**3,085**

Unless otherwise indicated, bonds are redeemable at par at maturity. All bonds issued in foreign currencies were transformed into euros through swaps, except the SGD 125,000,000 bond which was transformed into US dollars. The swaps mentioned here are those made upon issuance of the bonds and do not include subsequent interest-rate hedges.

(1) 2001 bond of EUR 850 million, bearing interest at the rate of 5.375%, issued as follows:
– first tranche of EUR 800 million issued at 99.616% of par value,
– second tranche de EUR 50 million, issued at 101.036% of par value.

(2) 2000 bond of EUR 600 million bearing interest at the rate of 5.75%, issued as follows:
– first tranche of EUR 400 million, issued at 99.513% of par value,
– second tranche de EUR 150 million, issued at 98.563% of par value,
– third tranche de EUR 50 million, issued at 98.846% of par value.

(3) 1999 bond of EUR 800 million, bearing interest at the rate of 5.00%, issued as follows:
– first tranche of EUR 500 million, issued at 99.515% of par value,
– second tranche de EUR 200 million, issued at 97.395% of par value,
– third tranche de EUR 100 million, issued at 96.653% of par value.

(4) Indexed bond issued at par linked to a benchmark LVMH stock price of EUR 42.33, fully redeemable on maturity at the greater of par value or the average of the last 10 stock prices before May 1, 2005, or redeemed in advance at the bondholder's request between May 15, 2002 and April 15, 2005 based on the LVMH stock price, or redeemed in advance at the bond issuer's request between April 15 and May 14 2002 at 150% of par value; this borrowing was fully swapped and transformed into non-indexed, floating-rate debt when issued.

(5) At December 31, 2001, unused long-term irrevocable credit lines exceeded EUR 1.7 billion. Due to these commitments, a fraction of the current portion of long-term debt was maintained under long-term debt, representing EUR 418 million.
In addition, due to the existence of renewal authorizations, part of short-term debt was reclassified under long-term debt, namely EUR 579 million (EUR 272 million at December 31, 2000, EUR 882 million at December 31, 1999).

15.2 Analysis by maturity dates and currency

(EUR millions)

Maturity dates	2001	Currency	2001	2000	1999
2002	238	EUR	4,720	3,307	2,262
2003	1,432	JPY	165	80	73
2004	1,120	USD	603	204	379
2005	980	CHF	5	22	495
2006	1,189	SGD	79	64	–
2007 and after	681	Other	68	56	37
	5,640		**5,640**	**3,733**	**3,246**

16. OTHER LONG-TERM LIABILITIES

(EUR millions)	2001	2000	1999
Liabilities for supplementary pension plans, early retirement plans, retirement bonus and healthcare benefits	256	217	159
Employee profit sharing plans	49	57	67
Contingency and loss provisions	548	658	440
Reorganization costs	160	64	124
Deferred payments on investments	114	49	–
Other liabilities	123	119	131
	1,250	**1,164**	**921**

17. REPACKAGED NOTES

Issuance dates		December 1990	February 1992
Par value (EUR millions)		762	229
Issuance price		At par value	At par value
Stated interest rate		EURIBOR 6 months + 0.45%	9.70%
Balance at December 31	2001	**195**	**89**
(EUR millions)	2000	245	101
	1999	294	112

In 1990 and 1992, LVMH issued, outside of France, two series of subordinated notes (“repackaged subordinated notes”), having the following conditions:

– repayable at par value only in the event of liquidation or voluntary dissolution of LVMH, except for that resulting from a merger or spin-off;
– principal payments subordinated to the full payment of all other creditors;
– possibility to suspend interest payments if specific financial ratios are not achieved.

In 1996, due to an amendment to the 1990 repackaged subordinated notes agreement which eliminated the second and third of the aforementioned conditions, these notes were reclassified in debt as repackaged notes. The repackaged subordinated notes issued in 1992 were simultaneously reclassified as a result of the pari-passu clause in their agreement.

Although there are no fixed repayments terms, the repackaged notes are recorded on the balance sheet for an amount that will be progressively reduced to a nil value at the end of a fifteen-year period, arising from agreements entered with third parties.

In accordance with these agreements and in return for an initial lump sum payment by LVMH, the third-party companies have promised to hold or to repurchase the notes from noteholders after a fifteen-year period, and have agreed to relinquish any rights for interest on these notes after that time.

According to these arrangements:

– the repackaged notes have been recorded in the balance sheet at issuance at their par value, after deduction of the aforementioned payments; each year, these notes are subject to an amortization corresponding to the interest yielded by these payments’ investment effected by the third party companies,
– the consolidated net result of each year is impacted by the interest expense borne on the par value, after the aforementioned amortization.

The 1990 repackaged notes, issued at a variable rate, have been swapped for fixed rate up to EUR 469 million; the 1992 repackaged notes, issued at a fixed rate, have been swapped for variable rate up to EUR 76 million.

18. MINORITY INTERESTS

(EUR millions)	2001	2000	1999
At January 1	**1,481**	**1,077**	**864**
– dividends paid to minority interests	(171)	(70)	(100)
– minority interests in income before unusual items	99	179	137
– minority interests in unusual items	(9)	62	18
– impact of changes in consolidation scope:			
• consolidation of Fendi (25.5% in 2000 and 51% in 2001)	184	183	–
• consolidation of La Samaritaine	150	–	–
• consolidation of De Pury & Luxembourg Art	43	–	–
• Diageo no longer accounted for by the equity method	–	–	103
• consolidation of Château d'Yquem	–	–	54
• other changes in consolidation scope	9	41	(18)
– foreign currency translation adjustment	14	9	19
At December 31	**1,800**	**1,481**	**1,077**

19. STOCKHOLDERS' EQUITY

At December 31, 2001, the number of outstanding shares, whose par value is EUR 0.3, totaled 489,901,115 (489,858,345 in 2000; 97,957,650 in 1999). Among the shares outstanding at December 31, 2001, 214,592,840 had double voting rights. Double voting rights are granted to nominal shares held for at least three years.

The change in the number of outstanding shares during the year is due to the exercise of stock options.

The authorized share capital at December 31, 2001, totaled 614,938,585.

The weighted average number of common shares for the 2001 financial year was 488,064,659 (484,800,930 in 2000; 483,157,146 in 1999) and 488,072,374 after dilution (484,886,474 in 2000, 483,445,278 in 1999).

In accordance with French law, dividends may only be declared on the parent company income for the current year and statutory retained earnings available for distribution. At December 31, 2001 the amount available for distribution, excluding proposed dividends for 2001 for EUR 160 million, totaled EUR 367 million, free of distribution tax (deduction at source).

20. STOCK OPTION PLANS

On May 25, 1992, the stockholders' meeting authorized the Board of Directors to grant stock options, under one or several plans, for the benefit of Group management or personnel up to a limit of 1.5% of the Company's share capital.
On June 8, 1995 the Board of Directors was authorized by the Shareholders' meeting to grant additional stock options, up to a limit of 3% of the Company's share capital. This authorization was renewed in the Shareholders' meeting of May 17, 2000 and will expire in five years on May 16, 2005.

Each plan is valid for 10 years; the options may be exercised after a 3 year period as from the date the plan is implemented. This mandatory period may be waived in certain cases, such as retirement.
However, the plan implemented in May 2001 for 44,669 employees of the Group (OPAL plan) is valid 8 years and the options may be exercised after a 4 year period.

For each plan, one option entitles the holder to purchase one LVMH share.

- Subscription plans:

Shareholders' Meeting	Grant date	Number of stock options granted(1)	Number of recipients	Exercise price (EUR) (2) (3)	Number of options exercised in 2001 (3)	Outstanding and exercisable at 31/12/2001 (3)
4 June 1987	20 March 1991	53,158	1,101	15.85	33,950	–
//	18 March 1992	47,498	861	20.89	8,820	40,855

- Purchase plans:

Shareholders' Meeting	Grant date	Number of stock options granted (1)	Number of recipients	Exercise price (EUR) (2) (3)	Number of options exercised in 2001 (3)	Outstanding and exercisable at 31/12/2001 (3)
25 May 1992	17 March 1993	49,681	548	15.40	6,210	64,135
//	16 March 1994	139,031	364	17.84	10,660	1,598,240
//	17 June 1994	1,250	1	17.68	–	7,565
//	22 March 1995	256,903	395	20.89	20,240	449,620
8 June 1995	30 May 1996	233,199	297	34.15	198,195	797,095
//	29 May 1997	233,040	319	37.50	56,910	1,127,810
//	29 January 1998	269,130	346	25.92	99,400	1,315,730
//	16 March 1998	15,800	4	31.25	–	86,900
//	20 January 1999	320,059	364	32.10	3,025	1,740,880
//	16 September 1999	44,000	9	54.65	–	220,000
//	19 January 2000	376,110	552	80.10	–	1,879,550
17 May 2000	23 January 2001	2,649,075	786	65.12	–	2,649,075
//	06 March 2001	40,000	1	63.53	–	40,000
//	14 May 2001	1,105,877	44,669	66.00	–	1,105,877
//	14 May 2001	552,500	4	61.77	–	552,500
//	19 September 2001	50,000	1	52.48	–	50,000

(1) Number of options at the plan's issuance not restated to reflect the subsequent adjustments resulting from the one-for-ten bonus shares in September 1991, July 1994 and June 1999, and the five-for-one nominal split in March 1994 and July 2000.
(2) Figures prior to the 1999 financial year are derived from the conversion into euros of data initially recorded in francs.
(3) Adjusted to reflect the transactions referred to in (1) above.

- Changes in number of stock options exercisable

	2001	2000	1999
Outstanding and exercisable as of January 1	**9,769,865**	**1,670,539**	**2,067,854**
Bonus share distribution	–	–	201,079
Five for one stock split	–	6,682,156	–
Granted	4,397,452	1,880,550	364,059
Exercised	(437,410)	(460,120)	(732,788)
Expired	(4,075)	(3,260)	(229,665)
Outstanding and exercisable as of December 31	**13,725,832**	**9,769,865**	**1,670,539**

21. SEGMENT INFORMATION BY BUSINESS GROUP

(EUR millions)	2001	2000	1999[1]
Net sales			
Wines and Spirits	2,232	2,336	2,240
Fashion and Leather Goods	3,612	3,202	2,295
Perfumes and Cosmetics	2,231	2,072	1,703
Watches and Jewelry	548	614	135
Selective retailing	3,475	3,287	2,162
Other activities and eliminations	131	70	12
Total	**12,229**	**11,581**	**8,547**
Income from operations			
Wines and Spirits	676	716	655
Fashion and Leather Goods	1,274	1,169	826
Perfumes and Cosmetics	149	184	146
Watches and Jewelry	27	59	5
Selective retailing	(194)	(2)	(2)
Other activities and eliminations	(372)	(167)	(83)
Total	**1,560**	**1,959**	**1,547**
Total assets[1]			
Wines and Spirits	4,352	4,572	4,568
Fashion and Leather Goods	4,619	3,342	2,434
Perfumes and Cosmetics	2,257	2,316	1,990
Watches and Jewelry	1,618	1,557	981
Selective retailing	4,878	5,063	4,164
Other activities and eliminations	6,108	6,342	6,597
Total	**23,832**	**23,192**	**20,734**
Inventories			
Wines and Spirits	2,018	1,953	1,901
Fashion and Leather Goods	395	280	284
Perfumes and Cosmetics	282	265	187
Watches and Jewelry	194	164	70
Selective retailing	590	657	504
Other activities and eliminations	176	63	(3)
Total	**3,655**	**3,382**	**2,943**

(1) 1999 figures have been restated to reflect the reclassification of TAG Heuer, Fred and Benedom in the Watches and Jewelry business group, Thomas Pink in the Fashion and Leather Goods group, and Sephora.com and e-Luxury in the Other Activities group.

22. INFORMATION BY GEOGRAPHICAL AREA

(EUR millions)	2001	2000	1999
Exports from French companies	3,582	3,261	2,881
Exports as a percentage of net sales of the French subsidiaries	65%	64%	64%
Net sales outside France as a percentage of total net sales	83%	85%	80%

The information below is presented on the basis of the subsidiaries' geographic locations and not on the basis of the final destination of products sold:

(EUR millions)	2001	2000	1999
Net sales			
France	5,519	5,110	4,481
Europe (excluding France)	2,375	2,105	1,276
U.S.A.	3,172	3,042	1,882
Japan	1,774	1,678	1,247
Asia (excluding Japan)	2,048	2,096	1,635
Other	566	562	428
Total	15,454	14,593	10,949
Eliminations	(3,225)	(3,012)	(2,402)
Total	**12,229**	**11,581**	**8,547**
Income from operations			
France	1,303	1,226	967
Europe (excluding France)	32	108	63
U.S.A.	(378)	(104)	9
Japan	312	272	208
Asia (excluding Japan)	267	412	258
Other	24	45	42
Total	**1,560**	**1,959**	**1,547**
Total assets			
France	12,311	12,168	12,338
Europe (excluding France)	4,169	4,493	3,069
U.S.A.	4,391	3,235	2,078
Japan	642	604	549
Asia (excluding Japan)	1,728	1,988	2,110
Other	591	704	590
Total	**23,832**	**23,192**	**20,734**

23. FINANCIAL EXPENSE – NET

(EUR millions)	2001	2000	1999
Interest expense	(658)	(628)	(291)
Interest income	192	198	49
Gains (losses) on sales of short-term investments	(33)	7	(9)
Short-term investments allowance	17	(17)	21
Exchange (gains) losses – net	23	19	3
	(459)	**(421)**	**(227)**

24. INCOME TAXES

24.1 Components of the income tax expense

(EUR millions)	2001	2000	1999
Current income taxes	(452)	(678)	(565)
Deferred income taxes	260	45	11
Total	**(192)**	**(633)**	**(554)**

24.2 Main components of the deferred income tax charge:

- **On the statement of income**

(EUR millionss)	2001	2000	1999
Deferred foreign exchange gains and losses	(21)	21	(3)
Inter-company profits included in inventories	1	20	14
Valuation differences	34	8	1
Contingency and loss provisions	(20)	(12)	(3)
Other adjustments and consolidation entries	30	21	5
Tax losses carried forward	246	–	1
Impact of income tax rate changes	(10)	(13)	(4)
(Expense) income for the year	**260**	**45**	**11**

- **On the balance sheet**

(EUR millions)	2001	2000	1999
Inter-company profits included in inventories	153	146	117
Valuation differences	(271)	(145)	(147)
Contingency and loss provisions	95	79	127
Consolidation adjustments (1)	26	96	28
Unrealized capital gains or losses	48	(8)	(8)
Tax losses carried forward	248	(4)	(4)
Other	76	(8)	(9)
Net deferred tax asset (liability)	**375**	**156**	**104**
of which: short-term deferred tax asset	544	266	273
long-term deferred tax liability	(169)	(110)	(167)

(1) mainly concerning regulated provisions and finance leasing

24.3 Reconciliation of the French statutory tax rate to the effective tax rate:

The reconciliation between the French statutory tax rate and the effective tax rate recorded in the consolidated financial statements, expressed as a percentage of income before income taxes, comprises the following:

	2001	2000	1999
French statutory tax rate	33⅓	33⅓	33⅓
– Temporary supplementary income tax applicable to French companies	3.2	2.8	3.5
– Differences in tax rates for foreign subsidiaries	(5.1)	(4.0)	(2.5)
– Subsidiary losses not included in a tax consolidation	(5.8)	8.6	6.2
– Differences between consolidated and taxable results, and impact of reduced tax rates	2.1	(3.8)	(2.2)
– Impact of withholding tax	1.0	0.5	0.3
Effective tax rate	**28.7**	**37.4**	**38.6**

In 1999, French companies were subject to a supplementary income tax of 20% of the basic rate, reduced to 13% in 2000 and to 9.3% in 2001. This supplementary income tax resulted in an additional tax expense of EUR 8 million for fiscal year 2001 (EUR 45 million in 2000 and EUR 50 million in 1999).

24.4 Tax losses carry forwards and deferred taxes

At December 31, 2001 LVMH has available unused operating loss carry-forwards of EUR 693 million (EUR 431 million in 2000; EUR 277 in 1999).

24.5 Tax consolidation:

- Tax sharing agreements allow certain French companies of the Group to combine their taxable results to determine the overall tax expense for which only the parent company is fully liable.
  The related tax consolidations, which principally concern the LVMH parent company and Moët Hennessy, permitted tax savings of EUR 310 million in 2001 (EUR 59 million in 2000; EUR 26 million in 1999).

- The application of other tax sharing agreements in certain foreign countries, notably in the U.S and in Great Britain, provided an additional tax savings of EUR 51 million 2001 (EUR 40 million in 2000, EUR 13 million in 1999).

25. AMORTIZATION OF GOODWILL

(EUR millionss)	2001	2000	1999
– Consolidated companies	(160)	(141)	(102)
– Investments accounted for using the equity method	(8)	–	–
TOTAL	**(168)**	**(141)**	**(102)**

Also refer to Note 26, Unusual Items, for the goodwill amortization expense recorded in that account.

26. UNUSUAL ITEMS

In 2001:

Unusual items include earnings of EUR 864 million related to the investment in Gucci stock, including a capital gain of EUR 774 million from the sale of this investment and an exceptional dividend of EUR 90 million recorded during the fourth quarter of the year. Unusual items also include a reorganizng provision of EUR 446 million, including EUR 385 million for Selective Retailing. Exceptional asset depreciation or amortization expenses of EUR 480 million were also recorded, including EUR 323 million for DFS goodwill, EUR 82 million for the Bouygues investment and EUR 60 million for media and telecommunications investments. Additionally, is included an expense of EUR 141 million relating to the sale of the Group's controlling interest in Phillips, de Pury & Luxembourg to its current management; this expense mainly corresponds to the full amortization of related goodwill.
Unusual items are presented net of their positive impact on taxes, representing EUR 71 million.

In 2000:

Unusual items include capital gains from sale of shares, particularly of Diageo shares, amounting to EUR 124 million, EUR 87 million set aside against unconsolidated investments or funds in the e-business activity, and exceptional costs incurred to develop the Phillips business and promote its image for EUR 57 million .

In 1999:

Unusual items include the net income of EUR 315 million, realized in April as a result of the Diageo share buyback program to which LVMH contributed approximately 143 million shares, and a provision of EUR 37 million relating to the residual interest.
Unusual items also include EUR 66 million for indirect acquisition costs of shareholdings, EUR 53 million for the impairment of assets, primarily intangibles and provisions of approximately EUR 68 million relating to the reorganization costs of the Fashion business group and other logistics reorganization costs.

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* *

For 1999 and 2000, the balance of "unusual items" not detailed above corresponds to changes in contingency and loss provisions.

27. EXPOSURE TO FOREIGN EXCHANGE AND INTEREST RATE RISKS

27.1 Financial instruments

Financial instruments are used to hedge risks in connection with Group activity. Management of these instruments, most often traded on organized or comparable markets, is centralized. The counterparts are chosen according to their international rating, as well as for diversification reasons.

- **Foreign-exchange risk:**
  - Group subsidiaries carry out a significant portion of their sales and occasionally their purchases in foreign currencies. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the various companies own currencies. They are designated to either accounts receivable or accounts payable, or, within certain limits, to anticipated future transactions.
  - The Group may also use appropriate financial instruments to hedge net investment in, or dividends to be received from, foreign subsidiaries, with the objective of limiting the effect of changes in foreign currency fluctuations as compared to the euro on consolidated stockholders' equity.
  - In order to reduce the impact of exchange rate differences on the level of consolidated revenues and net income, LVMH may also, from time to time, use financial instruments that are not designated as hedges. The revaluation of those financial instruments at their market value reduces the effect of currency fluctuations.
- **Interest-rate risk:**

  Hedging instruments are linked to specific financial debt. Each instrument has a due date that falls on or before the maturity of the corresponding debt and the same nominal value as the hedged debt.

The accounting method used for these instruments is described in the accounting policies in Note 1.3.

1. Hedges of foreign-exchange risks

Total outstanding hedges as of December 31, 2000 for all currencies, by nature and amount, are as follows:

(in millions of euros, translated using exchnage rates as of December 31)	Amount of designated hedges 2001	2002	2003	Deferred gains/ (losses) net of tax
• **Instruments that hedge operating transactions**				
Forward sales contracts:				
– USD	113	14	–	–
– JPY	–	3	–	–
– Other	–	51	2	1
	113	68	2	1
Options:				
– USD	50	1,082	302	–
– JPY	–	540	103	–
– Other	–	111	10	74
	50	1,733	415	74
Total	**163**	**1,801**	**417**	**75**
• **Instruments that hedge financing transactions**				
– Net assets and dividends:				
Forward sales contracts	75	–	–	–
Options	–	82	–	5
– Other operations:				
Forward sales contracts	37	–	–	–
Options	(106)	–	–	–
Total	**6**	**82**	**–**	**5**

At December 31, 2000, deferred income (net of tax) amounted to EUR 132 million (EUR 186 million of deferred expenses in 1999).

2. Hedges of interest-rate risk

Hedges outstanding as of December 31, 2001 by nature and notional amount are as follows:

(EUR millions)	Maturities Less than 1 year	1 to 5 years	5 to 10 years
Fixed rate swaps	469	–	–
Variable rate swaps	3,919	3,122	711
Caps bought	966	2,689	–
Floors sold	–	350	–

Taking into consideration the above instruments, fixed-rate debt (including the repackaged notes) represents approximately 33% of total consolidated debt.
In these conditions, an interest rate fluctuation of 1% would impact the net income by EUR 61 million.

27.2 Translation of foreign subsidiaries accounts

The portion of the consolidated net income (before unusual items) deriving from foreign subsidiaries which prepare their financial statements in British pounds, Japanese yens, U.S. dollars and currencies linked to the U.S. dollar amounts to EUR 537 million. Taking into account the translation effect alone, a 10% change in exchange rates for these currencies would have an impact of EUR 17 million on income from operations and an impact of EUR 54 million on net income.

28. LEASE COMMITMENTS

At December 31, 2001, a total number of 1,501 stores were used by the group worldwide, particularly for the Fashion and Leather Goods and Selective Retailing business groups.
In a large number of countries, rentals for these stores are contingent on payment of minimal amounts, especially when the leases include revenue-indexed rent clauses; this is particularly valid in cases where airport concession fees are paid. In addition, the leases may also include non-adjustable minimum terms.
The Group also finances part of its equipment through simple long-term operating leases.
Lastly, some fixed assets or industrial equipment have been bought or are now covered by finance-lease or lease-back agreements.

At December 31, 2001, the breakdown of future non-cancelable commitments arising from these arrangements is as follows:

(EUR millions)	Operating leases	Concession fees	Capital leases
2002	287	278	99
2003	243	257	31
2004	226	185	11
2005	213	152	9
2006	187	53	9
2007 and subsequent years	781	116	33
Total minimum lease commitments	1,937	1,041	192
Less amounts representing interest	–	–	(14)
Present value of net minimum lease commitments	**1,937**	**1,041**	**178**

Rental expense for all operating leases (net of subleasing effects) is as follows:

(EUR millions)	2001	2000	1999
Minimum lease payments	509	446	151
Effect of escalation clauses	(6)	–	–
	503	**446**	**151**

29 COMMITMENTS, CONTINGENCIES AND LITIGATIONS IN PROCESS AT YEAR END

- In the Wines and Spirits business group, some companies have contractual arrangements with various growers to supply a portion of their future requirements for grapes or distilled alcohol. Based upon either contractual prices or latest current market prices and anticipated yields, these commitments amounted to EUR 413 million at December 31, 2001 (407 in 2000; 287 in 1999); they principally concern the supplies for 2002 and 2003.

- Contractual commitments entered into by the Group to purchase minority interests in consolidated subsidiaries or additional interest in unconsolidated subsidiaries mainly result from the agreement signed on January 20, 1994 between LVMH and Diageo (ex-Guinness). According to this agreement, LVMH committed to repurchase the Diageo 34% investment in Moët Hennessy, with a six-month notice and for an amount equal to 80% of the investment value at the date of notice.
  At the agreement date, the Diageo investment in Moët Hennessy was assessed at more than EUR 1.2 billion.

  The other commitments to purchase minority interests in consolidated subsidiaries, additional interest in unconsolidated investments or to pay potential earnouts total EUR 975 million.

- The Group has committed the amount of EUR 80 million at December 31, 2001 (EUR 111 million in 2000; EUR 65 million in 1999) to purchase property, plant and equipment, of which EUR 11 million are related to the purchase of casks over a three-year period.

- In the ordinary course of its business, the Group is a party from time to time to legal proceedings and claims involving trademarks and intellectual property, selective distribution agreements, licensing, employees relations, tax audits and other matters incidental to its business. The Group estimates that the provisions included in the balance sheet, related to litigation and contingent liabilities known or in-process at December 31, 2001, are sufficient to cover any unfavorable outcome, so that the Group financial position would not be significantly affected.

- Deposits, pledges and other guarantees given amount to EUR 229 million at December 31, 2001. Guarantees received total EUR 15 million.

30. RESEARCH AND DEVELOPMENT COSTS

Research and development costs related to scientific research and new product development amounted to EUR 27 million 2001 (EUR 21 million 2000; EUR 26 million in 1999).These amounts cover scientific research and new product creation.

Research and development costs extended to packaging and design amounted to EUR 37 million in 2001 (EUR 40 million in 2000; EUR 37 million in 1999).

31. EMPLOYEE INFORMATION

31.1 Payroll costs

- Payroll costs totaled EUR 2,242 million (1,989 in 2000; 1,391 in 1999).

- In accordance with the law, all French companies employing more than 50 people are required to have a profit-sharing scheme. Amounts are usually distributed in proportion to salaries.
  Most French companies of the Group have set up incentive schemes based on sales, earnings and productivity targets. Amounts are also generally distributed in proportion to salaries.

  The total cost recorded for profit sharing and incentive schemes in 2001 amounted to EUR 54 million (EUR 55 in 2000, EUR 42 million in 1999).

31.2 Headcount

The average headcount in 2001 was 53,173 (47,420 in 2000; 38,282 in 1999).

The following table sets forth the number of employees, by job category, as of December 31:

By business group activity	2001	2000	1999
Wines and Spirits	5,089	5,154	4,992
Fashion and Leather Goods	13,402	11,006	9,116
Perfumes and Cosmetics	13,087	12,758	11,800
Watches and Jewelry	2,233	1,830	929
Selective retailing	18,542	18,540	13,512
Other activities	1,442	1,839	886
TOTAL	**53,795**	**51,127**	**41,235**
By geographical zone			
France	19,700	18,374	17,293
Europe (excluding France)	10,114	9,088	6,336
U.S.A.	12,019	12,071	7,796
Japan	3,462	2,918	2,412
Asia (excluding Japan)	8,500	8,676	7,398
TOTAL	**53,795**	**51,127**	**41,235**
By category			
Labor and production	9,027	8,333	7,484
Office and clerical	30,820	29,105	23,406
Technicians	4,995	4,630	4,005
Executives and management	8,953	9,059	6,340
TOTAL	**53,795**	**51,127**	**41,235**

31.3 Compensation of directors and officers

In 2001, LVMH paid a total of EUR 732,000 in Director's fees to members of its Board of Directors.

Remuneration paid to the members of the Board of Directors and to members of the Executive Committee, representing a total of 20 individuals, amounted to EUR 850,000 and EUR 36 million, respectively.

31.4 Pension costs

Pension costs recorded in 2001, for pension plans and retirement health insurance plans managed by the Group, totaled EUR 36 million (58 million in 2000; 10 million in 1999).

32. SUBSEQUENT EVENTS

- In February 2002, a draft agreement was drawn up between LVMH and the managers of Phillips, de Pury & Luxembourg, Mrs. Daniella Luxembourg and Mr. Simon de Pury, who on that date held 25% of Phillips. Under the terms of this agreement, which should be implemented as from April 2002:
  - LVMH will transfer the control of Phillips to its managers, decreasing its stake from 75 to 27.5%.
  - prior to this, a certain number of operations will be carried out by LVMH, particularly; capitalization of the new holding company, relinquishing of part of the financing and takeover of some of Phillips' assets. Financial support will also be set up to ensure future trade development.

  A total expense of EUR 141 million was recorded as an unusual item as of December, 31 2001 to reflect the impairment of the Phillips assets, notably the full depreciation of the Phillips goodwill previously recorded.

- In April 2002, the sale of the Pommery champagne brand to the Vranken Monopole Group was completed. The sale also comprises the production and administrative sites, the cellars, the related champagne stock and supply contracts. LVMH will retain the Pommery vineyards.

33. RESTATEMENTS TO US GAAP

For information purposes, the main elements required to reconcile net income and shareholders' equity under French accounting standards to US GAAP, as they will be presented in the company's form 20F, are described below.

Derivative instruments: SFAS 133, in force since January 1, 2001, requires recording of all derivative instruments at their fair value including "embedded" derivatives. Changes in fair value are booked in the income statement except for changes relating to derivatives that are considered to be hedges as defined by SFAS 133. Since the Group did not formally comply with the required documentation criteria needed to define its derivatives as hedges as of January 1, 2001, the changes in value of all its derivatives and embedded derivatives will affect the Group's income statement under US accounting standards.

Short-term equity investments: In the Group's accounts prepared under French accounting standards, unconsolidated investments in listed companies are recorded at historical cost. A write-down is booked when the investment is recognized to have suffered a durable loss of value. Under SFAS 115, these equity investments are reported at their closing market value, with net unrealized gains and losses being allocated to an equity account until final disposition of the investment. However, losses deemed to be other than temporary in nature are recorded in the income statement.

Treasury shares: LVMH treasury shares, which appear as an asset on the balance sheet under French accounting standards, are booked as a reduction of shareholders' equity under US GAAP. Any capital gains or losses and write-downs recognized in the income statement under French rules are thus restated in shareholders' equity under US GAAP.

Restructuring provisions: Certain provisions booked in the Group's financial statements do not satisfy the formal conditions for such provisions under US GAAP.

Brand depreciation: Brands, which are not depreciated in the Group's financial statements under French accounting rules, are depreciated over a 40-year period under US GAAP.

Transactions with companies with controlling interest in LVMH group: Equity investments in companies with controlling interest in LVMH are booked at their fair value in the Group's financial statements presented under French accounting standards. These transactions are recorded based on the historical carrying value of the transferred assets in the accounts prepared under US GAAP.

Write-down of DFS goodwill: In 2001, LVMH calculated the exceptional write-down of DFS goodwill based upon its carrying value under the historical exchange rate as permitted under French GAAP. Under US GAAP, the exceptional write-down is determined based upon the carrying value as translated at the current rate.

CONSOLIDATED COMPANIES AT DECEMBER 31, 2001

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	PERCENTAGE INTEREST
WINES AND SPIRITS			
Champagne Moët & Chandon SA	Epernay, France	100%	66%
Champagne Mercier SA	Epernay, France	100%	66%
Champagne Ruinart SA	Reims, France	100%	66%
Champagne Ruinart U.K. Ltd	Newhaven, United Kingdom	100%	66%
France Champagne SA	Epernay, France	100%	66%
De Fresnoy SA	Epernay, France	100%	66%
Moët Hennessy UK Ltd	London, United Kingdom	100%	66%
Chandon SA Espagne	Sant Cugat, Spain	100%	66%
Moët & Chandon SA (Suisse)	Geneva, Switzerland	100%	66%
Domaine Chandon, Inc.	Yountville (California), U.S.A.	100%	66%
M Chandon do Brasil Ltda	Sao Paulo, Brazil	100%	66%
Bodegas Chandon SA	Buenos Aires, Argentina	100%	66%
Domaine Chandon Australia, Pty Ltd.	Coldstream Victoria, Australia	100%	66%
Champagne Ruinart GmbH	Francfort, Germany	100%	66%
Champagne Des Moutiers SA	Oiry, France	100%	66%
Schieffelin Partner Inc.	New York, U.S.A.	100%	66%
Moët Hennessy Mexico	Mexico, Mexico	100%	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	100%	66%
Moët Hennessy Italia SpA	Turin, Italy	100%	66%
Schieffelin & Sommerset Inc.	New York, U.S.A.	100%	66%
Schieffelin & Co Inc.	New York, U.S.A.	100%	66%
MH UDV France SA	Paris, France	100%	66%
Deux Rivieres General Partnership	Yountville (California), U.S.A.(2)	100%	15%
Champagne Pommery & Greno SA	Reims, France	100%	66%
Chamfipar SA	Reims, France	100%	66%
Champagne Pommery SA	Reims, France	100%	66%
Pommery Distribution SA (Suisse)	Vevey, Switzerland	100%	66%
Pommery GmbH	Munich, Germany	100%	66%
Pommery Belgium SA	Brussels, Belgium	100%	66%
Veuve Clicquot Ponsardin SA	Reims, France	100%	66%
Champagne Canard-Duchêne SA	Ludes, France	100%	66%
Société Civile des Crus de Champagne	Reims, France	100%	66%
Neggma SA	Reims, France	50%	33%
Veuve Clicquot U.K.	London, United Kingdom	100%	66%
Veuve Clicquot Import GmbH	Wiesbaden, Germany	100%	66%
Veuve Clicquot Suisse SA	Geneva, Switzerland	100%	66%
Clicquot Inc.	New York, U.S.A.	100%	66%
Cape Mentelle Vineyards Ltd.	Margaret River, Australia	100%	66%
Veuve Clicquot Properties, Pty Ltd.	Sydney, Australia	100%	66%
Cloudy Bay Vineyards Ltd	New Zealand	100%	66%
Scharffenberger Cellars Inc.	Napa Valley (California) U.S.A.	100%	66%
Marques Champagne Spiritueux GIE	Brussels, Belgium(2)	100%	66%
Paragon Vintners Ltd	London, United Kingdom	100%	66%
Veuve Clicquot do Brasil Ltda	Sao Paulo, Brazil	100%	66%
Krug SA	Reims, France	100%	66%
Veuve Clicquot Japan KK	Tokyo, Japan	100%	66%
David and Adam Wynn Pty Ltd	Wayville, Australia	90%	59%
Newton Vineyards LLC	St Helena (California), U.S.A.	60%	40%
Clicquot Asia Ltd	Hong Kong	100%	66%
Clicquot Hong Kong Ltd	Hong Kong	100%	66%
Clicquot Singapore (Pte) Ltd	Singapore	100%	66%
Olivier Supplies (Malaysia) Sd	Ampang, Malaysia	100%	66%
Olivier Taiwan Ltd	Taipei, Taiwan	100%	65%
P.T. Protara Boga Indonesia	Jakarta, Indonesia	60%	40%
Château d'Yquem SA	Sauternes, France	64%	64%
Château d'Yquem SC	Sauternes, France	65%	65%
Jas Hennessy & Co SA	Cognac, France	100%	65%
Thomas Hine & Cie SA	Jarnac, France	100%	65%
DMJ Holdings BV	Amsterdam, Netherlands(3)	67%	44%
UD Moët Hennessy BV	The Hague, Netherlands(3)	100%	66%
Hennessy Dublin Ltd.	Dublin, Ireland	100%	65%
Edward Dillon & Co Ltd.	Dublin, Ireland(2)	33%	22%
Hennessy Far East Ltd.	Hong Kong	100%	65%
Riche Monde Orient Limited	Hong Kong(3)	75%	49%
Riche Monde Hong Kong Ltd.	Hong Kong(3)	100%	49%
Riche Monde (China) Ltd	Hong Kong	100%	49%
Moët Hennessy UDG (Far East) Ltd.	Hong Kong(3)	100%	66%
Riche Monde Singapour Pte Ltd.	Singapore(3)	100%	66%
Riche Monde Malaisie Inc.	Petaling Jaya, Malaysia(3)	50%	33%
Riche Monde Taïpei Ltd.	Taïpei, Taïwan(3)	100%	49%
Riche Monde Bangkok Ltd.	Bangkok, Thailand(3)	100%	66%
Moët Hennessy Korea Ltd.	Seoul, South Korea	100%	65%
Moët Hennessy Shanghai Ltd	Shanghai, China	100%	66%
Moët Hennessy India pvt. Ltd	New Dehli, India	100%	66%
Moët Hennessy Taiwan	Taiwan	100%	65%
Moët Hennessy Netherland BV	Naarden, Netherlands	100%	66%
Jardine Wines & Spirits KK	Tokyo, Japan(3)	100%	44%
Moët Hennessy Asia Pte Ltd.	Singapore	100%	65%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier SA	Paris, France	100%	100%
SNC Société des Ateliers Louis Vuitton	Paris, France	100%	100%
SNC Société Louis Vuitton Services	Paris, France	100%	100%
SNC Société des Magasins Louis Vuitton – France	Paris, France	100%	100%
Louis Vuitton Monaco SA	Monte Carlo, Monaco	100%	100%
Louis Vuitton U.K. Ltd.	London, United Kingdom	100%	100%
Louis Vuitton Deutschland GmbH	Düsseldorf, Germany	100%	100%
Louis Vuitton Espana SA	Madrid, Spain	100%	100%
Catalana Talleres SA	Barbera del Valles, Spain	100%	100%
Louis Vuitton Netherlands BV	Amsterdam, Netherlands	100%	100%
Louis Vuitton Belgique SA	Brussels, Belgium	100%	100%
Louis Vuitton Italia SpA	Milan, Italy	100%	100%
Lucina Srl	Milan, Italy	100%	100%
Louis Vuitton Hellas SA	Athens, Greece	100%	100%
Louis Vuitton Portugal, Maleiro, LdA.	Lisbon, Portugal	100%	100%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	100%	100%
Louis Vuitton Suède	Stockholm, Sweden	100%	100%
Louis Vuitton Suisse SA	Geneva, Switzerland	100%	100%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	100%	100%
Louis Vuitton GesmbH	Vienna, Austria	100%	100%
Louis Vuitton Cantacilik Ticaret, Anonim Sirketi	Istanbul, Turkey	100%	100%
Louis Vuitton US Manufacturing, Inc.	San Dimas (California), U.S.A.	100%	100%
Louis Vuitton Hawaii, Inc.	Honolulu (Hawaii), U.S.A.	100%	100%
Atlantic Luggage Company, Ltd	Hamilton, Bermuda	40%	40%
Louis Vuitton Guam, Inc.	Agana, Guam	100%	100%
Louis Vuitton Saipan, Inc.	Saipan, NMI	100%	100%
San Dimas Luggage Company	San Dimas (California), U.S.A.	100%	100%
Louis Vuitton Distribuçao Ltda	Brasilia, Brazil	100%	100%
Louis Vuitton Mexico, SA de CV	Mexico, Mexico	100%	100%
Louis Vuitton Chili Ltda.	Santiago, Chile	100%	100%
Louis Vuitton Pacific Ltd.	Hong Kong	100%	100%
Louis Vuitton Hong Kong Ltd.	Hong Kong	100%	100%
Louis Vuitton Singapore Pte Ltd.	Singapore	100%	100%
Louis Vuitton Malaysia Sdn Berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%
Louis Vuitton Taïwan Ltd.	Taïpei, Taïwan	90%	90%
Louis Vuitton Comete Services Ltd.	Taïpei, Taïwan	90%	90%
Louis Vuitton Australia, Pty Ltd.	Melbourne, Australia	100%	100%
Louis Vuitton New Zealand Ltd.	Auckland, New Zealand	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	PERCENTAGE INTEREST
Louis Vuitton Cup New Zealand, Ltd	Auckland, New Zealand	100%	100%
Louis Vuitton Koweït	Kuweït	60%	60%
Louis Vuitton UAE	Dubai, United Arab Emirates	65%	65%
Louis Vuitton Saoudi Arabia LLC	Jeddah, Saudi Arabia	65%	65%
Louis Vuitton Korea, Ltd.	Seoul, South Korea	100%	100%
Louis Vuitton Argentine SA	Buenos Aires, Argentina	100%	100%
Louis Vuitton Colombian Corp.	Bogota, Colombia	100%	100%
Louis Vuitton Maroc SARL	Casablanca, Marocco	100%	100%
Louis Vuitton Venezuela SA	Caracas, Venezuela	100%	100%
Louis Vuitton Multimedia Inc	New York, U.S.A.	100%	100%
Louis Vuitton Japan KK	Tokyo, Japan	100%	99%
Louis Vuitton N.A, Inc.	New York, U.S.A.	100%	100%
Louis Vuitton Canada Inc.	Toronto, Canada	100%	100%
Marc Jacobs International LLC	New York, U.S.A.	80%	87%
Marc Jacobs Inc.	New York, U.S.A.	100%	100%
Marc Jacobs Trademark LLC	New York, U.S.A.	33%	33%
Loewe SA	Madrid, Spain	100%	100%
Fashion Holding SA	Madrid, Spain	100%	100%
Perfumes Loewe	Madrid, Spain	100%	100%
Loewe Hermanos SA	Madrid, Spain	100%	100%
Lopena SA	Madrid, Spain	100%	100%
Manufacturas Loewe SA	Barcelona, Spain	100%	100%
SNC Loewe International	Paris, France	100%	100%
SNC Loewe France	Paris, France	100%	100%
Loewe Hermanos (U.K) Ltd.	London, United Kingdom	100%	100%
Loewe Saïpan Inc.	Saïpan, NMI	100%	100%
Loewe Guam, Inc	Agana, Guam	100%	100%
Loewe Hawaii, Inc.	Honolulu (Hawaii) U.S.A.	100%	100%
Loewe Hong Kong Ltd.	Hong Kong	100%	100%
Loewe Japan KK	Tokyo, Japan	93%	92%
Loewe Fashions (Singapore) Pte Ltd.	Singapore	100%	100%
Loewe Malaysia Sdn berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%
Loewe Taïwan Ltd.	Taïpei, Taïwan	100%	90%
Loewe Australia, Pty Ltd.	Sydney, Australia	100%	100%
Loewe Deutschland GmbH	Germany	100%	100%
Serrano Inc.	New York, U.S.A.	100%	100%
Berluti SA	Paris, France	100%	100%
Société Distribution Robert Etienne	Paris, France	100%	100%
Stefanobi Srl	Milan, Italy	100%	100%
Michael Kors Inc	New York, U.S.A.(2)	36%	36%
Céline SA	Paris, France	100%	100%
Avenue M International SCA	Paris, France	100%	100%
Enilec Gestion SARL	Paris, France	100%	100%
Céline Montaigne SA	Paris, France	100%	100%
Céline Monaco SA	Monte Carlo, Monaco	100%	100%
Céline Italia Srl	Florence, Italy	100%	100%
Céline Production Srl	Florence, Italy	100%	100%
Camoï SpA	Rome, Italy	100%	100%
Céline Suisse SA	Geneva, Switzerland	100%	100%
Céline U.K. Ltd.	London, United Kingdom	100%	100%
Céline Inc.	New York, U.S.A.	100%	100%
Céline Japon KK	Tokyo, Japan	100%	100%
Céline Ltd (Hong Kong)	Hong Kong	100%	99%
Céline Pte Ltd. (Singapour)	Singapore	100%	100%
Céline Guam Inc.	Tamaning, Guam	100%	100%
Céline Ltd. (Saïpan)	Saïpan, NMI	100%	100%
Céline Australia, Pty Ltd.	Sydney, Australia	100%	100%
Céline Hawaï Inc	Hawaï, U.S.A.	100%	100%
Céline Korea Ltd	Seoul, South Korea	100%	100%
Céline Taïwan Ltd	Taïpei, Taïwan	51%	51%
Parfums Céline SNC	Paris, France	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	PERCENTAGE INTEREST
Kenzo Paris SA	Paris, France	100%	100%
Kenzo Homme SA	Paris, France	60%	60%
Modulo SA	Montbazon, France	100%	100%
Kami SA	Montbazon, France	100%	100%
Fleurus Mode GmbH	Berlin, Germany	100%	100%
Florixelles SA	Brussels, Belgium	100%	100%
Kenzo KK Japon	Tokyo, Japan	100%	100%
Kenzo UK.	London, United Kingdom	100%	100%
Fleurus of America Corp.	Wilmington (Delaware), U.S.A.	100%	100%
Florimadrid SA	Madrid, Spain	100%	100%
Kenzo Hommes UK	London, United Kingdom	100%	60%
Kenzo Japan	Tokyo, Japan	100%	66%
Givenchy SA	Paris, France	100%	100%
Gentleman Givenchy SA	Paris, France	100%	100%
Givenchy Corporation	New York, U.S.A.	100%	100%
Givenchy Boutique Co Ltd.	Tokyo, Japan	100%	100%
Givenchy Co Ltd	Japan	100%	100%
Gentleman Givenchy Far East Ltd.	Hong Kong	100%	100%
Givenchy Italie (Mirvat)	Rome, Italy	100%	100%
Givenchy China – Hong Kong	Hong Kong	51%	51%
Christian Lacroix SNC	Paris, France	100%	100%
Gabrielle Studio Inc	New York, U.S.A.	100%	100%
Louis Vuitton Prada BV	Amsterdam, Netherlands(1)	100%	100%
Fendi International BV	Amsterdam, Netherlands(1)	51%	51%
Fendi International France SA	Paris, France(1)	100%	51%
Fendi SA Luxembourg	Luxembourg(1)	100%	51%
Fendi Srl	Rome, Italy(1)	100%	51%
Fendissime Srl	Rome, Italy(1)	100%	51%
Fendi Servizi Srl	Rome, Italy(1)	100%	51%
Fendi Adele Srl	Rome, Italy(1)	100%	51%
Fendi Industrie Srl	Firenze, Italy(1)	100%	51%
Fendi Italie Srl	Rome, Italy(1)	100%	51%
Fendi UK	London, United Kingdom(1)	100%	51%
Fendi France SA	Paris, France(1)	100%	51%
Fendi Japan K.K.	Tokyo, Japan(1)	70%	36%
Fendi Hawaii, Inc	Honolulu, U.S.A.(1)	50%	26%
Fendi Stores	New York, U.S.A.(1)	100%	51%
Fendi Australia Pty Ltd	Sydney, Australia(1)	100%	51%
Fendi Guam	Tumon, Guam(1)	100%	51%
Fendi Saipan Inc	Saïpan, NMI(1)	100%	51%
Fendi (Thailand) Company Ltd	Bangkok, Thailand(1)	100%	51%
Fendi Asia Pacific Limited	Hong Kong(1)	100%	51%
Fendi Korea Ltd	Seoul, Korea(1)	100%	51%
Fendi Taiwan Ltd	Taipei, Taiwan(1)	100%	38%
Fendi Retail Shops	New York, U.S.A.(1)	100%	51%
Thomas Pink Holdings Ltd	London, United Kingdom	70%	70%
Thomas Pink Ltd	Edinburgh, United Kingdom	100%	70%
Thomas Pink BV	Rotterdam, Netherlands	100%	70%
Thomas Pink Inc	Delaware, U.S.A.	100%	70%
Thomas Pink Ireland Ltd	Dublin, Ireland	100%	70%
Thomas Pink Belgium SA	Brussels, Belgium	100%	70%
Thomas Pink France SAS	Paris, France	100%	70%
LVMH Fashion Group Services SAS	Paris, France	100%	100%
Belle Jardinière SA	Paris, France	100%	100%
Belle Jardinière Immo SAS	Paris, France	100%	100%
LVMH Fashion (Shanghai) Trading Co, Ltd	Hong Kong	100%	100%
LVMH Fashion Group Japan	Tokyo, Japan	100%	100%
LVMH Fashion Group Industria SRL	Milan, Italy	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	INTEREST
PERFUMES ANS COSMETICS			
Parfums Christian Dior SA	Paris, France	100%	100%
Iparkos Company Ltd	Bangkok, Thailand	49%	49%
Parfums Christian Dior Brésil Ltda	Sao Paulo, Brazil	100%	99%
Parfums Christian Dior Argentine SA	Buenos Aires, Argentina	100%	100%
Parfums Christian Dior China LLC	Shanghai, China	100%	100%
Parfums Christian Dior Finlande	Helsinki, Finland	100%	100%
GIE LVMH PC Recherche	Paris, France	100%	100%
GIE Parfums et Cosmétiques Information Services – PCIS	Paris, France	100%	100%
SNC du 33 avenue Hoche	Paris, France	100%	100%
Parfums Christian Dior (U.K) Ltd.	London, United Kingdom	100%	100%
Parfums Christian Dior	Rotterdam, Netherlands	100%	100%
Iparkos BV	Rotterdam, Netherlands	100%	100%
Parfums Christian Dior GmbH	Düsseldorf, Germany	100%	100%
Laboratorios Farlabo SA	Madrid, Spain(2)	25%	25%
Distribuidora Farlabo SA	Madrid, Spain	100%	100%
Parfums Christian Dior	Brussels, Belgium	100%	100%
Parfums Christian Dior SpA	Pisa, Italy	100%	100%
Parfums Christian Dior Ireland Ltd.	Dublin, Ireland	100%	100%
Diorfil SA	Athens, Greece	100%	100%
Parfums Christian Dior.	Zurich, Switzerland	100%	100%
Christian Dior Perfumes, Inc.	New York, U.S.A.	100%	100%
Parfums Christian Dior Canada, Inc.	Montreal, Canada	100%	100%
Perfumes Christian Dior de Mexico, SA de CV	Mexico, Mexico	100%	100%
Parfums Christian Dior KK	Tokyo, Japan	100%	100%
Parfums Christian Dior Singapour Pte Ltd.	Singapore	100%	100%
Inalux SA	Luxembourg	100%	100%
Parfums Christian Dior Far East Ltd.	Hong Kong	100%	100%
Fa Hua Taïwan Ltd.	Taïpei, Taiwan	100%	100%
Parfums Christian Dior China Co, Ltd.	Shangaï, China	100%	100%
Koluxe Parfums Dior Ltd.	Seoul, South Korea	75%	75%
Parfums Christian Dior Hong Kong Ltd.	Hong Kong	100%	100%
Parfums Christian Dior Malaisie Sdn berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%
Fa Hua Hong Kong Co, Ltd.	Hong Kong	100%	100%
Pardior de Mexico SA de CV	Mexico, Mexico	100%	100%
Parfums Christian Dior (Danemark)	Copenhagen, Denmark	100%	100%
Parfums Christian Dior Australia Pty Ltd	Sydney, Australia	100%	100%
Parfums Christian Dior A/S (Norvège)	Hoevik, Norway	100%	100%
Parfums Christian Dior AB	Stockholm, Sweden	100%	100%
Parfums Christian Dior New Zealand Ltd	Auckland, New Zealand	100%	100%
Parfums Christian Dior Autriche Gesmbh	Vienna, Austria	100%	100%
Parfums Christian Lacroix Allemagne	Düsseldorf, Germany	100%	100%
Cosmetic of France Inc	New York, U.S.A.	100%	100%
Guerlain SA	Paris, France	100%	100%
Guerlain Parfumeur GmbH	Wiesbaden, Germany	100%	100%
Guerlain GesmbH	Vienna, Austria	100%	100%
Cofra GesmbH	Vienna, Austria	100%	100%
Guerlain SA (Belgique)	Fleurus, Belgium	100%	100%
Guerlain SAE	Madrid, Spain	100%	100%
Oy Guerlain AB	Helsinki, Finland	100%	100%
Guerlain SpA	Milan, Italy	100%	100%
Guerlain Ltd	Perivale, United Kingdom	100%	100%
Guerlain de Portugal Lda.	Lisbon, Portugal	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	INTEREST
Guerlain SA (Suisse)	Geneva, Switzerland	100%	100%
Guerlain Inc.	New York, U.S.A.	100%	100%
Guerlain Canada Ltd.	Montreal, Canada	100%	100%
Guerlain De Mexico SA	Satelite, Mexico	100%	100%
Guerlain Puerto Rico Inc.	San Juan, Puerto Rico	100%	100%
Guerlain Asia Pacific Ltd (Hong Kong)	Hong Kong	100%	100%
Guerlain KK	Tokyo, Japan	100%	100%
Guerlain Taïwan Co Ltd.	Taïpei, Taïwan	100%	100%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	100%	100%
Guerlain South East Asia Singapore Pte Ltd.	Singapore	100%	100%
Guerlain Malaisie SDN Berhad Inc	Kuala-Lumpur, Malaysia	100%	100%
Etat Pur SA	Paris, France	50%	50%
Michael Kors Licences	New York, U.S.A.	100%	100%
Marc Jacob Licences	New York, U.S.A.	100%	100%
Kenneth Cole	New York, U.S.A.	100%	100%
Licence Galliano	Paris, France	100%	100%
Make Up For Ever SA	Paris, France	73%	73%
Make Up For Ever UK	London, United Kingdom	100%	73%
Make Up For Ever LLC	New York, U.S.A.	100%	100%
Make Up For Ever KK	Tokyo, Japan	100%	100%
Make Up For Ever Italie	Milan, Italy	100%	73%
Parfums Givenchy SA	Levallois, France	100%	100%
Parfums Givenchy Ltd.	Hersham, United Kingdom	100%	100%
Parfums Givenchy GmbH	Wiesbaden, Germany	100%	100%
Parfums Givenchy Inc.	New York, U.S.A.	100%	100%
Parfums Givenchy Canada Ltd.	Toronto, Canada	100%	100%
Parfums Givenchy KK	Tokyo, Japan	100%	100%
Parfums Givenchy Srl	Milan, Italy	100%	100%
Parfums Givenchy Western Hemisphere Div. Inc.	Miami (Florida), U.S.A.	100%	100%
Parfums Givenchy Asia Pacific Ltd.	Singapore	100%	100%
Kenzo Parfums France SA	Paris, France	100%	100%
Kenzo Parfums Italia Srl	Milan, Italy	100%	100%
Kenzo Parfums USA	New York, U.S.A.	100%	100%
Laflachère SA	Saint Vérand, France	100%	57%
La Brosse et Dupont SA	Courbevoie, France	100%	57%
Lardenois SA	Hermes, France	100%	57%
Lardenois Portugal SA	S. Domingos de Rana, Portugal	100%	57%
Mitsie SA	Tarare, France	100%	57%
Serpe SA	Barcelona, Spain	100%	56%
Arielux SA	Arielux, France	100%	57%
SN Celluloïd	Selestat, France	100%	57%
Vikim SARL	Saint Brieuc, France(2)	30%	17%
Ladoë SA	Ladoë, France	100%	57%
LBD Ménage	Bethisy Saint Pierre, France	100%	57%
LBD Belux	Brussels, Belgium	100%	57%
SCI Masurel	Tourcoing, France	100%	57%
SCI Sageda	Orange, France	100%	57%
LBD Asia Ltd	Hong Kong	93%	53%
Lamatex SA	Cours la Ville, France	80%	46%
La Niçoise SA	Carros, France	95%	54%
AGD Italie Srl	Stezzano, Italy	99%	54%
Métal & Plastic SA	Oyonnax, France(2)	35%	20%
Centre formation SARL	Saint Vérand, France(2)	75%	57%
Etablissements Mancret Père et Fils	Grenoble, France	100%	57%
Inter-Vion Spolka Akeyjna	Warsaw, Poland	51%	29%
Europa Distribution, SAS	Saint Etienne, France	67%	38%
Bliss World LLC	New York, U.S.A.	70%	70%
Bliss UK	United Kingdom	100%	70%
Hard Candy LLC	Los Angeles, U.S.A.	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	PERCENTAGE INTEREST
Hard Candy Japan	Tokyo, Japan	100%	100%
Benefit Cosmetics LLC	San Francisco, U.S.A.	70%	70%
Benefit Cosmetics UK	London, United Kingdom	100%	70%
Benefit Cosmetics Japan	Tokyo, Japan	100%	100%
Urban Decay Cosmetics LLC	Costa Mesa, CA, U.S.A.	100%	100%
Urban Decay Cosmetics Japan	Tokyo, Japan	100%	100%
Fresh Inc	Boston, U.S.A.	65%	65%
LVMH New Cosmetic KK	Tokyo, Japan	100%	100%
LVMH Perfumes and Cosmetics Services LLC	New York, U.S.A.	100%	100%
LVMH Cosmetics Services KK	Tokyo, Japan	100%	100%
WATCHES AND JEWELRY			
TAG Heuer International SA	Luxembourg	100%	100%
TAG Heuer SA	Marin, Switzerland	100%	100%
LVMH Relojeria & Joyeria Española SA	Madrid, Spain	100%	100%
LVMH Montres et Joaillerie France SA	Paris, France	100%	100%
LVMH Watches et Jewellery Italia SpA	Milan, Italy	100%	100%
TAG Heuer Deutschland GmbH	Bad Homburg, Germany	100%	100%
Timecrown Ltd	Manchester, United Kingdom	100%	100%
LVMH Watches et Jewellery UK Ltd	Manchester, United Kingdom	100%	100%
Ebel Ltd	Manchester, United Kingdom	100%	100%
Tag Heuer Ltd	Manchester, United Kingdom	100%	100%
LVMH Watches et Jewellery USA Inc	Springfield, New Jersey, U.S.A.	100%	100%
Pro Time Service Inc	Springfield, New Jersey, U.S.A.	100%	100%
TAG Heuer Canada Ltd	Toronto, Canada	100%	100%
LVMH Watches et Jewellery Far East Ltd	Hong Kong	100%	100%
LVMH Watches et Jewellery Singapore Pte Ltd	Singapore	100%	100%
LVMH Watches et Jewellery Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	100%	100%
TAG Heuer Asia Ltd	Labuan, Malaysia	100%	100%
LVMH Watches et Jewellery Capital Pte Ltd	Singapore	100%	100%
LVMH Watches et Jewellery Japan KK	Tokyo, Japan	100%	100%
LVMH Watches et Jewellery Australia Pty Ltd	Melbourne, Australia	100%	100%
LVMH Watches et Jewellery Hong Kong Ltd	Hong Kong	100%	100%
LVMH Watches et Jewellery Taiwan Ltd	Taipei, Taiwan	100%	100%
Cortech SA	Cornol, Switzerland	100%	100%
Miserez SARL	Bendorf, France	100%	100%
Kohli SA	Tramelan, Switzerland	100%	100%
LVMH Watches et Jewellery Carribean & Latin America	Coral Gables (Florida), U.S.A.	100%	100%
ArteLink Srl	Fratte di S. Giustina in Colle, Italy	100%	100%
Ebel SA	La Chaux-de-Fonds, Switzerland	100%	100%
Ebel USA Inc	New York, U.S.A.	100%	100%
Swisswave Europe SA	Villiers-Le-Lac, France	100%	100%
Glasnost Edition SA	La Chaux-de-Fonds, Switzerland	100%	100%
Ebel boutique Crans SA	Crans-sur-Sierre, Switzerland	100%	100%
SI de l'immeuble rue de la Paix 101	La Chaux-de-Fonds, Switzerland	100%	100%
LVMH W&J Germany GmbH	Munich, Germany	100%	100%
Chaumet International SA	Paris, France	100%	100%
Chaumet London Ltd	London, United Kingdom	100%	100%
Chaumet KK	Tokyo, Japan	100%	100%
Chaumet Horlogerie SA	Bienne, Switzerland	100%	100%
Chaumet Monte-Carlo SAM	Monte-Carlo, Monaco	100%	100%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	PERCENTAGE INTEREST
Zenith International SA	Le Locle, Switzerland	100%	100%
Zenith Time Ltd	Middlesex, United Kingdom	100%	100%
Guido Descombes SpA	Milan, Italy	100%	100%
Omas Srl	Bologne, Italy	90%	90%
De Beers LV Ltd	London, United Kingdom	50%	50%
Delano SA	Bâle, Switzerland	100%	100%
Favre Leuba	Geneva, Switzerland	100%	100%
Les Ateliers Horlogers CD LVMH	La Chaux-de-Fonds, Switzerland	100%	100%
Fred SA	Paris, France	100%	100%
Fred Joaillier SA	Paris, France	100%	100%
Joaillerie de Monaco SA	Monte Carlo, Monaco	100%	100%
Fred Genève	Geneva, Switzerland	100%	100%
Fred Inc.	Beverly Hills (California), U.S.A.	100%	100%
Fred Londres	London, United Kingdom	100%	100%
Benedom France SA	Paris, France	100%	100%
SELECTIVE RETAILING			
Sephora SA	Paris, France	100%	100%
Immo-Parfums SARL	Boigny sur Bionne, France	100%	100%
Sephora France SA	Boigny sur Bionne, France	100%	100%
Plus Beau Moins Cher SARL	Paris, France	75%	75%
Sephora Luxembourg SARL	Luxembourg	100%	100%
Sephora Espagne SA	Madrid, Spain	100%	100%
Sephora Italie SpA	Milan, Italy	100%	100%
Sephora Portugal Lda	Lisbon, Portugal	100%	100%
Sephora PologneSPZ00	Warsaw, Poland	100%	100%
Sephora Deutschland GmbH	Essen, Germany	100%	100%
Progen SpA	Spinea, (VE), Italy	100%	41%
Espansione Srl	Spinea, (VE), Italy	100%	100%
Sephora UK	London, United Kingdom	100%	100%
Sofidiv Italie	Milan, Italy	100%	100%
Sephora Marinopoulos SA	Alimos, Greece	50%	50%
Beauty Shop Romania SA	Bucarest, Roumania	100%	50%
Spring Time Cosmetics SA	Athènes, Greece	55%	28%
Sephora US LLC.	Delaware, U.S.A.	100%	100%
Sephora Japon KK	Tokyo, Japan	100%	100%
LVMH Specialty Retail Concepts, LLC	San Francisco, U.S.A.	100%	100%
LVMH Selective Distribution Group LLC	San Francisco, U.S.A.	100%	100%
Magasins de la Samaritaine SA	Paris, France	55%	55%
DFS Holdings Limited	Hamilton, Bermuda	100%	61%
DFS Australia Pty. Limited	Sydney, Australia	100%	61%
DFS Australia Superannuation Pty Ltd	Sydney, Australia	100%	61%
DFS New Caledonia Sarl	New Caledonia	100%	61%
DFS Group Limited	Hamilton, Bermuda	100%	61%
DFS European Logistics Limited	Hamilton, Bermuda	100%	61%
DFS Credit Systems Limited	Hamilton, Bermuda	100%	61%
DFS Italy Limited Srl	Florence, Italy	100%	61%
DFS Northwest Retailing Limited	Vancouver, Canada	100%	61%
DFS Saipan Limited	Saipan, NMI	100%	61%
Kinkaï Saipan L.P.	Saipan, NMI	100%	61%
Commonwealth Investment Company, Inc	Northern Mariana Islande	97%	59%
Duty Free Shoppers Hong Kong Limited	Kowloon, Hong Kong	100%	61%
DFS Consulting Limited	Kowloon, Hong Kong	100%	61%
DFS Trading Hong Kong Limited	Kowloon, Hong Kong	100%	61%
DFS China Partners Limited	Kowloon, Hong Kong	100%	61%
DFS Palau Limited	Koror, Palau	100%	61%
DFS New Zealand Limited	Auckland, New Zealand	100%	61%
DFS Merchandising Limited	San Francisco, USA	100%	61%
DFS Korea Limited	Seoul, South Korea	100%	61%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	INTEREST
DFS Seoul Limited	Seoul, South Korea	100%	61%
DFS Japan KK	Tokyo, Japan	100%	61%
DFS Okinawa KK	Japan	100%	61%
DFS Palau Limited	Koror, Palau	100%	61%
DFS Singapore (Pte) Limited	Singapore	100%	61%
DFS Trading Singapore (Pte) Limited	Singapore	100%	61%
DFS Venture Singapore (Pte) Limited	Singapore	100%	61%
DFS Taiwan Limited	Taïpei, Taïwan, ROC	100%	61%
Bloomburg Ltd	Bermuda	100%	61%
Tou You Duty Free Shop Co. Ltd	ROC	100%	61%
Duty Free Shoppers Macau Limited	Kowloon, Hong Kong	45%	28%
DFS Macau Limited	Kowloon, Hong Kong	50%	31%
Hong Kong International Boutique Partners	Kowloon, Hong Kong	50%	31%
DFS Sdn. Bhd.	Malaysie	100%	61%
Singapore International Boutique Partners	Singapore	50%	31%
JAL/DFS Duty Free Shoppers KK	Chiba, Japan	40%	25%
TRS New Zealand Limited	Auckland, New Zealand	45%	28%
Travel Retail Shops Pte Limited	Australia	45%	28%
DFS Group L.P.	Delaware, U.S.A.	100%	61%
JFK Terminal 4 Joint Venture 2001	New York, U.S.A.	80%	49%
LAX Duty Free Joint Venture 2000	California, U.S.A.	77%	47%
Royal Hawaïan Insurance Company Ltd	Hawaï, U.S.A.	100%	61%
DFS/BP Concessions Inc.	Portland (Oregon) U.S.A.	81,5%	50%
DFS / Waters.	Dallas (Texas) U.S.A.	68%	42%
Hawaï International Boutique Partners	Honolulu, Hawaï, U.S.A.	50%	31%
TRS Hawaii LLC	Honolulu, Hawaï, U.S.A.	45%	28%
TRS Saipan	Garapan, Saipan MP	45%	28%
TRS Guam	Tumon, Guam	45%	28%
DFS Guam LP	Guam	NA	61%
Guam Retail Joint Venture (Disney)	Tamuning, Guam	50%	31%
DFS Liquor Retailing Limited	Delaware, U.S.A.	NA	61%
Twenty Seven – Twenty Eight Corp.	Delaware, U.S.A.	NA	61%
Le Bon Marché SA	Paris, France	100%	100%
SEGEP SA	Paris, France	100%	99%
Franck & Fils SA	Paris, France	100%	100%
Balthazar	Paris, France	100%	100%
LVMH Specialty Retail Concepts LLC	San Francisco, U.S.A.	100%	100%
Tumon Entertainment LLC	Tamuring, Guam	100%	100%
Comete Guam Inc.	Tamuring, Guam	100%	100%
Tumon Games LLC	Tamuring, Guam	100%	100%
Tumon Aquarium LLC	Tamuring, Guam	100%	100%
Comete Saipan Inc	Saipan NMI	100%	100%
Cruise Line Holdings Co	Miami (Florida) U.S.A.	100%	100%
Starboard Cruise Services Inc	Miami (Florida) U.S.A.	100%	100%
Starboard Holdings Ltd	Miami (Florida) U.S.A.	100%	100%
International Cruise Shop	Miami (Florida) U.S.A.	100%	100%
On-Board Media Inc	Miami (Florida) U.S.A.	100%	100%
Boxer Media Inc	Miami (Florida) U.S.A.	100%	100%
Cruise Management International Inc	Miami (Florida) U.S.A.	100%	100%
Miami Airport Duty-Free	Miami (Florida) U.S.A.	66%	66%
Fort Lauderdale Partnership	Ft Lauderdale (Florida) U.S.A.	75%	75%
OTHER ACTIVITIES			
Investir Publications SA	Paris, France	100%	99%
Investir Télécom SA	Paris, France	100%	99%
Investir Formation SARL	Paris, France	100%	99%
Compo Finance SARL	Paris, France	100%	99%
SID Presse SARL	Poitiers, France	100%	99%

COMPANIES	HEADQUARTERS	PERCENTAGE CONTROL	INTEREST
SID Développement SA	Poitiers, France	100%	99%
SID Editions SA	Paris, France	100%	99%
SID Magazine SA	Paris, France	100%	99%
Cyber Pratic SARL	Poitiers, France	100%	99%
DI Groupe SA (ex Desfossés International SA)	Paris, France	100%	99%
DI Services SAS	Paris, France	100%	99%
Imprimerie Desfossés SA	Paris, France	100%	99%
Tribune Desfossés SA	Paris, France	100%	99%
Radio Classique SA	Paris, France	100%	99%
Editions Classiques Affaires SARL	Paris, France	100%	99%
System TV SA	Boulogne, France	100%	99%
Yacast Ltd	London, United Kingdom	30%	29%
DI Regie SAS	Paris, France	100%	99%
SFPA SARL (Connaissance des Arts)	Paris, France	100%	100%
D2I SA	Paris, France	100%	99%
LV & Co SA	Paris, France	36%	35%
Sephora.com Inc	San Francisco, U.S.A.	100%	100%
e-Luxury.com Inc	San Francisco, U.S.A.(2)	50%	50%
PSN Properties Inc	New York, U.S.A.	100%	75%
Phillips, de Pury & Luxembourg Ltd	London, United Kingdom	100%	75%
De Pury & Luxembourg Art SA	Geneva, Suisse	100%	75%
Phillips Son & Neale Auctions Ltd	London, United Kingdom	100%	75%
Bonhams Brooks PS&N Ltd	London, United Kingdom	49%	37%
Art & Auction Magazine	New York, U.S.A.	100%	100%
Sephora.com	San Francisco, U.S.A.	100%	100%
S.C.I. du 30 de l'avenue Hoche	Paris, France	100%	97%
Ufipar SA	Paris, France	100%	100%
L Capital Management SPAS	Paris, France	100%	100%
Sofidiv SA	Paris, France	100%	100%
GIE LVMH Services	Paris, France	100%	80%
Moët Hennessy SA	Paris, France	66%	66%
LVMH Fashion Group SA	Paris, France	100%	100%
Ufipress SA	Paris, France	100%	100%
Delphine SA	Paris, France	100%	100%
Saint Jacques Finance SA	Paris, France	100%	100%
LVMH Finance SA	Paris, France	100%	100%
Eutrope SA	Paris, France	100%	100%
Flavius SA	Paris, France	100%	100%
Coriolan SA	Paris, France	100%	100%
LVMH Art & Auction Group SA	Paris, France	100%	100%
Compagnie Financière Laflachère SA	Paris, France	57%	57%
LV Capital SA	Paris, France	100%	100%
Provital SA	Champillon, France	100%	100%
Moët Hennessy Inc.	New York, U.S.A.	100%	66%
LVMH Inc.	New York, U.S.A.	100%	100%
598 Madison Leasing Corp	New York, U.S.A.	100%	100%
LVMH Participations BV	Naarden, Netherlands	100%	100%
LVMH BV	Naarden, Netherlands	100%	100%
LVMH KK	Tokyo, Japan	100%	100%
Shinagawa project KK	Tokyo, Japan	100%	100%
Osaka Fudosan Company Limited	Tokyo, Japan	100%	100%
LVMH Asia Pacific Ltd	Hong Kong	100%	100%
LVMH Moët Hennessy Louis Vuitton SA	Paris, France	Parent company	

(1) Accounted for using proportionate consolidation method

(2) Accounted for using equity method

(3) Joint venture companies with Diageo : Only LVMH activity is consolidated

REPORT OF STATUTORY AUDITORS

In our capacity as statutory auditors and independent accountants, we have audited the accompanying consolidated accounts, expressed in Euros, of LVMH MOET HENNESSY LOUIS VUITTON as of December 31, 2001.

These consolidated accounts are the responsibility of the Company management. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated account presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the consolidated statements, prepared in compliance with the generally accepted accounting rules and principles applicable in France, are true and sincere and fairly present the financial position, and the results of all Group entities included in the consolidation.

We have also reviewed the information relating to the Group contained in the Directors' report. We noted nothing that could lead us to believe that such information is not fairly stated.

Paris, April 8, 2002

Statutory Auditors
Members of the Compagnie Régionale de Paris

COGERCO-FLIPO
Represented by Henri Lejetté

ERNST & YOUNG Audit
Represented by
Gabriel Galet and François Hilly

I. MAIN LOCATIONS AND PROPERTIES

Champagne and wines – Cognac and Spirits

LVMH and its subsidiaries own vineyards in France and abroad. Their surface areas are as follows:

(in hectares)	Total	Under production
Champagne label	1 735	1 480
Other wines(*)	3 071	1 290
Cognac label	178	178

(*) France, California, Argentina, Australia, Brazil, New Zealand and Spain.

In 2001, LVMH purchased land for vineyards in California (Newton) and Australia (MountAdam), posted to the “Other wines” item.

The Group also owns office and industrial buildings, wineries, cellars and public relations centers linked to each of its main Champagne brands and its production operations in France, California, Argentina, Australia, Brazil, New Zealand and Spain, as well as Cognac distilleries and warehouses.

The offices of the Wines and Spirits business group, located in the world’s largest cities, are rented. In 2001, the retail network expanded, especially in China and Mexico.

Fashion and Leather Goods

Louis Vuitton Malletier owns the premises that house its offices and workshops at Pont Neuf in Paris, via its subsidiary La Belle Jardinière, in addition to the company’s headquarters. Part of these premises is leased to third parties as offices and shops. La Belle Jardinière also owns an office block, rue du Pont Neuf in Paris, leased to Céline.

Louis Vuitton’s retail outlets can be found in prestigious locations in the world’s largest cities, and are generally leased. However, Louis Vuitton owns its own stores in Kobe, Japan, Hawaii, Guam, Seoul and Sydney, and it has finance-leased its store located at avenue Montaigne in Paris. In the United States and in Japan, commercial leases often include clauses providing for Louis Vuitton to pay a lease based on a percentage of reported sales, in addition to a minimum rent.

In 2001, the Louis Vuitton network expanded through 8 new shops and the opening of 10 new global stores, for a new total of 36 global stores.
The thirteen Louis Vuitton plants, owned by the company, are mainly located in France, although there are also large workshops near Barcelona in Spain and at San Dimas in California ; warehouses in France are owned by the Group, but are leased in Hawaii, Asia and Oceania.

Céline owns an office building at avenue Montaigne in Paris, which it leases out, and a commercial property at rue François 1er in Paris, leased to Fendi. The retail stores, located in the world’s largest cities, are rented. Céline owns production and retail facilities near Florence in Italy, and rents warehouses in Hong Kong.

The premises of Loewe stores are rented, with the exception of the shop located 46 avenue Montaigne in Paris, which is owned by Loewe. The Barcelona, Villaverde and Getafe workshops in Spain, which manufacture Loewe products and accessories for other Group brands, are leased. The head office located in Madrid is also leased.

Fendi owns its production site near Florence in Italy. The administrative and marketing functions are centralized in Rome, and finance-leased. All Fendi stores worldwide are leased.

Berluti rents its stores; Stefanobi owns a shoe production facility in Ferrara, Italy.

Kenzo, Givenchy and Christian Lacroix rent their corporate headquarters, their workshops in Paris, and their stores throughout the world.

Kenzo rents distribution facilities near Tours in France, which serve Kenzo, Christian Lacroix, Céline and Givenchy fashion businesses.

All the premises used by Thomas Pink, the offices and warehouses in London and shops throughout the world, are leased.

Perfumes and Cosmetics

Parfums Christian Dior’s manufacturing and distribution facilities are located on land owned by the company near Orléans, in France.

In addition, Parfums Christian Dior occupies an office building, the company's headquarters, in the center of Paris, which is finance-leased.

Parfums Christian Dior also owns offices in Germany, Spain and Italy, and rents offices and warehouses in many cities in the world.

The two Guerlain production centers are located on land owned by the company at Orphin and Chartres, in France; the headquarters in Levallois, near Paris, are rented.

Parfums Givenchy has set up its head office in rented premises at Levallois, near Paris, and owns two plants in Beauvais and Vervins, in France. The Vervins plant produces Givenchy and Kenzo product lines.

Furthermore, Parfums Christian Dior, Guerlain and Parfums Givenchy have jointly-rented offices and distribution and retail premises in New York, Tokyo, London and in other countries around the world.

La Brosse et Dupont owns five plants in France and rents five others in France and one in Spain. The company also runs five distribution sites in France, four of which are leased. Offices are leased in France, in various European countries and in Hong Kong.

Bliss rents offices and the premises used for a spa in New York.

BeneFit Cosmetics rents the locations of its four shops and offices in California.

Hard Candy and Urban Decay offices located in Los Angeles are rented; in addition Urban Decay rents locations for its shops in Asia.

The Make Up For Ever headquarters located in the Paris region is lease-financed; the shop premises are leased.

Selective Retailing

Le Bon Marché owns three buildings located in Paris, containing offices and stores; parts of these buildings are rented to third parties. Le Bon Marché also rents storage facilities in Bagneux, France.

Franck & Fils owns two buildings in Paris it uses as stores; parts are rented to third parties as apartments.

La Samaritaine owns several buildings in Paris with offices and shops; parts of these buildings are rented to third parties. La Samaritaine also owns storage facilities in Marne La Vallée near Paris.

Sephora rents its offices in Boigny, near Orléans, in the Paris region, and in New York in the United States. In the countries where the company is present, the Sephora shops and warehouses are rented with the exception of the megastore on the Champs Elysées. The premises on the Champs Elysées were acquired by LVMH in 1998.

DFS rents its office spaces, with the exception of offices in Guam, which are owned by DFS. Stores run by DFS are generally leased, apart from the stores in Waikiki (Hawaii), Guam (Tumon Bay Galleria) and Saipan, which are owned by DFS.

LVMH owns a commercial property in Saipan, and a building in Guam where the company has set up its leisure activities.

Watches and Jewelry

TAG Heuer rents its workshops and warehouses in Switzerland at La Chaux-de-Fonds and at Saint-Imier, as well as office premises, including its headquarters in Neuchâtel. TAG Heuer also rents its offices and distribution facilities in the United States, Canada, Asia, Australia and in several European countries; its subsidiary Cortech, manufacturer of watch cases, owns workshops and office premises in Cornol in Switzerland.

Ebel owns an industrial building complex in La Chaux-de-Fonds, warehouses and offices as well as the "Villa Turque", the company's public relations center. Ebel also owns a rental building in Basle.

Zenith owns the plant where it manufactures its movements and watches in Locle, in Switzerland. The warehouses and commercial premises located in Europe are leased.

Chaumet rents its offices and shop premises in Paris, as well as the offices of its subsidiaries worldwide.

Fred Paris rents its Paris-based office premises, as well as the locations for its stores in France, Monaco, the United States and Japan.

Les Ateliers Horlogers – formerly Benedom – created in 2001 rents a plant in La Chaux-de-Fonds in Switzerland.

Omas owns a building located in Bologna, Italy where the company's headquarters and pen manufacture are centralized.

Other activities

D.I Group rents its offices in Paris: Sid Editions, acquired in 1999, rents offices in Paris and in Poitiers; Radio Classique rents its offices in Paris.

Phillips rents premises used for its auction sales activities and offices in the UK and in Switzerland. To boost its sales in New York, Phillips rents buildings on 57th and 59th Streets and has offices on 79th Street.

Tajan rents a building on rue des Mathurins in Paris, where it has set up ''L'espace Tajan", which includes the company's offices, and auction rooms.

LVMH owns a building on avenue Hoche in Paris, where its headquarters are located and a building in New York on 57th Street which also houses the US offices of Parfums Christian Dior, Guerlain, Parfums Givenchy, Parfums Kenzo, Céline, and Louis Vuitton Malletier.
In 2001, LVMH acquired a building on 57th Street in New York 1 East which will house a Louis Vuitton store and offices.

II. MARKET SHARES AND COMPETITION

LVMH Group is the world's leading luxury goods company. Its business entails producing and distributing its own brands in addition to its selective retail network.

- In the Champagne business, LVMH market share corresponds to 19% of all shipments from the region and 64% for the shipments of premium vintages. The second largest champagne producer (Marne et Champagne) accounts for 30% of the volumes reported by LVMH.

The main Champagne geographical markets for the Industry and for the LVMH Group, based on the shipments in millions of bottles (Source: Centre Interprofessionnel des Vins de Champagne, "CIVC" data) are the following:

	2001			2000			1999		
	Industry	LVMH		Industry	LVMH		Industry	LVMH	
		Number	Market share (%)		Number	Market share (%)		Number	Market share (%)
Germany	12.8	4.0	31.5	14.2	4.1	29	17.5	5.7	33
Great Britain	25.1	5.2	21	20.4	5.2	25	32.3	6.2	19
United States	13.7	8.5	62	19.3	11.6	60	23.7	12.0	51
Italy	7	4.1	58	8.2	4.9	60	9.4	4.9	52
France	164.4	13.2	8	149.5	12.0	8	190.5	15.9	8

The geographical breakdown of LVMH Champagne sales is the following:

(as a % of total sales)	2001	2000	1999
United States	17	21	19
Germany	8	8	9
Great Britain	10	10	10
Italy	8	9	8
Switzerland	4	4	4
Other	26	26	25
Total Export	74	78	75
France	26	22	25
Total	100	100	100

- In the Cognac sector, LVMH is the leader with 37.4% of volume exported by the region, the most important market shares being in the United States and Japan.

The main Cognac geographical markets(excluding bulk) for the Industry and for the LVMH Group, based on the shipment in millions of bottles (Source : Bureau National Interprofessionnel du Cognac, “BNIC” data) are the following :

	2001			2000			1999		
	Industry	LVMH		Industry	LVMH		Industry	LVMH	
		Number	Market share (%)		Number	Market share (%)		Number	Market share (%)
United States	40.1	20.9	52	39.0	20.2	52	35.7	17.3	49
Japan	5.3	3.3	62	5.8	3.1	54	6.4	3.8	59
Germany	4.5	1.0	22	4.5	1.3	28	5.0	1.3	26
France	5.3	0.4	7	5.5	0.5	9	5.7	0.4	7

- In the Fashion & Leather Goods sector, LVMH has an unrivalled portfolio of world-class brands comprising haute couture, ready-to-wear, footwear, leather goods and accessories. The Group runs a total of 765 owned stores, thereby ensuring an extremely high level of selective retail.

- In the Perfumes & Cosmetics sector, LVMH ranks third worldwide and first in France where the Group’s brands represent 21% of the selective retail market (Source: Secodip).

- In the Watches & Jewelry sector, LVMH ranks third worldwide.

- Regarding Selective Retailing, DFS is the leader worldwide for duty-free sales, and Miami Cruiseline Services the leader for duty-free luxury goods sales on cruise ships. Sephora is the world’s premier fragrances and cosmetics chain with outlets in Europe and the United States.

- Lastly, in internet-based commerce, LVMH is the leading e-distributor of fragrances and cosmetics in the United States with the Sephora.com site and leader in luxury product sales with the e-Luxury.com site.

III. SOURCES OF SUPPLIES

Champagne

The Group procures its champagne grapes supply from the Champagne label geographic region, which stretches over 35,155 hectares.
Champagne grapes are grown on approximately 30,600 hectares of this region. The Group grows grapes on its fully-owned estates of 1,480 hectares, from which nearly 23% of group annual grape needs are met. In addition, Group houses obtain their grapes and wines from winegrowers and cooperatives, based on contractual agreements.

Before 1996, the inter-professional association published an indicative price list and specific premiums were individually negotiated between winegrowers and merchants. To follow up on a four year agreement signed in 1996, a new inter-professional agreement was signed between the houses and the Champagne winegrowers in spring 2000, providing for the four harvests from 2000 to 2003, thereby confirming the policy to check upward or downward fluctuations in grape price. This agreement was complied with in 2001; for that period, the price of grapes was set at FRF 26.24 (EUR 4) per kilogram, remaining at the same level as in 2000.

The post-millennium economic context has enabled the gradual completion of supply needs under normal economic conditions. Since the 1992 harvest, winegrowers and merchants have also agreed, in the event of an abundant quality crop, to limit the harvest and the quantity of grapes used in the production of bottled wines. The surplus from these quotas could then be stored and sold in less bountiful years. At year-end 2001, the equivalent of approximately 40% of a harvest was thus stockpiled from previous harvests and reserved.

Cognac

Cognac vineyards cover approximately 75,300 hectares. The production area extends over 74,500 hectares, down by approximately 1% over 2000.
Hennessy grows grapes on 178 of fully-owned hectares in the Cognac area. The Group's vineyard area remained stable in 2001, after 60 hectares of vines were dug up in 1999 under the 1998 inter-professional program. The government-subsidized program was aimed at reducing the production acreage and gave financial compensation and assistance to farmers to encourage them to uproot their vines and convert to other wines not required in the preparation of cognac.

Hennessy buys most of the wine and distilled alcohol required for producing its cognac from a network of approximately 2,500 independent producers. The company monitors them to ensure compliance with the highest quality standards. The purchase prices for cognac grapes and for wines and distilled alcohol are negotiated between Hennessy and each producer according to the law of supply and demand. In 2001, the price of wine for new distilled alcohol remained at the same level as in 2000. Hennessy maintains an optimal distilled alcohol inventory, which enables it to deal with the effects of price fluctuations and tailor its purchases from one year to another.
In 2001, Hennessy kept its purchasing commitments on the year's harvest at a stable level and continued to diversify its partnerships to prepare its future growth in the different qualities.

Louis Vuitton Malletier

Louis Vuitton Malletier owns thirteen manufacturing facilities and works with independent entrepreneurs to complete manufacturing and ensure production flexibility.

The company depends on external suppliers for most of the materials used to manufacture its goods. Although a significant portion of raw materials is bought from a fairly small number of suppliers, the company believes that it could obtain supplies from other sources. In 1998, the company decided to diversify its portfolio of supplies and turned to Norway and Spain, and later to Italy in 2000.

In addition, the production of goods is not dependent on patents or exclusive know-how belonging to third parties.
In 2001, Louis Vuitton Malletier continued to optimize its industrial capacity, increasing its production by 3%. During the year, three new manufacturing facilities were brought on stream in Sainte-Florence, Ducey (new site in northern France) and Condé.

LEGAL AND OTHER INFORMATION REGARDING THE PARENT COMPANY LVMH MOËT HENNESSY LOUIS VUITTON S.A.

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MANAGEMENT AND CONTROL BODIES

Board of Directors

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim[1]
Vice-Chairman

Antonio Belloni[2]
Group Managing Director

Jean Arnault
Nicolas Bazire
Nicholas Clive Worms[1]
Diego della Valle[1][2]
Michel François-Poncet[1]
Albert Frère
Pierre Godé
Gilles Hennessy
Cornelis H. van der Hoeven[1]
Jean-Marie Messier[1]
Jean Peyrelevade[1]
Lord Powell of Bayswater
Felix G. Rohatyn

Advisor

Kilian Hennessy[1]

Performance Audit Committee

Michel François-Poncet[1]
Chairman

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 and François Hilly

(1) Independent person.
(2) Appointment proposed at the Shareholders' Meeting of May 15, 2002.

CORPORATE GOVERNANCE

The Board of Directors, which is the strategic body of LVMH, has wished, for its shareholders and all of its publics, to increase transparency and develop the rules relating to corporate governance. Accordingly, in 2001, the Board adopted a new charter in order to better emphasize its missions and the ethical rules which guide its action. Consistently, the company rules applicable to the Performance Audit Committee, on the one hand, and to the Nominating and Compensation Committee, on the other hand, have been reinforced.

Board of Directors

The Board of Directors of LVMH held six meetings in 2001. The Board approved the annual and semi-annual statements, and reviewed the Group's broad strategic orientations, and in particular, major acquisitions and disposals under consideration.

LVMH paid a total of EUR 762,213 as Directors' fees to the members of its Board of Directors and Council of Advisors.

The Charter for the Board of Directors specifies that Directors and Advisors must personally hold at least 500 LVMH shares in registered form.

Performance Audit Committee and Nominating and Compensation Committee

These Committees held four meetings in 2001.

Council of Advisors

The General Meeting of Shareholders can elect a maximum of nine Advisors proposed by the Board of Directors.

The Advisors are drawn from shareholders based on individual merit and form a Council.

Each Advisor is elected for a three-year term which ends immediately after the shareholders' meeting approving the account of the previous fiscal year, and held within the year during which the Advisor's office comes to an end. The Advisors are invited to attend Board of Directors meetings and take part in the deliberations in an advisory capacity, without their absence affecting the validity of these proceedings.

Compensation policy

Part of the compensation paid to members of the Executive Committee and key operating bodies is based on the operating income, generation of funds, and return on capital employed of the business groups and companies headed by the respective executives, as well as on their individual performance. The variable part accounts for between one-third and half of the total remuneration.

I. CHARTER FOR THE BOARD OF DIRECTORS

The Board of Directors is the strategic body of LVMH . The ethical principles which guide the Board are the competence and responsibility of its members, the clarity and loyalty of its decisions, the efficiency and safety of its controls.

The Board of Directors' priorities are to enhance the company's value, adopt the broad orientations which determine the company's management, verify the reliability and sincerity of information concerning it and protect its assets.

The Board of Directors of LVMH protects the rights of all the company's shareholders and ensures that they fully comply with their duties.

Each of these points contributes to the transparency which the law legitimately requires from companies, the confidence expected by the general public and the performance requested by the market.

Because it guarantees a sustainable and global development for this unique collection of businesses and brands, combining tradition and innovation, which makes the reputation, dynamism and soundness of LVMH, the Board of Directors may as well commit itself to the present as undertake the preparation of the future of LVMH.

1. Composition of the Board of Directors

1.1 The Board of Directors is composed of a maximum of 18 members, at least four of whom are independent persons unrelated to the company.

1.2 No more than four Board members or permanent representatives of legal entities may be drawn from non-Group companies in which the Chairman of the Board of Directors or a Director acting as Managing Director or Deputy Managing Director holds a corporate office.

1.3 Each director must hold at least 500 of the company's shares in registered form for his entire term of office.

2. Duties of the Board of Directors

The duties of the Board of Directors are to:

– verify compliance with the corporate interest of the company and protect its assets,
– choose the organizational mode of management of the company,
– appoint the Chairman of the Board of Directors, the Managing Director and the Deputy Managing Directors of the company,
– monitor the management of the company,
– finalize the company's annual and semi-annual financial statements,
– ensure the quality of the information about the company provided to its shareholders,
– spread the collective values which drive the company and its employees, and govern its relations with consumers as well as with the company's partners and suppliers, by adopting an ethical charter.
– promote the consistency of the company's economic development through a social policy and a civic approach centered in particular on the respect for human beings and the protection of the environment in which it operates.

3. Functioning of the Board of Directors

3.1 The Board of Directors holds at least 4 meetings a year.

3.2 Each individual who accepts to act as Director or permanent representative of a legal entity sitting on the Board of Directors of the company is committed to attend Board meetings and Shareholders Meetings on a regular basis.

3.3 Repeated absenteeism without cause may, upon proposal by the Nominating and Compensation Committee, lead to the termination of a Director's mandate by the Board of Directors.

3.4 In order to enable them to fully exercise the mandate which has been entrusted to them, the Chairman of the Board of Directors, the Directors acting as Managing Director or Deputy Managing Director, as well as the other Directors must disclose to the Board all significant information required to carry out their mandate.

3.5 All decisions made by the Board of Directors are adopted jointly by a simple majority of its members.

3.6 If they deem it necessary, independent Directors may hold meetings without the other members of the Board of Directors.

3.7 The Board of Directors may appoint several of its members to form committees which will address specific or key issues.

3.8 Each member of the Board of Directors acts in the interest and on behalf of all the shareholders.

4. Responsibility

4.1 It is the duty of the Board members to be aware of the general or specific obligations that they have to fulfill as part of their responsibilities, as well as the regulatory or legal instruments which govern these responsibilities.

4.2 Board members are required to keep secret any information concerning the company or the Group which may be disclosed to them in the course of the performance of their duties, until the Company has made such information public.

4.3 Board members undertake not to carry out, directly or indirectly, on their own account or for that of a third-party, any transaction on the company's securities based on information which they would have obtained in the course of the performance of their duties and which would be unknown to the public.

4.4 Board members undertake to notify the Chairman of the Board of Directors of any potential or existing conflict of interest between their personal or professional activities and their mandate. They must abstain from voting on any matter in which they directly or indirectly have a personal interest and must inform the Chairman of the Board of Directors of any transactions or agreements entered into with a company of the LVMH group and in which they have a stake. The Chairman of the Board apprises the Performance Audit Committee of this situation.

5. Compensation

5.1 The Shareholders' Meeting sets the overall amount of directors' fees to be granted to Board members.

5.2 This amount is allocated among all the members of the Board of Directors and, as the case may be, Advisors, upon the proposal of the Nominating and Compensation Committee.

5.3 The Nominating and Compensation Committee may propose that all or part of the directors' fees be paid based on attendance of Board members at Board meetings.

5.4 An exceptional remuneration may be paid to some Directors for specific assignments entrusted to them and for the management or coordination role that they play inside the various committees created within the Board of Directors. The amount of such remuneration is determined by the Board of Directors and submitted to the company's auditors.

6. Scope of application

This charter applies to all Board members and Advisors. It must be transmitted to all persons applying for a Director position and to all permanent representatives of legal entities before they take up their duties.

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II. COMPANY RULES APPLICABLE TO THE PERFORMANCE AUDIT COMMITTEE

1. Composition of the Committee

1.1. The Performance Audit Committee (hereafter called the "Committee") is composed of 3 Board members, comprising at least 2 independent Directors. Its members are appointed by the Board of Directors.

1.2. The Board of Directors appoints one of the Committee's members as Chairman of the Committee.

1.3. The Chairman of the Board of Directors or a Board member who is also a Managing Director or Deputy Managing Director of LVMH cannot sit on the Committee.

1.4. A Director may not be appointed as member of the Committee if the Chairman of the Board of Directors or a Board member who is also a Managing Director or Deputy Managing Director of LVMH is already a member of a comparable committee in the company in which such Director holds a corporate office.

2. Role of the Committee

2.1. The duties of the Committee are to:

– ensure the relevance and consistency of the accounting principles applied by the company, as well as the transparency of their implementation,

– control the existence, adequacy and implementation of all internal procedures in this area,

– review the company and consolidated financial statements, including off-balance sheet commitments, before they are submitted to the Board of Directors,

– analyze changes in the group composition, indebtedness, interest rate hedging or foreign exchange hedging,

– examine the conclusions and recommendations of external auditors,

– know of the major agreements entered into by a group company and those between one or more group companies and one or more non-group companies in which an LVMH Director is also the manager or main shareholder,

– assess potential conflicts of interest relating to a Director and propose actions to forestall or correct them,

– ensure the quality of the information provided to the company's shareholders.

2.2. The Committee may also be consulted upon by the Chairman of the Board of Directors or by Directors who are Managing Directors or Deputy Managing Directors to express an opinion about the appointment or renewal of statutory and external auditors.

2.3. The Committee expresses an opinion on the fees paid to the statutory auditors.

2.4. The Committee may send to the management its recommendations concerning the priorities and general orientations of the internal audit.

3. Functioning of the Committee

3.1. In accepting to serve on the Committee, Directors agree to dedicate the time and attention which are necessary to their responsibilities.

3.2. The Committee must meet at least twice each year, without the Chairman of the Board and the Directors who are Managing Director or Deputy Managing Director, eight days prior to the Board of Directors meetings called to review the company's annual and semi-annual statements and its consolidated financial statements.

3.3. If necessary, the Committee may hold extraordinary meetings if an event occurs which may have a significant impact on the company and consolidated financial statements.

3.4. Any document discloded to members of the Committee in the course of their duties must be considered confidential so long as the company has not made it public.

3.5. The deliberations of the Committee are confidential and must not be communicated outside the Board of Directors.

3.6. The Committee's decisions are adopted jointly by a simple majority of its members.

3.7. Each Committee meeting shall result in a report.

4. Prerogatives of the Committee

4.1. The Committee reports its findings to the Board of Directors. It informs the Board of its conclusions, recommendations and proposals.

4.2. The Committee may ask for any accounting, legal or financial document that it deems usefull to fulfill its task.

4.3. Upon its request and without the Chairman of the Board of Directors, the Managing Director and Deputy Managing Director of LVMH being present, the Committee may hear managers of the company, in particular those in charge of drawing up the accounts and of internal audit, as well as external auditors.

5. Compensation of Committee members

The members and the Chairman of the Committee may receive specific directors' fees whose amount is determined by the Board of Directors and charged to the overall amount allocated by the Shareholders' Meeting.

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III – COMPANY RULES APPLICABLE TO THE NOMINATING AND COMPENSATION COMMITTEE

1. Composition of the Committee

1.1. The Nominating and Compensation Committee (hereafter called the "Committee") is composed of at least 3 Board members and/or Advisors. The majority of its members are independent. Its members are appointed by the Board of Directors.

1.2. The Board of Directors appoints one of the Committee's members as Chairman of the Committee.

1.3. The Chairman of the Board of Directors, Directors who are also Managing Directors or Deputy Managing Directors of LVMH or are paid by one of its subsidiaries cannot sit on the Committee.

1.4. A Director may not be appointed as member of the Committee if the Chairman of the Board of Directors or a Board member who is also a Managing Director or Deputy Managing Director of LVMH is already a member of a comparable committee in the company in which such Director holds a corporate office.

2. Role of the Committee

2.1. Upon consultation by the Chairman of the Board of Directors, the Committee is responsible for advising, after review, on persons applying to the positions of Director and Advisor of the company while ensuring that independent outside persons are represented on the company's Board.

2.2. The Committee is consulted by the Chairman of the Board of Directors or by Directors who are Managing Directors or Deputy Managing Directors to express an opinion about the applications for membership to the group's executive committee and top management of its main subsidiaries.

2.3. After review, the Committee makes proposals as to the allocation of directors' fees paid by the company as well as the remuneration, in-kind benefits and stock options granted to the Chairman of the Board of Directors, the Managing Director and the Deputy Managing Director.

2.4. The Committee gives an opinion on the remuneration and in-kind benefits granted to the company's Directors and Advisors by the Group or its subsidiaries, and on the fixed or variable, immediate or deferred, compensation and incentive systems established for LVMH managers.

2.5. The Committee draws up and proposes to the Board of Directors to publish a biographical note about each Director in the annual report.

2.6. The Committee draws up a summary table of directors' fees actually paid to each Director.

2.7. Each year, the Committee prepares a draft report and submits it to the Board of Directors. Such report is to be presented at the Shareholders' Meeting and concerns the remuneration of Executive Officers and the stock options granted to, or exercised by, them in the course of the year under review. This report also includes the list of the ten employees of the company who received the main allocations and those who exercised the largest number of options.

2.8. Changes in remuneration are linked to the company's performance and intrinsic value.

3. Functioning of the Committee

3.1. In accepting to serve on the Committee, Directors agree to dedicate the time and attention which are necessary to their responsibilities.

3.2. The Committee meets, either at the initiative of the Chairman of the Board of Directors or the Director acting as Managing Director, or at the initiative of two members of the Committee, whenever necessary.

3.3. The deliberations of the Committee are confidential and must not be communicated outside the Board Meetings.

3.4. The Committee's decisions are adopted jointly by a simple majority of its members.

4. Prerogatives of the Committee

4.1. The Committee reports its findings to the Board of Directors. It informs the Board of its conclusions, recommendations and proposals.

4.2. Committee members may ask to be given all available information if they deem it necessary to the fulfillment of their assignment.

4.3. The Committee must justify all unfavorable opinions that it expresses about a proposal.

5. Compensation of Committee members

The members and the Chairman of the Committee may receive specific directors' fees whose amount is determined by the Board of Directors and charged to the overall amount allocated by the Shareholders' Meeting.

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GENERAL INFORMATION REGARDING THE COMPANY AND ITS CAPITAL

1. GENERAL INFORMATION REGARDING THE COMPANY

1.1 Role of the parent company within the Group

LVMH manages and coordinates the operational activities of all its subsidiaries and provides them with various services of assistance to management.

The company centralizes the cash proceeds and financing requirements of its French subsidiaries and some of its European subsidiaries.

It also centralizes foreign currency hedges for these subsidiaries, passing them along symmetrically to the market.

All these services are invoiced to the subsidiaries concerned under arm's length conditions.

Because the Group's brands belong to the various operating subsidiaries, LVMH does not receive any royalties in connection with these brands.

1.2 Corporate name and Headquarters

Corporate name : LVMH – Moët Hennessy Louis Vuitton.

Registered Office : 30, avenue Hoche, 75008 Paris.

1.3 Legal form

Limited liability company (*société anonyme*).

1.4 Corporate legislation

The company is governed by French law.

1.5 Date of incorporation and duration

LVMH was incorporated on January 1, 1923 for a duration of 99 years expiring on December 31, 2021, except in the event of early dissolution or extension decided by the Extraordinary General Meeting of Shareholders.

1.6 Corporate purpose (Article 2 of articles of association)

Any taking of interests by way of direct or indirect participation, contribution, merger, division or alliance in any corporation or group, existing or to be created, operating any commercial, industrial, agricultural or financial operations, and among others :

- the trade of champagne and other wines, of cognacs and other spirits and, more generally, of other food products ;
- the trade of all pharmaceutical products, perfumes and cosmetics and, more generally, of products relating to hygiene, beauty and care ;
- the manufacture, sale and promotion of travel requisites, luggage, bags, fancy-leather goods, clothes, accessories together with all branded goods and products of high quality ;
- the operation of vine-growing, horticultural and arboricultural estates together with the development of any related biotechnological process ;
- the operation of any real estate ;
- the development of any trade-mark, signature, model, drawing and, more generally, of any industrial property right or copyright.

More generally to undertake directly any commercial, industrial, financial, agricultural, viticultural operation, or any operation relating to movable or immovable property, management or service in any of the fields of activities described under paragraph 1 above.

1.7 Register of Commerce and Companies

The Company is registered with the Register of Commerce and Companies under number 775 670 417 Paris, APE Code 741J (company activity code)

1.8 Place where documents concerning the Company may be consulted

The articles of association, financial statements, reports and minutes of Shareholders' Meetings may be consulted at the Company's registered office at the address mentioned above.

1.9 Fiscal year

From January 1 to December 31.

1.10 Statutory distribution of profits (Article 29 of articles of association)

The net revenues of each financial year, after deducting operating costs and other expenses incurred by the company, including all depreciation and amortization, represent the net profit or loss of the financial year.

Out of the net profit of a financial year, reduced by prior losses if any, an amount equal to at least 5 % thereof shall be first

deducted in order to form the “legal reserve” provided by law. This deduction is no longer required when the reserve amounts to one tenth of the capital of the company.
Distributable earnings are the profit of a financial year, reduced by prior losses and by the deduction provided for in the preceding paragraph and increased by the profits carried forward.
Out of this amount, and subject to the decision of the Shareholders Meeting, it is first set off the amount necessary to distribute to the shareholders a preliminary dividend equal to 5 % of the paid up but non-amortized par value of the shares. This dividend is not cumulative from one financial year to the other.
The General Shareholders Meeting may decide to allocate all or a part of the amount remaining available to free, ordinary or extraordinary reserves or to carry it forward as it deems appropriate.
The balance, if any, is distributed to the shareholders as a super-dividend.

Furthermore, the General Shareholders Meeting may decide the distribution of amounts of such reserves it may dispose of, either to provide for or complete a dividend or as an exceptional distribution ; in such case, the resolution shall expressly indicate the reserves to which these payments shall be allocated. However, the dividends shall be set off by priority from the distributable earnings of the financial year.

Any dividend distributed in violation of the above mentioned rules, is fictitious.

When the results of a financial year is a loss, such loss, after approval of the annual accounts by the Ordinary General Meeting, is either set off against the profits carried forward or added to the losses carried forward ; when the balance is negative, it is carried forward to be set off against future profits.

The General Meeting shall determine the terms of payment of dividends ; failing such determination, these terms shall be determined by the Board of Directors.
However, the dividends must be declared payable no more than nine months following the close of the financial year, unless such period is extended by Court order.

The shareholders cannot be forced to repay the dividends unless the two following conditions are met :
- the distribution was made in violation of the legal provisions,
- the company has brought evidence that the beneficiaries knew of or could not ignore the irregularity of the distribution at the time it was made.

The action for repayment is time barred after ten years from the date at which the dividends became payable.

The payment of dividends is time barred after five years from the date at which they became payable.

1.11 Shareholders’ Meetings

- *Method of convening*

  Shareholders’ Meetings are convened and take place in the conditions provided by applicable laws and decrees. They are held at the registered office or at any other mentioned in the convening notice

- *Terms of admission*

  The right to take part to the Meetings of shareholders is subject either to the registration of the shareholder in a registered account or to the deposit, at the places mentioned in the convening notice, of the bearer shares or of a certificate delivered by the bank, the credit establishment or the stock broker with whom those shares are deposited or of a certificate of the authorized intermediary, certifying the inalienability of the shares until the date of the Meeting, at least five days prior to the Meeting.

- *Conditions for exercising voting rights – double voting rights*

  The voting right attached to a share is proportional to the share of the capital it represents. When having the same nominal value, each share, either in capital or redeemed (“de jouissance”), gives right to one vote.

However a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted :

– to all fully paid up shares for which evidence of registration under the name of the same shareholder during at least three years will be brought ;
– to registered shares allocated to a shareholder in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issuing premiums due to existing shares for which it was entitled to benefit of this right.

This double voting right shall automatically come to an end in case of registered shares converted into bearer shares and/or conveyed in property. However any transfer by right or inheritance, by way of liquidation of community property between spouses or deed of gift inter vivos to the benefit of a spouse or an inheritant shall not interrupt the three years period nor cause the double voting right to end.

1.12 Exceeding of threshold

In addition to the requirements of French law, the Company's memorandum and articles of association require that any individual or legal entity who becomes the owner of a fraction of capital representing at least one per cent of the Company's capital shall notify the Company of the total number of shares it holds. Such notice should be given within fifteen days from the date at which this percentage is reached.

The same obligation applies whenever the portion of capital held increases by at least one per cent.

However, the thirteenth resolution submitted to the shareholders for approval during the Combined Ordinary and Extraordinary Shareholders' Meeting of May 15, 2002 provides for the termination of this obligation if the shareholder concerned reaches the threshold of 60% of capital.

In case of non-compliance with the above obligation and upon the request of one or several shareholders holding at least 5 % of the capital and recorded in the minutes of the General Meeting, the shares in excess of the percentage to be declared shall be deprived of their right to vote at any Meeting held during a period of three months as from the date at which proper notification pursuant to the above paragraph is eventually made.

2. GENERAL INFORMATION REGARDING THE CAPITAL

2.1 Statutory rules relating to modifications of the share capital

The capital may be increased by a resolution of the Extraordinary General Meeting of the shareholders. However, when the increase of the capital is completed by way of capitalisation of reserves, profits or issue premium, the General Meeting shall vote at the quorum and majority conditions of the Ordinary General Meetings of shareholders.

The capital may, by resolution of the Extraordinary General Meeting of the shareholders, be amortised by means of equal repayment for each share by use of profits or reserves other than the statutory reserve, without such amortisation causing the reduction of the capital.

The capital may also be reduced by resolution of the Extraordinary General Meeting of the shareholders either by reducing the nominal value or the number of the shares.

2.2 Share capital – Share classes

The shares issued by the Company are all of the same class.

As of March 1, 2002, the company's share capital was equal to EUR 146,973,999, divided into 489,913,330 shares of nominal value of EUR 0.30, wholly paid-up. Out of these 489,913,330 shares, 227,681,564 off these shares carried double voting rights.

2.3 Authorized capital

As of December 31, 2001, the company's authorized capital was equal to 614,938,585 shares with a nominal value of EUR 0.30.

- **Authorization to allocate stock subscription or stock purchase options**

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 17, 2000 authorized the Board of Directors to allocate stock subscription or stock purchase options within the limit of a number which may not be more than 3% of the share capital i.e. 14,697,033 shares as of December 31, 2001. There still remained 10,299,581 options to be allocated as of December 31, 2001.

This authorization was granted for five years expiring on May 16, 2005.

- **Authorization to increase the share capital :**

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 14, 2001 authorized the Board of Directors to increase the company's share capital in one or more operations within the limit of a maximum global amount of EUR 30 million through the issuance of shares or of any security giving access to the capital, whether immediately or in the future.

It is specified that for purposes of these issuances, the preemptive rights of the shareholders may be either maintained or suppressed.

This authorization, granted for a period of 26 months, has not been used to date.

2.4 Authorization to purchase the Company's shares:

The Combined Ordinary and Extraordinary Shareholders' Meeting held on May 14, 2001, authorized the Board of Directors to purchase the Company's shares for the purpose of keeping, disposing of or canceling them, exchanging or using them as payment in kind, controlling the stock market price, granting options or using them for employee shareholder schemes under the terms defined by law. This authorization was granted for 18 months and resulted in an information notice approved by the COB (French stock exchange authority) on April 25, 2001 under number 01-438.

It is subject to the limits stated below:

– the number of securities to be acquired thereunder must not exceed 10% of the shares representing the share capital as of January 1, 2001, i.e. 48,985,834 shares;

– the unit purchase price of the shares must not exceed 140 euros, representing a theoretical maximum investment of approximately 6.8 billion euros;

In the event of a capital increase through the capitalization of reserves and allocation of free shares as well as in the event of a share split or consolidation, the prices indicated above will be adjusted by a multiplier coefficient equal to the ratio of the number of shares composing the capital before the transaction and the number after the transaction.

Shares held by the Company as of December 31, 2001 are recorded in the acounts as follows:

– 18,643,571 shares, representing an acquisition cost of approximately 1,196 million euros were allocated to short-term investments;

– 13,684,977 shares, representing an acquisition cost of approximately 577 million euros were allocated to stock purchase option plans;

– no security was allocated to capitalized securities.

See also: the Board of Directors' Report to the General Meeting. Transactions by the company on its own shares.

A proposal will be made to the Combined Extraordinary and Ordinary Shareholders' Meeting of May 15, 2002 to renew this authorization for a period of eighteen months according to the terms below:

– the number of securities to be acquired must not exceed 10% of the shares representing the share capital as of January 1, 2002, i.e. 48,990,111 shares;

– the unit purchase price of the shares must not exceed 140 euros;

– the purpose of the acquisitions may be to keep, dispose of or cancel the shares, exchange or use them as payment in kind, grant purchase options, control the stock market price, or use them for employee shareholder schemes.

2.5 Identification of security holders

Article 26 of the articles of association authorizes the Company to implement a procedure for identifying security holders.

2.6 Securities which are not representative of share capital

The Company did not issue securities which were not representative of its share capital.

2.7 Securities granting access to capital

The Company did not issue securities granting access to its share capital.

2.8 Change in share capital over the last five financial years

		Change in share capital			Share capital after operation	
Years	Nature of operations	Number of shares	Par Value (EUR 000)	Premiums (EUR 000)	Amount (EUR 000)	Aggregate number of shares
As of December 31, 1996		**–**	**–**	**–**	**133,225**	**87,389,712**
1997	Exercise of options	206,748	315	20,503	133,540	87,596,460
1998	Contribution of Au Bon Marché	1,343,150	2,048	256,911	135,588	88,939,610
	Bond conversion	2,277	3	42	135,591	88,941,887
	Exercise of options	41,185	63	3,537	135,654	88,983,072
1999	Conversion of capital into euros by reducing par value	–	(2,179)	–	133,474	–
	Bond conversion	211	1	4	133,475	88,983,283
	Exercise of options	73,413	110	6,861	133,585	89,056,696
	Capital increase	8,900,954	13,351	(13,351)	146,936	97,957,650
2000	Exercise of options	26,587	21	1,166	146,957	97,984,237
	Five for one stock split (1)	391,874,108	–	–	–	489,858,345
2001	Exercise of options	42,770	12	710	146,970	489,901,115
As of December 31, 2001		–	–	–	**146,970**	**489,901,115**

(1) In July, 2000, the par value of the share was reduced from EUR 1.50 to EUR 0.30, the number of shares composing the share capital being multiplied by five.

3. CURRENT BREAKDOWN OF CAPITAL AND VOTING RIGHTS

3.1 The Company's shareholders as of March 1, 2002

On that date, the share capital comprised 489,913,330 shares. Taking into account treasury shares, 456,317,815 shares had voting rights, of which 227,681,564 shares had double voting rights:

– 269,517,157 shares were held in pure registered form,
– 11,472,250 shares were held as administered registered shares,
– 208,923,923 shares were held as bearer shares.

Shareholders	Number of shares	Number of voting rights	% of capital	% voting rights
Groupe Arnault (1)	232,793,090	445,997,035	47.52	65.20
Moët, Hennessy and Mercier Families	12,354,152	24,090,035	2.52	3.52
Others	244,766,088	213,912,309	49.96	31.28
Total as of March 1, 2002	489,913,330	683,999,379	100	100

(1) direct and indirect shareholdings

To the Company's knowledge, two shareholders held at least 5 % of the share capital and voting rights as of December 31, 2001.

As of December 31, 2001, the members of the Board of Directors personally and directly held 0.02% of the Company's share capital and voting rights.

On January 5, 1989, Financière Agache announced that it had, together with some affiliated companies, signed an agreement with members of the Moët, Mercier and Hennessy families, granting each of the parties thereto pre-emptive rights to the Company's shares. Pursuant to a decision published on July 6, 1990, the *Conseil des bourses de valeurs* (Stock Exchange Council) declared, based on the above-mentioned agreement, that the members of the Moët, Mercier and Hennessy families who are parties to this agreement are to be considered as acting in concert with Financière Jean Goujon, controlled by Financière Agache.

As of March 1, 2002, the Company held 32,272,373 of its own shares, 18,128,802 of which under stock purchase option plans and the balance of 14,143,571 under stock buyback plans. In addition, two LVMH SA subsidiaries, namely LVMH BV and Delphine, held 1,000,000 and 323,142 shares respectively.
Pursuant to the law, these shares do not have voting rights.

As of December 31, 2001, employees of the company and companies affiliated to it within the meaning of article L.225-180 of the French Commercial Code held 43,431 LVMH shares (i.e. less than 1% of share capital) under employee savings plans.

3.2 Changes in the allocation of share capital in the last three fiscal years

	December 31, 2001		December 31, 2000		December 31, 1999	
Shareholders	Number of shares	% of capital	Number of shares	% of capital	Number of shares	% of capital
Groupe Arnault (1)	232,793,090	47.52	232,793,090	47.52	46,158,267	47.12
Others	257,108,025	52.48	257,065,255	52.48	51,799,383	52.88
Total	489,901,115	100	489,858,345	100	97,957,650	100

(1) direct and indirect shareholdings

No takeover bid, exchange offer or stock price guarantee was made on the Company's shares by third parties in the course of the fiscal year ended on December 31, 2001 and to date.

3.3 Legal entities or individuals with controlling interests in the Company

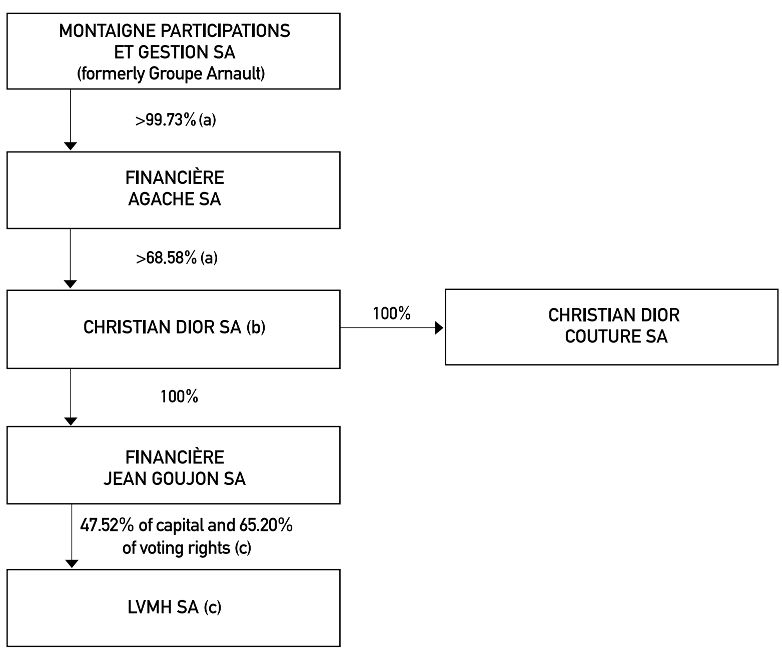
As of March 1, 2002, Financière Jean Goujon held 207,821,325 LVMH shares, representing 42.42% of the share capital and 59.55% of voting rights. The sole activity of Financière Jean Goujon is to hold LVMH securities.

As of March 1, 2002, Financière Jean Goujon is wholly owned by Christian Dior, a company controlled by Financière Agache, which is in turn controlled through Montaigne Participations et Gestion and Groupe Arnault by the Arnault family composed of Mr. Bernard Arnault and his father, Mr. Jean Arnault.

Mr. Bernard Arnault is the Chairman and Chief Executive Officer of the Company and Mr. Jean Arnault is a member of the Company's Board of Directors.

Concerning the various controlling holding companies of the LVMH Group:

- in February 1998:
  - a withdrawal offer, followed by a compulsory withdrawal of the shares of Au Bon Marché, was initiated by Financière Agache;
  - a withdrawal offer, followed by a compulsory withdrawal of the shares of Financière Truffaut, was initiated by Compagnie Financière du Nord;
  - a withdrawal offer, followed by a compulsory withdrawal of the shares of Montaigne Participations et Gestion, was initiated by Compagnie Financière du Nord;
- in April 1998, Au Bon Marché changed its name to BM Holding after contributing its retail and real estate business to BM Expansion;
- in May 1998, the securities of BM Expansion were contributed to LVMH;
- on December 31, 1998, BM Holding was merged into Financière Agache;
- in January 1999, Montaigne Participations et Gestion changed its name to Groupe Arnault SA;
- in December 1999, Groupe Arnault SA contributed its controlling interest in Financière Agache to its wholly owned subsidiary Montaigne Finance.
- in May 2000, Groupe Arnault SA changed its name to Montaigne Participations et Gestion;
- in January 2000, Compagnie Financière du Nord changed its name to Groupe Arnault SA.



(a) Direct or indirect shareholding.

(b) Company quoted on the primary market of the Paris Stock Exchange.

(c) Direct or indirect shareholding of Montaigne Participations et Gestion SA, with Financière Jean Goujon directly holding 42.2%, Financière Agache 5% and various companies holding the remainder.

1. MAIN TITLES – POSITIONS AND MANDATES OF THE DIRECTORS

Mr. Bernard ARNAULT, Chairman and Chief Executive Officer
Born on March 5, 1949
Date of first appointment: September 26, 1988

POSITIONS AND MANDATES:

Chairman and Chief Executive Officer of the following companies:
- Christian Dior, France;
- Groupe Arnault SA, France;
- Montaigne Participations et Gestion, France.

President of Société Civile du Cheval Blanc, France.

Director of the following companies:
- Christian Dior Couture, France;
- Financière Jean Goujon, France;
- Vivendi Universal, France;
- Moët Hennessy Inc., United States;
- LVMH Moët Hennessy Louis Vuitton (Japan) KK, Japan.

Permanent representative of Montaigne Participations et Gestion, Director of Financière Agache, France.

Legal representative of the following companies:
- Montaigne Participations et Gestion, President of Gasa Développement, France;
- Montaigne Participations et Gestion, President of Financière Saint Nivard, France.

Mr. Jean ARNAULT, Honorary Chairman
Born on October 23, 1919
Date of first appointment : September 22, 1988

POSITIONS AND MANDATES:

Chairman and Chief Executive Officer of Omnium Lyonnais d'Etudes, France.

Honorary chairman, Deputy Managing Director and Director of Groupe Arnault SA, France.

Deputy Managing Director and Director of Montaigne Participations et Gestion, France.

Director of the following companies:
- Belle Jardinière, France;
- Christian Dior Couture, France;
- Financière Agache, France;
- Montaigne Finance, France;
- Parfums Christian Dior, France;

Mr. Antoine BERNHEIM, Vice-Chairman
Born on September 4, 1924
Date of first appointment : September 22, 1988

POSITIONS AND MANDATES:

Partner of Lazard LLC, United States.

Director of the following companies:
- Aon France, France;
- Bolloré Investissement, France;
- Christian Dior, France;
- Ciments Français, France;
- Financière Agache, France;
- Generali France Holding, France;
- SA de La Rue Impériale de Lyon, France;
- Société Immobilière Marseillaise, France.
- AMB, Germany;
- BSI, Switzerland;
- EA – Generali, Austria;
- Generali, Italy;
- Mediobanca, Italy.

Mr. Nicholas CLIVE WORMS,
Born on November 14, 1942
Date of first appointment : September 22, 1988

POSITIONS AND MANDATES:

Chairman of the Supervisory Board of Worms & Cie, France.

Chairman of the Board of Directors of the following companies:
- Worms & Co. UK, Great Britain;
- Worms & Co. Inc, United States.

Director of the following companies:
- Unibail, France.
- Haussman Holdings, NV, Curaçao.

Permanent representative of the firm Permal Group S.A., Director of Ifabanque, France.

Mr. Albert FRÈRE,
Born on February 4, 1944
Date of first appointment : May 29, 1997

POSITIONS AND MANDATES:

Chairman of the Board of Directors of the following companies:
- Erbe S.A., Belgium;
- Frère-Bourgeois S.A., Belgium;
- Petrofina S.A., Belgium.

Chairman of the Board of Directors and Acting Director of the Groupe Bruxelles Lambert S.A., Belgium.

Honorary Manager of the National Bank of Belgium.

Vice-Chairman, Acting Director, and Member of the Management Committee of Pargesa Holding S.A., Switzerland.

Vice-Chairman of the Board of Directors of Suez, France.

Director of the following companies:
- Coparex S.A., France;
- Société Civile du Cheval Blanc, France.

Member of the Supervisory Board of Métropole Télévision « M6 », France.

Permanent representative of Belholding Belgium SA, Director of Groupe Arnault SA, France.

Member of:
- International Committee of Assicurazioni Generali S.p.A., Italy;
- International Advisory Board of Power Corporation of Canada, Canada.

Mr. Pierre GODÉ, Advisor to the Chaiman
Born on December 4, 1944
Date of first appointment : January 13, 1989

POSITIONS AND MANDATES:

Chairman and Chief Executive Officer of the following companies:
- Financière Agache, France;
- Financière Jean Goujon, France;
- Financière Truffaut, France;
- Raspail Investissements, France.

Member of the Executive Board – Managing Director of LVMH Fashion Group, France.

Director and Deputy Managing Director of the following companies:
- Groupe Arnault SA, France;
- Le Bon Marché, France.

Director of the following companies:
- Christian Dior Couture, France;
- Christian Dior, France;
- Montaigne Finance, France;
- Montaigne Participations et Gestion, France;
- SA du Château d'Yquem, France;
- Société Civile du Cheval Blanc, France;
- Christian Dior Inc., United States;
- LVMH Moët Hennessy Louis Vuitton Inc., United States;
- LVMH Moët Hennessy Louis Vuitton (Japan) KK, Japan;
- LVMH Services Limited, Great Britain.

Permanent representative of the following companies:
- Financière Agache, Director of Parfums Christian Dior, France;
- Le Bon Marché, Maison Aristide Boucicaut, Director of Franck & Fils, France;
- Louis Vuitton Malletier, Director of Belle Jardinière, France;
- LVMH, Director of DI Group, France;
- LVMH, Director of Sofidiv, France.

President of Sèvres Investissements, France.

Member of the of Directors Council of LVMH Services GIE, France.

Legal representative of the following companies:
- Financière Agache, President of Aristide Boucicaut, France;
- Financière Agache, Manager of Lamourelle Paris, France;

Mr. Jean-Marie MESSIER
Born on December 13, 1956
Date of first appointment : May 29, 1997

POSITIONS AND MANDATES:

Chairman and Chief Executive Officer of Vivendi Universal, France.

Chairman of the Supervisory Board of the following companies:
- Groupe Canal +, France;
- Vivendi Environnement, France.

Chairman of the Board of Directors of Vizzavi Europe, Great Britain.

Director of the following companies:
- Alcatel, France;
- BNP Paribas, France;
- Compagnie de Saint-Gobain, France;
- UGC, France.
- EchoStar Communications Corporation, United States;
- Fomento de Construcciones y Contratas S.A. -FCC, Spain;
- New York Stock Exchange, United States;
- USA Networks, United States.

President of the Vivendi Universal Corporate Foundation, France.

Mr. Jean PEYRELEVADE
Born on October 24, 1939
Date of first appointment : June 8, 1995

POSITIONS AND MANDATES:

Chairman of the Board of Directors of Crédit Lyonnais, France.

Member of the Supervisory Board of Lagardère, France.

Director of the following companies:
- A.G.F., France;
- Bouygues, France;
- Club Méditerranée, France;
- Suez, France;
- Power Corporation of Canada, Canada.

Lord POWELL of BAYSWATER
Born on July 6, 1941
Date of first appointment : May 29, 1997

POSITIONS AND MANDATES:

Chairman of the Advisory Committee of Phillips, de Pury & Luxembourg, Great Britain.

Chairman of the Board of Directors of:
- Sagitta Assets Management, Great Britain,
- LVMH Services Limited, Great Britain.

Director of the following companies:
- Financière Agache, France;
- Montaigne Participations et Gestion, France;
- Nelfi, Luxembourg.
- British Mediterranean Airways, Great Britain;
- Caterpillar Inc, United States;
- J. Rothschild Name Co Ltd, Great Britain;
- Mandarin Oriental International Ltd, Great Britain;
- Matheson & Co Ltd, Great Britain;
- Sagitta Asset Management Ltd, Great Britain;
- Singapore Millennium Foundation Limited, Singapore;
- Textron Corporation, United States;
- Yell Group Ltd, Great Britain.

Mr. Félix G. ROHATYN,
Born on May 29, 1928
Date of first appointment : May 14, 2001

POSITIONS AND MANDATES:

Chairman of LVMH Inc., United States.

Vice-Chairman of the Carnegie Hall Trustee, United States.

Director of the following companies:
– Suez, France;
– Publicis, France.
– Comcast Corporation, United States;
– Fiat S.p.A. Italy.

2. MAIN TITLES – POSITIONS AND MANDATES OF THE CANDIDATES FOR DIRECTOR POSITIONS

2.1 Mandates subject to renewal

Mr. Nicolas BAZIRE, Special Operation Manager
Born on July 13, 1957
Date of first appointment : May 12, 1999

CURRENT POSITIONS AND MANDATES:

Chairman of the Board of Limited Partners of Rothschild et Cie Banque, France.

Chairman of the Supervisory Board of LVMH Fashion Group, France.

Director and Deputy Managing Director of the following companies:
– Groupe Arnault SA, France;
– Montaigne Participations et Gestion, France.

Director of the following companies:
– Amec, France;
– DI Group, France;
– Europatweb, France;
– Marignan Investissements, France.
– LVMH Art Investments Limited, Great Britain;
– Datek, United States;
– Island, United States.

Member of the Supervisory Board of the following companies:
– Tajan, France;
– Zebank, France.

Permanent representative for the following companies:
– Europatweb NV, Director of Europatweb France, France;
– Montaigne Participation et Gestion, Director of Paul Doumer Automobiles, France.

President of the following companies:
– GA Investissements, France;
– MPG Investissements, France.

Legal representative of the following companies:
– Montaigne Participations et Gestion, President of Gasa Développement, France;
– Montaigne Participations et Gestion, President of Financière Saint Nivard, France.

PREVIOUS POSITIONS AND MANDATES:

Member of the Supervisory Board of Europatweb N.V., Netherlands.

Mr. Michel FRANÇOIS-PONCET
Born on January 1, 1935
Date of first appointment: September 2, 1987

CURRENT POSITIONS AND MANDATES:

Chairman of the Board of Directors of BNP Paribas (Switzerland), Switzerland.

Vice-Chairman of the following companies:
– BNP Paribas, France;
– Pargesa Holding SA, Switzerland.

Member of the Supervisory Board of Axa, France.

Director of the following companies:
- Finaxa, France;
- Schneider Electric SA, France;
- Totalfina Elf, France.
- BNP Paribas U.K. Holdings Ltd, Great Britain;
- Erbé, Belgium;
- Power Corporation of Canada, Canada;
- Vittoria Assicurazioni, Italy.

PREVIOUS POSITIONS AND MANDATES:

Chairman of the Supervisory Board of Paribas, France.

Director of Eridania-Beghin-Say, France.

Mr. Gilles HENNESSY
Born on May 14, 1949
Date of first appointment : June 6, 1990

CURRENT POSITIONS AND MANDATES:

Chairman of the Board of Directors of Jas Hennessy & Co Ltd, Ireland.

Director and Deputy Managing Director of Jas Hennessy & Co, France.

Director of the firm France Champagne, France.

Permanent representative of Jas Hennessy & Co, Member of the Supervisory Board of Champagne Moët & Chandon, France.

Manager of the following companies:
- EURL Richemont, France.
- Moët Hennessy Deutschland GmbH, Germany.

PREVIOUS POSITIONS AND MANDATES:

Vice-President and Member of the Board of Directors of Jas Hennessy & Co, France.

Director of Moët Hennessy UK, Great Britain.

Mr. Cornelis H. van der HOEVEN
Born on September 9, 1947
Date of first appointment : April 19, 1999

CURRENT POSITIONS AND MANDATES:

Chairman of the Board of Directors of Royal Ahold, The Netherlands.

Member of the Supervisory Board of the following companies:
- ABN-AMRO BANK NV, The Netherlands;
- KPN (Royal Dutch Telecom), The Netherlands.

2.2 New Appointments

Mr. Antonio BELLONI, Group Managing Director
Born on June 22, 1954

CURRENT POSITIONS AND MANDATES:

Chief Executive Officer of LVMH Inc, United States.

Director of the following companies:
- De Beers LV Limited, Great Britain;
- DFS Group Limited, United States;
- DFS Holdings Limited, Bermuda.

Mr. Diego DELLA VALLE
Born on December 30, 1953

CURRENT POSITIONS AND MANDATES:

Chairman and Chief Executive Officer of Tod's SpA, Italy;

Director of the following companies:
- Acqua di Parma, Italy;
- Le Monde Europe, France.

PREVIOUS POSITIONS AND MANDATES:

Director of the following companies:
- Banca Commerciale Italiana, Italy;
- Cassa di Risparmio di Fermo, Italy;
- Confindustria, Italy;
- Iri SpA, Italy.

3. MAIN TITLES – POSITIONS AND MANDATES OF ADVISORS

Mr. Kilian HENNESSY
Born on February 19, 1907
Date of first appointment: September 16, 1971

Honorary chairman of Jas Hennessy & Co, France.

Director of Parfums Christian Dior, France.

4. COMPENSATION

It is proposed to set at 1,053,750 euros the total amount of Directors' fees to be allocated to the members of the Board of Directors for the current fiscal year and each of the following years, until further notice.

4.1 Compensation and In-Kind Benefits of Company Directors and Officers

(in euros) Name	Fix amount**	Variable amount**	Directors fees
Bernard Arnault	559.454	496.260	84.300
Jean Arnault	–	–	46.397
Nicolas Bazire*	260.537	297.756	42.150
Antonio Belloni*	581.242	–	–
Antoine Bernheim	–	–	84.300
Nicholas Clive-Worms	–	–	42.150
Michel François-Poncet	–	–	42.150
Albert Frère	–	–	42.150
Pierre Godé*	238.047	1.290.275	70.789
Gilles Hennessy*	95.434	–	42.150
Cornelis H. van der Hoeven	–	–	42.150
Jean-Marie Messier	–	–	42.150
Jean Peyrelevade	–	–	42.150
Lord Powell of Bayswater	104.721	–	42.150
Felix G. Rohatyn	72.694	–	28.100
Myron Ullman	866.197	999.546	42.150

* In-kind benefit : company vehicle

** Amounts paid by the Company and the companies controlled by it within the meaning of article L233-16 of the French Commercial Code, after deduction of social charges calculated at a marginal rate of 11%, of other Specific French Social taxes (SCG,CRDS) and of French personal income tax at the marginal rate of 52.75%.

4.2 Stocks options

- Stocks options granted during the relevant period to the Company Officers

	Grant date	Number	Exercise price (EUR)	Validity
B. Arnault	23.01.2001	600 000	65,12	22.01.2011
N. Bazire	23.01.2001	115 000	65,12	22.01.2011
P. Godé	23.01.2001	150 000	65,12	22.01.2011
G. Hennessy	23.01.2001	7 500	65,12	22.01.2011
M. Ullman	23.01.2001	115 000	65,12	22.01.2011
"	14.05.2001	150 000	61,77	13.05.2011
A. Belloni	14.05.2001	300 000	61,77	13.05.2011

- Stock options exercised during the relevant period by the Company Officers

	Number	Exercise price (EUR)
P. Godé	110 000	34,15
G. Hennessy	24 825	29,12

TITLE I

FORM – NAME – OBJECTS – REGISTERED OFFICE – DURATION

ARTICLE 1 – FORM

The company, formed on 19th April 1962 by way of transformation of a "Société à Responsabilité Limitée" into a "Société Anonyme", is governed by the provisions of the French Commercial Code as well as by the present by-laws.

ARTICLE 2 – OBJECTS

1. Any taking of interests by way of direct or indirect participation, contribution, merger, division or alliance in any corporation or group, existing or to be created, operating any commercial, industrial, agricultural or financial operations, and among others:
   - the trade of champagne and other wines, of cognacs and other spirits and, more generally, of other food products;
   - the trade of all pharmaceutical products, perfumes and cosmetics and, more generally, of products relating to hygiene, beauty and care;
   - the manufacture, sale and promotion of travel requisites, luggage, bags, fancy-leather goods, clothes, accessories together with all branded goods and products of high quality;
   - the operation of vine-growing, horticultural and arboricultural estates together with the development of any related biotechnological process;
   - the operation of any real estate;
   - the development of any trade-mark, signature, model, drawing and, more generally, of any industrial property right or copyright.
2. More generally to undertake directly any commercial, industrial, financial, agricultural, viticultural operation, or any operation relating to movable or immovable property, management or service in any of the fields of activities described under paragraph 1 above.

ARTICLE 3 – NAME

The name of the company is:

LVMH

MOET HENNESSY LOUIS VUITTON

All deeds and documents originating from the company and addressed to third parties, in particular letters, invoices, advertisements and publications of all kinds, must indicate this name immediately preceded or followed by the words "société anonyme" or the initials "SA" which should appear legibly and the mention of the amount of the capital, together with the name of the Register of Commerce and Companies with which the company is registered and the number under which it is registered.

ARTICLE 4 – REGISTERED OFFICE

The registered office of the company is at: Paris (8ème) – 30, avenue Hoche.

It may be transferred to any other place within the same district ("département") or any adjacent district pursuant to a decision of the Board of Directors subject to the approval of said decision by the next Ordinary General Meeting, and to any other place pursuant to a resolution of the Extraordinary General Meeting.

ARTICLE 5 – DURATION

The company, which came into existence on January 1st, 1923, shall end on December 31st, 2021, except in the event of early dissolution or extension as provided by these by-laws.

TITLE II

CAPITAL AND SHARES

ARTICLE 6 – CAPITAL

1. The capital of the company is of one hundred and forty six million nine hundred and seventy thousand three hundred and thirty four euros and fifty cents (146.970.334,50), divided into four hundred and eighty nine million nine hundred and one thousand one hundred and fifteen (489.901.115) shares of a nominal value of 0,30 euro each, wholly paid up.

   287,232 shares of FRF. 50 were issued further to the contribution in kind, valued at FRF. 34,676,410, completed upon the merger with "Champagne Mercier".

   772,877 shares of FRF. 50 were issued further to the contribution by the shareholders of "JAs Hennessy & Co." of 772,877 shares of said company, valued at FRF. 407,306,179.

   2,989,110 shares of FRF. 50 were issued further to the contribution in kind, valued of FRF. 1,670,164,511, completed upon the merger with "Louis Vuitton".

   1,343,150 shares were issued further to the contribution made by BM Holding, of 1,961,048 shares of Le Bon Marché, Maison Aristide Boucicaut, valued at FRF. 1,700,000,000.

2. The capital may be increased by a resolution of the Extraordinary General Meeting of the shareholders. However, when the increase of the capital is completed by way of capitalisation of reserves, profits or issue premium, the General Meeting shall vote at the quorum and majority conditions of the Ordinary General Meetings of shareholders.

3. The capital may, by resolution of the Extraordinary General Meeting of the shareholders, be amortised by means of equal repayment for each share by use of profits or reserves other than the statutory reserve, without such amortisation causing the reduction of the capital.

4. The capital may also be reduced by resolution of the Extraordinary General Meeting of the shareholders either by reducing the nominal value or the number of the shares.

ARTICLE 7 – PAYMENT FOR THE SHARES

The amounts to be paid for the shares to be subscribed in cash pursuant to an increase of the capital are payable as provided by the Extraordinary General Meeting.
Upon subscription the initial payment is of at least one fourth of the nominal value of the shares. The issue premium, if any, must be paid in whole.
The balance of the nominal value of the shares shall be paid, as provided by the Board of Directors, in one or several times, not later than five years from the date at which the increase in capital was completed.
Calls for funds shall be notified to the shareholders eight days before the time fixed for each payment, either by registered letters with acknowledgement of receipt or by a notice inserted in a legal gazette published where the registered office is located.
The sums payable for the unpaid part of the shares are subject, day per day, to interest charge of 5% per annum, without need of Court action, as from the date at which they fell due.
When the shares are not fully paid up, upon issuance, they must be in the registered form and so remain until they are fully paid up.

ARTICLE 8 – RIGHTS AND COMMITMENTS ATTACHED TO THE SHARES

The rights and obligations attached to a share follow the share to any transferee to whom it may be transferred and the transfer includes all the payable and unpaid dividends and dividends to be payable, as well as, as the case may be, the corresponding share in the reserve funds and provisions.
The ownership of a share shall imply ipso facto the acceptance of the present by-laws and of the decisions of the General Meetings of shareholders.
In addition to the right to vote which is attached by law to the shares, each of them carries a right to a share of corporate assets, of profits, and of liquidation surplus, proportional to the number and nominal value of the existing shares.
As the case may be, and subject to any statutory provision, all tax exemptions or charges as well as all taxations which may be borne by the company shall be added up prior to any reimbursement either within the course of the life of the company or upon its liquidation so that, according to their nominal value, all the existing shares of the same class shall receive the same net amount whatever their origin or their date of issuance is.
The shareholders shall be responsible for the debts of the company up to the nominal value of the shares they hold.
Each time it shall be necessary to hold a certain number of shares in order to exercise a right, it will be the responsibility of the shareholder(s) missing such number to take the necessary actions to group a sufficient number of shares.

ARTICLE 9 – FORM AND TRANSFER OF THE SHARES

Fully paid up shares are either in the registered or in the bearer form, as the shareholder may decide, subject however to the statutory provisions relating to the shares held by certain individuals or corporations.
The shares are entered into accounts as provided by law.
However, certificates, or any other document, representing the shares may be issued when and as provided by law.
The ownership of the shares in the registered form is evidenced by their registration in registered accounts.
When the owner of the shares is not a French resident within the meaning of French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.
At the time such account is opened through either the issuing company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare his capacity as intermediary holding shares on behalf of another party.
The shares entered into accounts are freely transferable by transfer from one account to another.
Prior approval of the transferee is required only for partly paid up shares.
All costs resulting from the transfer shall be borne by the transferee.
Shares with payments in arrears are not admitted to transfer.

T I T L E III
SECURITIES

ARTICLE 10 – SECURITIES

The company may issue any security authorized by law. Certificates, or any other document, representing securities may be issued when and as provided by law.

ARTICLE 11 – PREFERENCE SHARES WITH NO VOTING RIGHT

The company may require the repurchase, subject to the conditions set forth in article L 228-19 of the French Commercial Code, either of all of its shares with a preferential dividend and no voting right or of a category of such shares, each category being determined by the date at which it has been issued.

T I T L E IV
MANAGEMENT OF THE COMPANY

ARTICLE 12 – BOARD OF DIRECTORS

1. The Board of Directors is composed of three to fifteen members, subject to the exceptions provided by law in the case of merger, who may be individuals or legal entities appointed by the Ordinary General Meeting.
   A legal entity must, at the time of its appointment, designate an individual, who will be its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as that of the member it represents. When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement. The same applies in case of death or resignation of the permanent representative.

2. Each member of the Board of Directors must during its term of office own at least twenty (20) shares of the company. These shares must be in the registered form.
   If, at the time of its appointment, a member of the Board of Directors does not own the required number of shares or if, during its term of office, it ceases to be the owner thereof, it shall dispose of a period of three months to purchase such number of shares, in default of which it shall be automatically deemed to have resigned.

3. Nobody being more than seventy years old shall be appointed Director if, as a result of his appointment, the number of Directors who are more than seventy years old would exceed one third of the members of the Board. The number of members of the Board of Directors who are more than seventy years old may not exceed one third of the Directors in office.
   Should such restriction become no longer complied with the appointment of the oldest member shall terminate.

4. The Directors are appointed for a term of three years. The duties of a Director shall terminate at the close of the Ordinary General Meeting of shareholders which votes on the accounts of the preceding financial year and is held in the year during which the term of office of said Director comes to an end.
   However, in order to allow a renewal of the terms as equal as possible and in any case complete for each period of three years, the Board of Directors will have the option to determine the order of retirement of the Directors by impartial drawing in a Board Meeting of one third of the Directors each year. Once the rotation established renewals will take place according to seniority.
   The Directors may always be re-elected; they may be revoked at any time by decision of the General Meeting of the shareholders.
   In case of death or resignation of one or several Directors, the Board of Directors may make provisional appointments between two General Meetings.
   Appointments made by the Board of Directors pursuant to the above paragraph are submitted to the ratification of the next Ordinary General Meeting. Should the Meeting of the shareholders fail to ratify these provisional appointments, this shall not affect the validity of prior resolutions and acts of the Board of Directors.
   When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene the Ordinary General Meeting in order to complete the membership of the Board of Directors.
   The Director appointed to replace another Director shall remain in office for the remaining term of office of its predecessor only.

5. A salaried employee of the company may be appointed as a Director provided that his employment contract antedates his appointment and corresponds to a position actually held. In such case, he shall not lose the benefit of his employment contract. The number of Directors bound to the company by an employment contract may not exceed one third of the Directors in office.

ARTICLE 13 – ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his term of office, which cannot exceed that of his office as Director and may dismiss him at any time.
The Board shall also determine the consideration to be paid to the Chairman.
The Chairman of the Board cannot be of more than sixty-five years old. Should the Chairman reach this age limit during his term of office as Chairman, his office would automatically terminate at the close of the nearest Board meeting. Subject to this provision, the Chairman of the Board may always be re-elected.
The Board may always elect one or several Vice-Chairman(men). It shall determine their term of office which cannot exceed that of their respective office as Director.
The officers of the meeting are the Chairman, the Vice-Chairman(men) and the Secretary.
The Secretary may be chosen from outside the Directors or the shareholders. The Board determines its term of office. The Secretary may always be re-elected.

ARTICLE 14 – MEETING OF THE BOARD

1. The Board, convened by its Chairman, meets as often as required by the interest of the company.
   The convening is made by letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person(s) convening the meeting.
   However, the Board may meet without notice upon verbal convening and the agenda may be set at the opening of the meeting:
   - when all Directors in office are present or represented, or
   - when it is convened by the Chairman during a shareholders meeting.

   Moreover a meeting of the Board of Directors may also be convened by any group of Directors, representing at least one third of the members of the Board, if the Board has not met for more than two months. In such case, they shall indicate the agenda of the meeting.
   The meetings of the Board are held at the registered office or at any place, in France or abroad.

2. Any Director may give to another Director, by letter, cable, telex, or telefax, a proxy to another Director to be represented at a meeting of the Board. However, each Director may only dispose of one proxy during the meeting.
   The Board may validly act only if at least one half of its members are present.
   Directors who participate in Board meetings by means of video-conference under the conditions defined by the Board of Directors shall be deemed to be present for purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the appointment and dismissal of the Chairman or the Managing Director, to the drawing up of the annual financial statements and consolidated financial statements, and to the preparation of the management report and the report on the Group's management.
   Decisions are made by a majority of votes of the members present or represented, each Director being entitled to one vote for himself and one for the Director he represents. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. An attendance register shall be kept and signed by all the Directors attending each meeting of the Board of Directors.

4. To be valid, copies or abstracts of the minutes of the meetings of the Board of Directors, shall be certified by the Chairman of the Board of Directors, a President, the Secretary, the Director temporarily delegated in the duties of Chairman or by a representative duly authorized to that effect.

ARTICLE 15 – POWERS OF THE BOARD

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the General Meetings of Shareholders and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.
In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the bylaws is not sufficient proof thereof.
The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his assignment and may request any documents he deems useful.

ARTICLE 16 – POWERS OF THE CHAIRMAN OF THE BOARD

1. The Chairman of the Board of Directors represents the Board of Directors. He chairs the meetings of the Board, and organizes and directs its work, for which he reports to the General Meeting of Shareholders. He ensures the proper operation of the corporate bodies and verifies, in particular, that the Directors are capable of fulfilling their assignments.

2. In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director in the duties of the Chairman.
   In case of temporary disability this delegation is granted for a limited duration; it is renewable. In case of death it is granted until the election of the new Chairman.

ARTICLE 17 – GENERAL MANAGEMENT

1. Choice between the two methods of General Management

The Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Managing Director, depending upon the decision of the Board of Directors choosing between the two methods of exercising General Management. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Managing Director shall apply him.

2. Managing Director

The Managing Director may or may not be chosen from among the Directors. The Board sets his term of office as well as his compensation. The Managing Director must not be more than sixty-five years old. If he exceeds that age, he shall be deemed to have resigned from office automatically.

The Managing Director may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Managing Director assumes the duties of Chairman of the Board of Directors.

The Managing Director is vested with the most extensive powers to act under any circumstances on behalf of the Company. He exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the General Meeting of Shareholders and to the Board of Directors.

He shall represent the Company in its relations with third parties. The Company is bound even by acts of the Managing Director falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the bylaws is not sufficient to establish such proof.

The provisions of the bylaws or decisions of the Board of Directors limiting the powers of the Managing Director are not binding on third parties.

3. Deputy Managing Directors

Upon the proposal of the Managing Director, the Board of Directors may appoint one or more individuals responsible for assisting the Managing Director, with the title of Deputy Managing Director, for whom it shall set the compensation.

The number of Deputy Managing Directors may not exceed five.

Deputy Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Managing Director. If the dismissal is decided without just cause, it may give rise to damages.

When the Managing Director ceases to exercise his duties or is prevented from doing so, the Deputy Managing Directors remains in office with the same powers until the appointment of the new Managing Director, unless resolved otherwise by the Board.

In agreement with the Managing Director, the Board of Directors sets the scope and duration of the powers granted to Deputy Managing Directors. With regard to third parties, they shall have the same powers as the Managing Director.

The age limit applying to the Managing Director shall also apply to Deputy Managing Directors.

ARTICLE 18 – DELEGATIONS OF POWERS

The Board of Directors may grant to one or more Directors, or to third parties, whether shareholders or not, with the ability to replace it, any authority, assignments and special offices for one or more specific purposes.

It may resolve to create committees responsible for studying such issues as it or the Managing Director submit thereto for examination. Such committees shall perform their duties at the discretion of the Board, which sets their composition and responsibilities, as well as the compensation of their members, if any.

The Managing Director and the Deputy Managing Directors may, at their discretion, consent to partial delegations of authority to third parties.

ARTICLE 19 – AGREEMENTS SUBJECT TO AUTHORIZATION

1. Any sureties, endorsements and guarantees granted by the company must be authorized by the Board of Directors as provided by law.
2. Any agreement to be entered into between the company and one of its Directors or its Managing Director or one of its Deputy Managing Directors, whether directly or indirectly or through an intermediary, must be submitted to the prior authorization of the Board of Directors under the conditions provided by laws.
   Such prior authorization is also required for agreements between the company and another enterprise, should one of the Directors or the Managing Director or one of the Deputy Managing Directors of the company be owner, partner with unlimited liability, Manager, Director, Managing Director, member of the Executive Board or Supervisory Board of said Company.

The same shall hold for any agreement entered into with a shareholder holding a proportion of voting rights greater than 5% or with any company which holds more than 5% of the Company's capital.
The above provisions do not apply to agreements relating to current operations entered into under normal terms. However, such agreements shall be communicated by the interested party to the Chairman, who shall communicate a list thereof to the Directors and Statutory Auditors.

ARTICLE 20 – PROHIBITED AGREEMENTS

Directors, other than legal entities, are forbidden to contract loans from the company in any form whatsoever, to secure an overdraft from it, on current account or otherwise, or to have the company guarantee or secure their undertakings toward third parties.
The same prohibition applies to the Managing Director, the Deputy Managing Directors and to permanent representatives of legal entities which are Directors. It also applies to spouses, ascendants and descendants of the persons referred to in this article as well as to all persons acting as intermediaries.

ARTICLE 21 – REMUNERATION OF THE DIRECTORS

1. The General Meeting may allow to the Directors in remuneration for their services a fixed sum as attendance fees, the amount of which is to be included in the operating expenses of the company.
   The Board shall divide the amount of these attendance fees among its members as it deems fit.
2. The Board may also authorize the reimbursement of the travel fares and expenses and of the expenses incurred by the Directors in the interest of the company.
3. The Board may allow special payments to Directors for projects assigned or delegated to them pursuant to the provisions of article 18 of these by-laws. These payments, to be included in the operating expenses of the company, shall be liable to the provision of article 19 of these by-laws.
4. Apart from the amounts provided for under the three paragraphs above as well as from the salaries of the Directors being employees of the company, and from the consideration, whether fixed or proportional, to be paid to the Chairman, the Presidents or the Director temporarily delegated in the duties of Chairman, the Managing Director and, as applicable, the Deputy Managing Directors, no other consideration, permanent or not, may be paid to the Directors.

ARTICLE 22 – COUNCIL OF ADVISORS (Censeurs)

The Ordinary General Meeting may, upon proposal of the Board of Directors, appoint Advisors the number of whom shall not exceed nine.
In case of death or resignation of one or more Advisors, the Board of Directors may make provisional appointments subject to their ratification by the next Ordinary General Meeting.
The Advisors, who are chosen among the shareholders by reason of their skills, shall constitute a Council.
The Advisors are appointed for a term of three years ending at the close of the Ordinary General Meeting of the shareholders which acts on the accounts of the preceding financial year and held in the year during which their term of office comes to an end.
The Advisors are convened to the meetings of the Board of Directors and take part to the deliberations with a consultative vote. Their absence cannot however affect the validity of such deliberations.
The Board of Directors may allocate fees to the Advisors the amount of which will be set off from the fees allocated by the General Meeting to the members of the Board of Directors.

ARTICLE 23 – STATUTORY AUDITORS (COMMISSAIRES AUX COMPTES)

The audit of the company shall be carried out, as provided by law, by one or more Statutory Auditors legally entitled to be elected as such. When the conditions provided by law are met, the company must appoint at least two Statutory Auditors.
Each Statutory Auditor is appointed by the Ordinary General Meeting.
One or more supplementary deputy Statutory Auditors, who may be called to replace the regular Statutory Auditors in the case of death, disability or refusal to act of the latters, are appointed by the Ordinary General Meeting.

TITLE V
MEETINGS OF SHAREHOLDERS

ARTICLE 24

1. The General Meetings of shareholders shall be convened and held as provided by law. The agenda of the Meeting shall be mentioned on the convening notice and letters; it is set by the corporate body convening the Meeting.
   When the General Meeting has not been able to transact business validly due to a lack of quorum, the second Meeting or, as the case may be, the prorogated second Meeting, is convened in the same way at least six days prior to the Meeting. Notice and convening letters relating to such second Meeting reproduce the date and agenda of the first Meeting.
   The Meetings are held at the registered office or at any other place mentioned in the convening notice.
   The right to take part to the Meetings of Shareholders is subject either to the registration of the shareholder in a registered account or to the deposit, at the places mentioned in the convening notice, of the bearer shares or of a certificate delivered by the bank, the credit establishment or the stock broker with whom those shares are deposited or of a certificate of the authorized intermediary, certifying the inalienability of the shares until the date of the Meeting, at least five days prior to the Meeting.
   If there is one in the Company, two members of the Labor Committee appointed, by such Committee, may attend the General Meeting of Shareholders. Upon their request, they must be heard with respect to any deliberation requiring unanimity of shareholders.
   A shareholder can always validly be represented at a Meeting of shareholders by his spouse or by another shareholder.
   The shareholders may vote by mail at any Meeting in accordance with the laws and regulations. To be taken into account, the voting form must have been received by the company at least three days prior to the date of the Meeting.
   Shareholders may address their proxy form and/or their voting form, in accordance with the laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission.
   In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, the General Meetings of Shareholders may also be held by means of video conference or through the use of any telecommunications media allowing the identification of shareholders.
   Any intermediary who meets the requirements set forth in paragraphs three and four of article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a General Meeting of Shareholders the vote or proxy of a shareowner, as defined in paragraph three of that same article.
   Before transmitting any proxies or votes to a General Meeting of Shareholders, the intermediary shall be required, at the request of the issuing corporation or its proxy, to provide a list of the non-resident owners of the shares to which such voting rights are attached. Such list shall be provided under the conditions provided for by applicable regulation.
   A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareowners, may not be counted.
   The Meeting is presided over by the Chairman of the Board of Directors or, in his absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of the latter, by a Member of the Board of Directors appointed by the Board for that purpose. If no President has been appointed, the Meeting elects its President.
   The two Members of the Meeting present, having the greatest number of votes, and accepting that role, are appointed as Scrutineers. The Officers of the Meeting appoint a Secretary, who may but need not be a shareholder.
   An attendance sheet is drawn up, in accordance with the law.

2. The voting right attached to a share is proportional to the share of the capital it represents. When having the same nominal value, each share, either in capital or redeemed ("de jouissance"), gives right to one vote.

However a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted:

- to all fully paid up shares for which evidence of registration under the name of the same shareholder during at least three years will be brought;
- to registered shares allocated to a shareholder in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issuing premiums due to existing shares for which it was entitled to benefit of this right.

This double voting right shall automatically come to an end in case of registered shares converted into bearer shares and/or conveyed in property. However any transfer by right or inheritance, by way of liquidation of community property between spouses or deed of gift inter vivos to the benefit of a spouse or an inheritant shall not interrupt the three years period nor cause the double voting right to end.

Votes shall be expressed either by raised hands or by standing up or by a roll-call as decided by the officers of the Meeting.
However a secret ballot may be decided:

- either by the Board of Directors,
- or by the shareholders representing at least one fourth of the capital if their request was made in writing and addressed to the Board of Directors or the corporate body having convened the Meeting, two days at least prior to the Meeting.

3. The Ordinary General Meeting is the Meeting which makes decisions which do not amend the by-laws.
It is convened once a year at least, within six months from the end of each financial year to vote on the accounts of that financial year.
In order to pass valid resolutions, an Ordinary General Meeting of the shareholders, convened upon first notice, must consist of shareholders, present or represented, holding at least one quarter of the shares having the right to vote. The deliberations of an Ordinary Meeting of Shareholders, convened upon second notice, shall be valid whatever be the number of the shareholders.
The resolutions of the Ordinary General Meeting are carried by a majority of the votes of the shareholders present or represented.

4. Only the Extraordinary General Meeting may amend the by-laws. However, in no event can it increase the duties of the shareholders except in the case of transactions resulting form a regrouping of shares duly completed.
As to the Extraordinary General Meetings of the shareholders, the quorum, upon first convening notice, is of one third of the voting shares, and of one fourth upon second convening notice or in the case of prorogation of the second Meeting.
The resolutions of the Extraordinary General Meeting shall be carried out at a two third majority of the votes of the shareholders present or represented.

5. The copies or abstracts of the minutes of the Meetings shall be validly certified by the Chairman of the Board of Directors, by a President, or by the Secretary of the Meeting.
The Ordinary and Extraordinary Meetings shall exercise their respective powers as provided by law.

6. During constitutive Extraordinary General Meetings, which are those called to approve a contribution in kind or advantages granted to individuals, the contributor or the beneficiary cannot vote either for himself or as a proxy.

7. When there are several classes of shares, the rights attached to the shares of one class cannot be modified without a proper vote of an Extraordinary General Meeting opened to all shareholders and, on top of it, without a proper vote of a special Meeting of the sole owners of the shares of the class concerned.
Special Meetings are convened and held as the Extraordinary General Meetings.

ARTICLE 25 – INFORMATION ON THE SHAREHOLDING

Any individual or legal entity who becomes the owner of a fraction of capital of at least one per cent shall notify the total number of shares it holds to the company. Such notice should be given within fifteen days from the date at which this percentage is reached.
The same obligation applies whenever the portion of capital held increases by at least one per cent. However, it shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the share capital.
In case of non-compliance with the above obligation and upon the request of one or several shareholders holding at least 5% of the capital and recorded in the minutes of the General Meeting, the shares in excess of the percentage to be declared shall be deprived of their right to vote at any Meeting held during a period of three months as from the date at which proper notification pursuant to the above paragraph is eventually made.

ARTICLE 26 – IDENTIFICATION OF THE HOLDERS OF SECURITIES

The company may, at any time, in accordance with the applicable laws and regulations, request the body in charge of the clearing of securities to give it the name, nationality and address of natural persons or legal entities holding securities conferring an immediate or deferred right to vote at its own General Meetings of shareholders, as well as the number of securities held by such natural persons or legal entities and the restrictions, if any, which may exist upon the securities. A fee will be charged to the company for these informations, the maximum amount of which shall be determined in accordance with the provisions of an "arrêté" of the Minister of Economy.
In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, to the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.
When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary holding the account, who shall, in turn, be responsible for communicating it to the issuing company or the aforementioned body, as applicable.

T I T L E VI
RESULTS OF THE COMPANY

ARTICLE 27 – FINANCIAL YEAR

Each financial year is of one year beginning on 1st January and ending on 31st December.

ARTICLE 28 – ANNUAL ACCOUNTS

The Board of Directors shall keep regular accounts of the corporate operations and shall draw up the annual accounts in conformity with the law and the commercial practice.

ARTICLE 29 – APPROPRIATION OF RESULTS AND ALLOCATION OF PROFITS

Out of the profit of a financial year, reduced by prior losses if any, an amount equal to at least 5% thereof shall be first deducted in order to form the "legal reserve" provided by law. This deduction is no longer required when the reserve amounts to one tenth of the capital of the company.
Distributable earnings are the net profit of a financial year, reduced by prior losses and by the deduction provided for in the preceding paragraph and increased by the profits carried forward.
Out of this amount, and subject to the decision of the Shareholders Meeting, it is first set off the amount necessary to distribute to the shareholders a preliminary dividend equal to 5% of the paid up but non-amortized nominal value of the shares.
This dividend is not cumulative from one financial year to the other.
The General Shareholders Meeting may decide to allocate all or a part of the amount remaining available to free, ordinary or extraordinary reserves or to carry it forward as it deems appropriate.
The balance, if any, is distributed to the shareholders as a super-dividend.
Furthermore, the General Shareholders Meeting may decide the distribution of amounts of such reserves it may dispose of, either to provide for or complete a dividend or as an exceptional distribution; in such case, the resolution shall expressly indicate the reserve to which these payments shall be allocated. However, the dividends shall be set off by priority from the distribuable earnings of the financial year.
When a balance sheet, drawn up during, or at the end of the financial year, and certified by the statutory auditor, shows that the company, since the close of the preceding financial year, after having made the necessary depreciations and provisions and after deduction of the prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by the by-laws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve the distribution of interim dividends prior to the approval of the accounts of the financial year, and may determine the amount thereof and the date of such distribution. The amount of such interim dividends cannot exceed the amount of the profits as defined in this paragraph.
Any dividend distributed in violation of the above mentioned rules, is fictitious.
When the results of a financial year is a loss, such loss, after approval of the annual accounts by the Ordinary General Meeting, is either set off against the profits carried forward or added to the losses carried forward; when the balance is negative, it is carried forward to be set off against future profits.

ARTICLE 30 – PAYMENT OF DIVIDENDS

The General Meeting shall determine the terms of payment of dividends; failing such determination, these terms shall be determined by the Board of Directors.
However, the dividends must be declared payable no more than nine months following the close of the financial year, unless such period is extended by Court order.

The shareholders cannot be forced to repay the dividends unless the two following conditions are met:

- the distribution was made in violation of the legal provisions,
- the company has brought evidence that the beneficiaries knew of or could not ignore the irregularity of the distribution at the time it was made.

The action for repayment is time barred after ten years from the date at which the dividends became payable.

The payment of dividends is time barred after five years from the date at which they became payable.

T I T L E VII
DISSOLUTION – LIQUIDATION

ARTICLE 31 – PREMATURE DISSOLUTION

An Extraordinary General Meeting may at any time declare the premature dissolution of the company.

ARTICLE 32 – LOSS OF ONE HALF OF THE CAPITAL OF THE COMPANY

If, as a consequence of losses showed by the company's accounts, the net assets (capitaux propres) of the company are reduced below one half of the capital of the company, the Board of Directors must, within four months from the approval of the accounts showing such loss, convene an Extraordinary General Meeting of shareholders in order to decide whether the company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the capital must, at the latest by the end of the second financial year following the financial year during which the losses were established and subject to the legal provisions concerning the minimum capital of "sociétés anonymes", be reduced by an amount at least equal to the losses which could not be charged on reserves, if during that period the net assets have not been restored up by an amount at least equal to one half of the capital.

In the absence of General Meeting or in the case where the Meeting has not been able to validly act, any interested party may institute legal proceedings to dissolve the company.

ARTICLE 33 – EFFECT OF THE DISSOLUTION

The company is in liquidation as soon as it is dissolved for any reason whatsoever. It continues to exist as a legal entity for the needs of this liquidation up to the completion of it.

During the period of the liquidation, the General Meeting shall retain the same powers as it did exercise during the life of the company.

The shares shall remain transferable until the completion of the liquidation proceedings.

The dissolution of the company is only valid vis à vis third parties as from the date at which it has been published at the Register of Commerce and Companies.

ARTICLE 34 – APPOINTMENT OF LIQUIDATORS – POWERS

Upon the expiration of the term of existence of the company or in the case of its premature dissolution, the Meeting of the shareholders shall decide the methods of liquidation and appoint one or several liquidators whose powers it will determine, and who will exercise their duties according to the law. The appointment of the liquidator(s) terminates the office of the Directors, as well as that of the Advisors, if any.

ARTICLE 35 – LIQUIDATION – CLOSING

After payment of the liabilities, the remaining assets shall be used first for the payment to the shareholders of the amount paid for their shares and not amortized.

The balance, if any, shall be divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to take notice of the closing of the liquidation.

The closing of the liquidation shall be published as provided by law.

ARTICLE 36 – LITIGATIONS

Any dispute between the company and any of its shareholders arising from the present by-laws and/or deriving therefrom shall be settled by the Commercial Court of Paris.

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