



PRESERVING THE ENVIRONMENT

VISION AND STRATEGY

THE ENVIRONMENT SECTION WAS PREPARED BY INCORPORATING THE GUIDELINES OF THE GLOBAL REPORTING INITIATIVE* AND BY OBSERVING THE REQUIREMENTS OF DECREE NO. 2002-221 FOR APPLICATION OF THE NEW ECONOMIC REGULATIONS LAW.

RELATIONSHIP BETWEEN LVMH AND THE ENVIRONMENT

Like any human activity, the Group's operations have an impact on the environment that varies depending on the type and scope of activity. For almost all companies, those activities are:

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

Wines & Spirits and Perfumes & Cosmetics have other specific aspects, such as consumption of **water**, which is an essential resource for hygiene of mate-

rials and equipment that come into contact with the product or for survival of vines (irrigation of vines in Australia, New Zealand, Argentina and California) and production of **liquid waste** rich in organic matter. Only the Wines & Spirits sector can have an impact connected with **soil** use for growing vines.

STRONGER ENVIRONMENTAL COMMITMENT FROM LVMH

LVMH formed its environmental department in 1992 and Bernard Arnault chose to affirm its commitment in 2001 by signing the "Environmental Charter." The Charter asks each company of the Group to make a commitment to set up an effective environmental management system, review product-related environmental issues together, manage risks and use the best environmental practices.

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

In 2003, Bernard Arnault signed on to the United Nations' Global Compact. That initiative, which was launched by Kofi Annan, Secretary General of the UN, requires its signatories to apply and promote nine principles in the field of human rights, labor and the environment.

ORGANIZATION WITHIN THE GROUP

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

Its role is:

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

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

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

* This section specifically addresses the following chapters: 1.1, 2.9, 2.10, 2.11, 2.13, 2.14, 2.18, 2.21, 2.22, 3.1, 3.5, 3.6, 3.7, 3.10, 3.14, 3.15, 3.16, 3.17, 3.19, 3.20, indicators EN1, EN3, EN4, EN5, EN8, EN11, EN12

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

THE GROUP AND THE STAKEHOLDERS

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

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

The Group's environment department has regular relationships with consumer and environmental protection associations, either directly through formal or informal one-time meetings, or through the organizations listed above in which the Group is active.

The champagne and cognac companies put their environmental expertise to work for the local community by participating in the technical commissions of the professional sector or by consciousness-raising actions: in

November 2003, Hennessy's environmental manager spoke on the topic "The environment, a challenge for the wine-making sector" to 200 professionals and elected officials from the Charente region. Interested by the initiative of the champagne bottle "carbon balance"⁽²⁾ that the Veuve Clicquot Ponsardin company did in 2002, the Comité Interprofessionnel des Vins de Champagne (CIVC) conducted a study covering the entire Champagne region in 2003.

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

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

EVOLUTION OF ENVIRONMENTAL MANAGEMENT IN THE GROUP'S COMPANIES

IMPROVEMENT IN ENVIRONMENTAL MANAGEMENT SYSTEMS

The companies must produce their own environmental policy specific to their activity and set goals for themselves⁽³⁾. Those that so desire can choose to have their management system certified by a third party, such as Jas Hennessy & Co, which in 1998 was the first company in the world to receive ISO 14001 certification in the Wines & Spirits sector; this has been renewed twice since and is valid for all its sites.

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

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

⁽³⁾ See pages 13 to 16 of this report.



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



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

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

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

The upward flow and consolidation of environmental data were set up in 1999 in the largest companies and

were extended to include all of them.

In 2003, the scope covered:

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

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

Accordingly, it covers 365 sites (versus 306 in 2002). Data from just 20 of

those sites is missing from it, the impact that they have on the environment being not significant in comparison with the Group's total impact.

The major changes with respect to 2002 were:

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

GREATER STAFF AWARENESS

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

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

In 2003, all Hennessy, Moët & Chandon and Veuve Clicquot Ponsardin employees received an environmental consciousness-raising guide. It lists "green actions" to be taken at home and in the workplace to limit everyone's impact on the environment: conserving energy, sorting trash, limiting use of forms of transportation that pollute (aircraft and automobile), reducing noise.

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

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

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

CONTINUED ENVIRONMENTAL AUDITS

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

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

In addition to these audits, at their sites the companies can periodically

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

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



Guide for "green actions".



GROUP'S PRODUCTS SHOW GREATER ENVIRONMENTAL AWARENESS

PRESERVATION OF THE ENVIRONMENT IS A MESSAGE IMPLICIT IN THE VERY CONCEPT OF LUXURY. ENVIRONMENTAL AWARENESS IN THE MANUFACTURING OF THE GROUP'S PRODUCTS CONTINUES TO BE A **STRONG EXPECTATION**, EVEN IF MOST CONSUMERS DO NOT YET EXPRESS IT IN PRECISE TERMS. TO MAKE SURE THAT PRODUCTS ARE MANUFACTURED WITH RESPECT FOR THE ENVIRONMENT, THE GROUP'S COMPANIES ARE KEPT INFORMED OF REGULATORY REQUIREMENTS EACH MONTH THROUGH THE ENVIRONMENTAL INTRANET.



of the Koro Pedagogical and Botanical Garden. Over the months, the Garden has evolved: after setting up the basic infrastructures (walkways, explanatory signs, etc.), a collaboration with the nursery of the local Water and Forestry Department made it possible to plant about a hundred plant species, including some that are rarely or even never grown. In practice, the plants are distributed by category (medicinal plants, exotic fruits, trees of the African tradition, etc.), which helps visitors to better understand the plants of that country. Soon the garden will open its doors to the schools in the area.

Following actions for Science and Plant life, LVMH's R&D laboratories intend to continue to revitalize the Koro region. And with a view toward that sustainable development, in May 2004, in partnership with local institutions, they are organizing the First Forum of Exchanges for Sustainable Development in the Koro region.

BIODIVERSITY AND THE GROUP'S PRODUCTS

The Fashion & Leather Goods and Watches & Jewelry business groups have instituted procedures to improve compliance with the international CITES agreement, which combats the over harvesting associated with international trade in certain endangered species of plants and animals through a system of import and export permits.

The research work of LVMH's R&D laboratories in the village of Koro in Burkina Faso continues to bear fruit. In the spring of 2004, the Bikini line of Christian Dior acquired a new active ingredient: Anogelline. Native to this region, it comes from the bark of the *Anogeissus leiocarpus* tree. The spirit of the Annogelline project is innovative: a well thought-out bark-harvesting system, involvement of local residents, the planting of young *Anogeissus* trees to assure replenishment and the creation

PRODUCT DESIGN SHOWS GREATER ATTENTION TO THE ENVIRONMENT

Veuve Clicquot has continued its program of environmental awareness in designing its products. After setting up the work group, the company plans on designing a completely new product based on its eco-design principles by 2005.

The tin capsule of the Hennessy V.S line was replaced by a Roll Top capsule (aluminum/polyethylene combination) during 2003. That made the capsule 77% lighter: 1.73g versus 7.55g, which translates into an annual savings of 30 tons of tin.



Due to the diversity of the Group's activities, the only common point that has any true meaning in terms of raw materials consumption is the quantity of primary and secondary packaging that is placed on the market:

- **Wines & Spirits:** bottle, cardboard box, corks, etc.
- **Perfumes & Cosmetics:** bottle, box, etc.
- **Fashion & Leather Goods:** boutique bags, purses, boxes, etc.
- **Watches & Jewelry:** packaging of cases and boxes, etc.
- **Selective Retailing:** boutique bags, purses, boxes, etc. For Sephora, the figures provided include all packaging of Sephora brand products offered to consumers that are distributed worldwide.

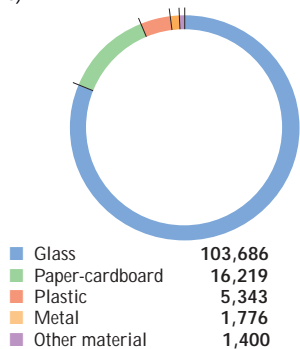
Amount of packaging marketed in 2003 ☒*

(tons)



Amount of Packaging by Type of Material

(tons)



MORE STRINGENT ENVIRONMENTAL REQUIREMENTS WITH SUPPLIERS, SERVICE-PROVIDERS AND SUBCONTRACTORS

Getting suppliers and subcontractors to meet environmental requirements is the subject of the "supplier tool" that the Environmental Commission developed for all Group companies in 2002. That tool lists the environmental requirements that they must meet and presents the environmental issues that are to be taken into consideration in supplier audits or in contracts and specifications.

At the request of the companies in the Group, the Department of Environmental Affairs conducts audits of environmental compliance of suppliers and subcontractors: accordingly, at Sephora's request, just such an audit was done of the logistic platform of its shipping provider, near Orléans.



In its General Conditions of Purchase, Louis Vuitton systematically requires that its suppliers comply with environmental laws and regulations in terms of packaging and the CITES⁽¹⁾ convention.

Hennessy continued the ongoing work with its 23 service-providing distilleries, whose environmental compliance was evaluated for the first time four years ago. In 2003, an in-depth analysis was done at a subsidiary to evaluate compliance with regulatory and technical changes and to devise a diagnostic tool. During 2004, that tool will be deployed at service-providing distilleries so that any necessary preventive or corrective actions can be taken.

LAUNCH OF "PRODUCT ENVIRONMENTAL EVALUATION" PROJECT

Launched at the end of 2003, the project aims to conduct an environmental evaluation throughout the life cycle⁽²⁾ of **three major products of the Group**. The results of those studies should result in the design of innovative products based on the areas of environmental improvement that are revealed and should define performance indicators to serve as a reference for all our business groups.

* See page 17.

(1) CITES Convention: Convention on International Trade in Endangered Species of Wild Fauna and Flora. An international agreement between countries based on a system of export permits and species traceability. Its purpose is to make sure that international trade in specimens of wild animals and plants does not threaten the survival of the species to which they belong. The three areas of the convention list about 5,000 animal species and 25,000 plant species to be protected from overuse.

(2) Designates the phases in the life of a product, including its production, use, recycling and disposal.



REDUCING THE ENVIRONMENTAL IMPACT OF THE GROUP'S SITES

TRUE TO ITS COMMITMENT TO **REDUCE THE ENVIRONMENTAL IMPACT** OF ITS OPERATIONS, IN KEEPING WITH THE **ENVIRONMENTAL CHARTER**, IN 2003 THE GROUP CONTINUED TO TAKE ACTION TO REDUCE WATER AND ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS AND TO INCREASE THE PERCENTAGE OF WASTE THAT GETS RECYCLED.

ENERGY CONSUMPTION

Compared to last year, the Group's energy consumption decreased by 7%, and totaled 361,412 MWh in 2003.

In 2003, at its main production site, Veuve Clicquot Ponsardin launched a project to **organize energy procurement more efficiently**. The primary areas of improvement were:

- To pool the heating systems to prevent excess installed capacities, and improve regulation;
- To put obsolete heating systems out of service;
- To replace fuel oil facilities with natural gas facilities.

In 2003, two fuel oil heating systems out of three were put out of service, offset by combining the two main heating sys-

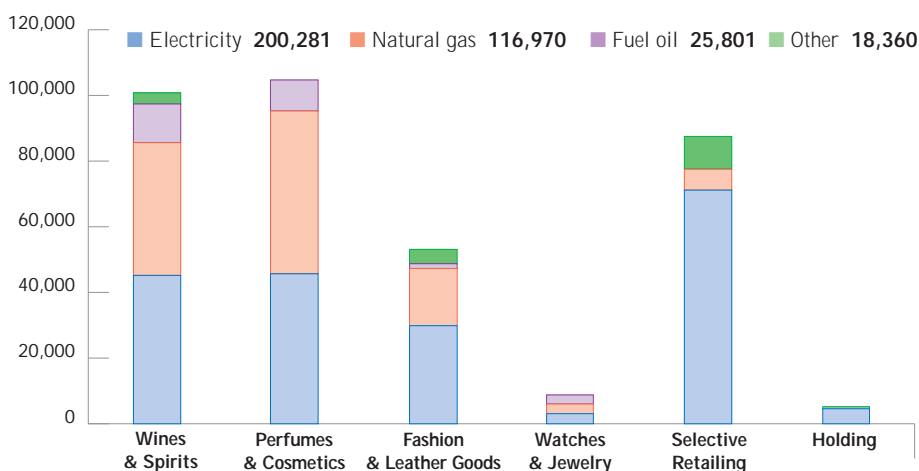
tems in one, recovering the heat from combustion smoke and adding one natural gas heating system. The expected energy consumption savings are in the order of 25%.

Parfums Christian Dior has installed energy-efficient lighting throughout its production site (5,000 euros invested).

In 2003, at the Guerlain site in Orphin, the energy-saving measures involved eliminating half of the lighting that had been evaluated and judged to be non-essential.

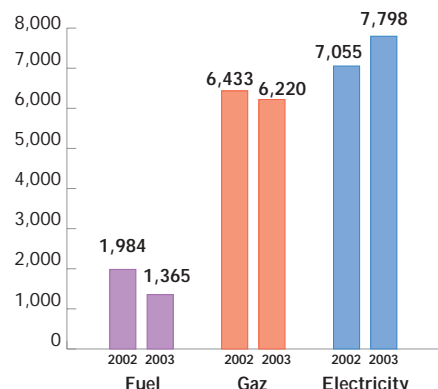
Activity	Energy consumption (MWh) <input checked="" type="checkbox"/>
Wines & Spirits	101,110
Perfumes & Cosmetics	104,707
Fashion & Leather Goods	54,120
Watches & Jewelry	8,771
Selective Retailing	87,519
Holding	5,185
Total	361,412

Energy Consumption by Activity and by Source (MWh)



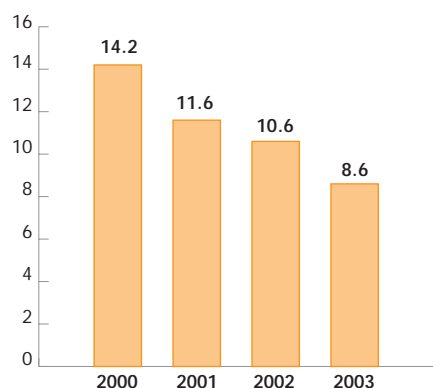
Energy Consumption for Heating from 2002 to 2003

(Veuve Clicquot Ponsardin production site)
(MWH)



Energy consumption at Christian Dior perfumes per ton of product manufactured in 2003

(MWh / ton)



WATER CONSUMPTION

Water consumption is classified according to two different uses:

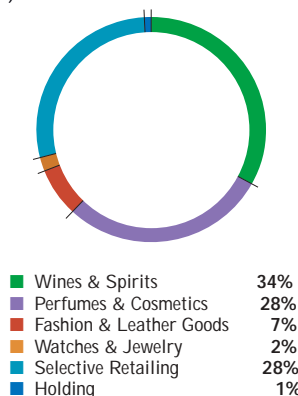
- Process needs: using water for operations related to cleaning (tanks, products, equipment, soil), air conditioning, personnel... The water thus consumed generates waste water.
- Agricultural needs: using water for irrigation of vineyards outside of France (irrigation is not done in France). Water is taken directly from the natural environment for irrigating the vines. Water use from one year to the next is closely tied to variations in weather.

	2002	2003	% change
Process needs (m ³) <input checked="" type="checkbox"/>	1,772,927	1,539,904	- 15%
Agricultural needs (irrigation of vines) (m ³)	560,626	995,847	44%(*)

(*) Chlorofluorocarbons, chemical compounds composed of carbon, chlorine and fluorine. These substances deplete the ozone layer; and their production and sale have been illegal since 2000. Their use in air-conditioning systems is very strictly controlled.

Water Consumption by Activity (excluding agricultural needs)

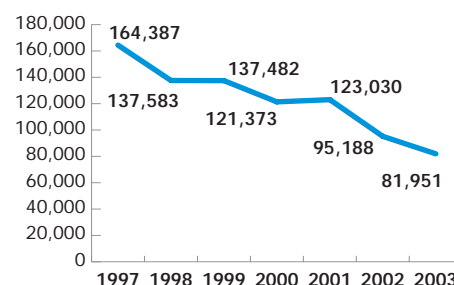
(in m³) ☒



Consumption of water for process needs decreased by 15% from 2002 to 2003, due to many water conservation initiatives within the companies of the Group:

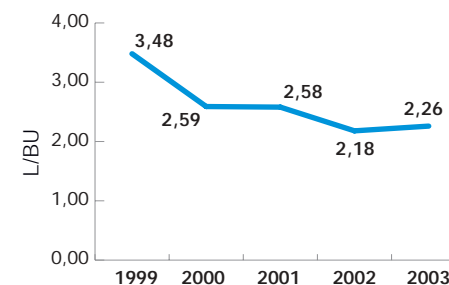
- Le Bon Marché and la Samaritaine replaced lost-water air conditioning with closed-circuit air conditioning. La Samaritaine also set up a new automated water management system. In total, more than 100,000 m³ of water were conserved.
 - At its site in Orphin, Guerlain has installed automatic-turnoff faucets in the bathrooms, thereby reducing water consumption by 20%.
 - At the champagne and cognac companies, technical improvements (closed-circuit bottle-washing machines, etc.) and good practices of operators continued to bear fruit in 2003: see graphs below.
- Using water to irrigate vines outside of France is necessary for the survival of the vineyards in California, Argentina, Australia and New Zealand. This prac-

Water Consumption at 2 Main Production Sites of Moët & Chandon (in m³)



Water Consumption at Production Site of Veuve Clicquot Ponsardin per bottle unit produced

(in Liter per bottle unit)



tice, which is closely supervised by the local authorities who issue permits for drawing water, is the subject of many measures that aim to limit its use:

- recovery of rain water (Domaine Chandon California, Domaine Chandon Australia, Mountadam, Bodega Chandon Argentina), reuse of treated waste water (Domaine Chandon Carneros, California), recovery of runoff water in artificial lakes (Newton);
- instituting water need characterization and measurement protocols: analyses of moisture in the soil, leaves, visual inspections of vines, adapting



the supply to meet the needs of each parcel (MountAdam, Domaine Chandon Australia);

- widespread use of drip irrigation (from 73% to 100% of the wine-growing area is covered by this practice);
- weather monitoring for optimized adaptation of irrigation (weather stations set up at Chandon California);
- periodic inspections of irrigation systems to prevent risks of leakage;
- practice of “reduced loss irrigation,” which limits the use of water and improves the quality of the grapes (maintaining the size of the grape allows a concentration of flavors and color).

AIR EMISSIONS AND SHIPPING

The only significant air emissions for the Group’s environmental activities are greenhouse gas emissions. As in 2002,

greenhouse gas emissions measured in CO₂ equivalent tons (carbon dioxide) correspond to emissions from energy consumption at the sites. They include direct emissions (combustion on site) and indirect emissions (from the production of electricity used by the sites). Consistent with the reduction in energy consumption compared to 2002, these greenhouse gas emissions have decreased by 10%.

As part of its boiler-streamlining project, Veuve Clicquot Ponsardin anticipates a 10% reduction in its greenhouse gas emissions over two years, i.e. 262 CO₂ equivalent tons less.

To learn more about its impact on the environment, Hennessy has set up a measurement protocol to calculate the greenhouse gas emissions of its distillery boilers. Surpassing any regulatory requirement, that voluntary

action will make it possible to better characterize the boiler discharges and, depending on the results, to determine areas of improvement.

Of the Group’s 365 sites covered by the environmental reporting, only two were still using CFC in their air conditioning systems during 2003. Of those two sites, one stopped using it at the end of the year and the other is maintaining its CFC equipment in compliance with current regulations (air seals inspected by an approved agency, etc.).

In 2003, the Louis Vuitton Malletier workshops continued their efforts to exceed the set goal by achieving 79% deployment of water-based glue at spraying stations. Also, during 2003, a new process emerged: peripheral gluing. That new, more effective process optimizes glue consumption by targeting the areas to be glued very precisely. That technical innovation has enabled the company to meet environmental obligations while optimizing manufacturing costs.

Hennessy has maintained its decision to show a preference for shipping its products by boat and rail, a shipping method that produces 85 times less greenhouse gas emission than shipping by air: 90% of Hennessy products (in tons.kilometers) were shipped by that method of transportation.

Louis Vuitton Malletier undertook two major actions to reduce the environmental impact of shipping its products:

- Shipping of products by boat rather than by air. At the end of 2003, 30% of

Activity	CO ₂ equiv. Tons <input checked="" type="checkbox"/>		
	Direct CO ₂ equiv. Tons	Indirect CO ₂ equiv. Tons	Total
Wines & Spirits	12,160	7,317	19,477
Perfumes & Cosmetics	11,963	3,805	15,768
Fashion & Leather Goods	4,946	6,066	11,012
Watches and Jewelry	1,329	463	1,792
Selective Retailing	1,303	7,514	8,817
Holding	0	455	455
Total	31,701	25,620	57,321

leather goods in volume were shipped by sea. The goal is to reach at least 50% by the end of 2004.

– Combined rail/truck shipping for the link between the workshop in Barbera, Spain, and the logistics center in Cergy. Over the year, that enabled a reduction of 105,400 tons of CO₂ compared to shipping by truck only.

DISCHARGES INTO WATERWAYS AND POLLUTION PREVENTION

Given the low impact that the activities of the Group's companies have on water, the only significant discharges that could be addressed are the releases of substances that promote eutrophication into the waterways. The parameter in question is chemical oxygen demand (COD), calculated after the waste is treated at site-owned stations or outside stations with which the sites have signed agreements. The following operations are considered treatments: collective cleanup, autonomous cleanup (aeration basin) and spreading.

Activity	COD after treatment (ton/year) <input checked="" type="checkbox"/>
Wines & Spirits	51.1
Perfumes & Cosmetics	33.3
Total	84.4

At the Guerlain site in Chartres, a waste-treatment station was built and started up in 2003. It consists of a biological homogenization and treatment basin followed by a methanization system, providing a COD clearance rate higher than 90%.

Château d'Yquem set up a new system to treat its wine-production effluents and waste water.

On the Kami logistics platform, various compliance work has been done to contain fire water runoff in the event of a fire.

The main fermenting facility of Moët & Chandon has been placed under containment, to prevent waste water from being discharged directly into the public networks in the event of an accidental spill or leak.

At Parfums Givenchy, at the production site in Beauvais, the unloading area has been placed under containment and an oil-separator tank has been set up for the parking lot.

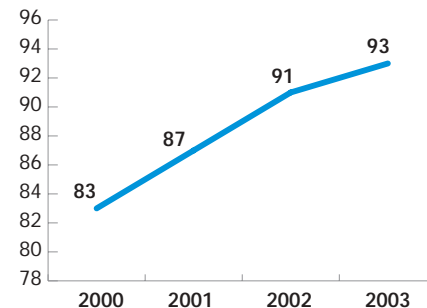
WASTE RECOVERY

The efforts by the Group's companies to sort and recover waste were continued for all companies: on average, 82% of waste was recovered versus 72.4% in 2002.

As one of the tools that it has devised to improve the recycling of waste, Parfums Christian Dior has designed and distributed a pamphlet to train all employees in selective sorting at its site in Saint Jean de Braye.

Waste Recovery Rate at 2 Production Sites of Guerlain

(%)



Activity	Waste produced <input checked="" type="checkbox"/> (tons)	Dangerous waste* <input checked="" type="checkbox"/> (tons)	% recycled waste <input checked="" type="checkbox"/>			
			reused	recycled	incinerated to create energy	% total recycled
Wines & Spirits	13,958	130	14%	76%	1%	91%
Perfumes & Cosmetics	8,574	574	1%	35%	42%	78%
Fashion & Leather Goods	3,704	47	1%	32%	22%	55%
Watches & Jewelry	159	9	0%	3%	72%	75%
Selective Retailing	4,452	15	0%	33%	53%	86%
Holding	2	0	0%	100%	0%	100%
Total (tons)	30,849	775				

* waste requiring sorting and treatment separate from other so called "ordinary" waste (cardboard, plastic, wood, paper,...)

(2) Phenomenon characterized by an excessive proliferation of algae and aquatic plants due to an overload of nutrients in the water (especially phosphorus). Eutrophication causes a reduction in oxygenation in the water, which has harmful effects on the environment.



At Hennessy, collection of batteries has been stepped up: 10 collection stations have been set up near the badge readers at the entrance to the sites. Employees are also encouraged to use those stations to discard used batteries from home.

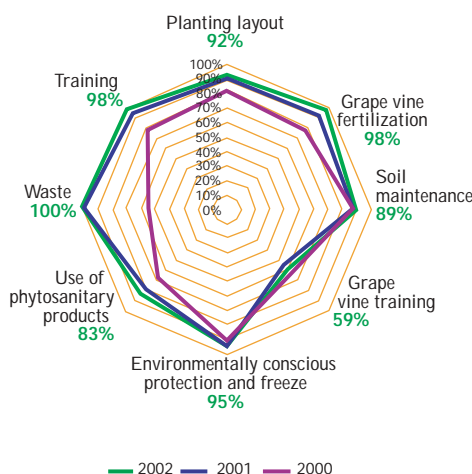
USE OF SOIL AND INTEGRATED GRAPE GROWING

The practice of integrated grape growing, a future method that combines high technology with respect for tradition, covers all phases of the life of the vineyard. Begun several years ago by LVMH's wine and spirits companies, it was continued and expanded this year (see Moët & Chandon example below). Beyond the confines of its own vineyard, 100% of which is under integrated grape growing, Veuve Clicquot continued to involve its grape suppliers in this process: for the past four years, all suppliers who so desire can obtain the necessary technical assistance from an agricultural engineer who has been hired full time to act as liaison between the technical authorities of the Champagne region and the grape

growers who work with Veuve Clicquot. The same as last year, 80% of the grape-growing area is covered in this manner.

From 2002 to 2003, LVMH's Environmental Affairs Department and the executive committee of Veuve Clicquot conducted a research project in partnership with INSEAD to evaluate the contribution of the sustainable development activity in the company's expansion strategy. Focused on grape procurement, that project resulted in setting up a three-point improvement plan: innovation, communication and environment.

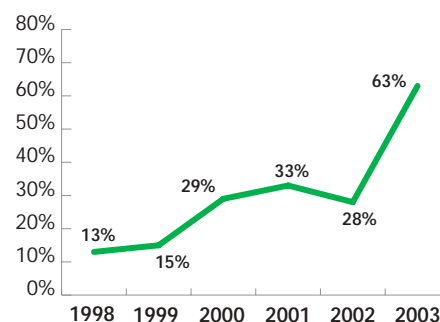
Moët & Chandon Integrated grape growing self-diagnostic



Computerized result of compliance with Champagne guidelines on "viticulture raisonnée," used by Moët & Chandon and Veuve Clicquot Ponsardin (Moët & Chandon example).

Veuve Clicquot Ponsardin Vineyard Area Protected by Sexual Confusion from 1998 to 2003

(% of total area of vineyard)



Among the methods used for integrated grape growing, this year the Veuve Clicquot vineyard increased the use of sexual confusion. Instead of using insecticides, this method limits certain pest populations by preventing the males from finding the females to impregnate them by saturating the air with a product similar to pheromones, the substances that the females emit to attract the males.

At Domaine Chandon Australia, local species of trees have been planted at the borders of the property. In the vineyard of Domaine Chandon California and Domaine Chandon Australia, the nutrient content of the soil is perfectly suited to the needs: annual soil samples are analyzed to determine levels of organic matter and the nutrient status; leaf stalks are tested to make sure the nutrients are available.

To limit the use of herbicides, the area between the rows of vines is grassed over at all times.

At Mount Adam, in Australia, revegetation projects have been set up in the vineyard: these prevent salinization⁽³⁾ of the soil and provide vegetation corridors along waterways to facilitate the movement of wild fauna.

GROUP ENVIRONMENTAL EXPENSES

Environmental expenses have been recorded pursuant to the recommendations of the notice from the Conseil National de la Comptabilité (CNC). Operating expenses and investments have been carried over for each of the following items:

- Protection of surrounding air and climate;
- Management of waste water;
- Management of waste;
- Protection and cleanup of soil, underground water and surface water;
- Protection of biodiversity and landscape;
- Protection against radiation;
- Other environmental protection activities.

Note : the definition endorsed by the CNC excludes security-related expenses, contrary to what had been carried over partially in 2002.

In 2003, environmental protection-related expenses were broken down as follows:

- operating expenses: 5,333 K€ (5,475 K€ in 2002)
- investments: 2,306 K€. (2,899 K€ in 2002, excluding security expenses).

(3) Salinity (excess salt) of the soil reduces its growing potential by limiting the amount of water that plants can draw from the soil. In crops, salinization causes a reaction very similar to the reaction elicited by the stress of drought; in spite of the presence of water in the soil, the plant reacts as if the soil were dry or almost dry.



Cognac region: the Charente's banks.



ACHIEVEMENTS VERSUS GOALS FOR 2003

MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2003	RESULT
Strict compliance with environmental regulations	All	Keep up with regulatory changes and take the necessary actions to be in compliance.	Continuing (p. 10)
	Fashion & Leather Goods	Equip 70% of spray robots with water-based glue instead of solvent-based glues.	Exceeded (79%)
	Fashion & Leather Goods	Resell 25% of scrap leather from workshops for reuse.	Achieved
	Wines & Spirits	Reduce total water consumption by 5% by 2005.	In progress (Goal over several years)
Reduce environmental impact of products and on industrial and administrative sites, shipping centers: water, energy, waste, transportation,...	Selective Retailing	Reduce water consumption by replacing lost-water air conditioning with a closed circuit system.	Achieved (p. 8)
	Watches and Jewelry	Establish a procedure for monitoring the quality of effluents.	site sold during the year
	Perfumes & Cosmetics, Wines & Spirits	Set up a waste-treatment unit.	Achieved for both companies (p. 10)
	Wines & Spirits	Reduce heating-related energy consumption at production site by 10%.	Exceeded (16%)
	Wines & Spirits	Increase total volume of recycled waste by 5%.	Achieved

PROMOTE TEAM SPIRIT

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2003	RESULT
Involve all employees	Holding	Sensitize 300 executives in the Group to environmental issues.	Not achieved (200 instead of 300) ⁽¹⁾
	Holding + companies	Increase attention to environmental issues at administrative sites: complete and distribute the "green action" guide.	Achieved
Distribute results to all levels of the hierarchy	Holding	Produce a document summarizing the environmental results of the Group's companies available on the environment intranet for all employees.	Achieved (Periodic goal)

(1) This consciousness-raising is done through the Group "Orientation of new managers" seminar. In 2003, only about 200 people participated in it.

CONTROL ENVIRONMENTAL HAZARDS

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2003	RESULT
Have an efficient management system, audited at least every three years	Wines & Spirits	Obtain ISO 14001 certification.	Delayed (done in February 2004)
	Fashion & Leather Goods Selective Retailing	Conduct an environmental audit.	1 achieved (F&L), 1 delayed - (SR : postponed 2004)
	Holding + Wines & Spirits	Complete the plan to set up indicators of sustainable development for the executive committees.	Achieved (see p. 11)
Detect all environmental hazards, anticipate them and reduce them	Perfumes & Cosmetics	Set up a program to prevent accidental pollution: containment of fire water runoff, containment of liquid polluting products, set up sludge/oil removers.	Achieved
	Holding	Conduct fire engineering inspections with an environmental component at 30 sites (i.e. 175 engineering days).	Achieved (periodic goal)
	Wines & Spirits	Place wine making site under containment.	Achieved

GIVE PRODUCTS A SECURE FUTURE

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2003	RESULT
Integrate the environment into the design of the Group's products, internally and with suppliers and subcontractors	Holding + companies	Get the suppliers of the Group's companies to pay more attention to the environment: complete and deploy the "supplier tool."	Achieved
	Wines & Spirits	Integrate the environment into the entire new-product design and production process by 2005.	In progress (goal over several years)

BE COMMITTED BEYOND THE COMPANY

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2003	RESULT
Be more involved with industry players	Wines & Spirits	Get outside companies to pay more attention to the environment by producing an environment code and presenting it to the companies by the end of 2004.	In progress (Goal over several years)
	Selective Retailing	Reduce transportation-related pollution emissions by 50% by having the carrier replace the fleet of dedicated vehicles with new trucks that meet EURO 3 standards.	Achieved
	Holding + companies	Participate in sustainable-development week on June 2-8, 2003 in partnership with the Ministry of Ecology and Sustainable Development.	Achieved (see p. 4)
	Holding	Conduct joint actions with the 12 partner organizations and associations.	Achieved
	Wines & Spirits	Do an environmental diagnosis of all service-provider distilleries through inspections with questionnaires, and schedule preventive and corrective actions if necessary, by the end of 2004.	In progress (goal over several years) (p. 6)



GOALS FOR 2004 AND BEYOND

MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2004	DEADLINE
Strict compliance with environmental regulations	Holding	Systematically verify environmental compliance at the time of financial internal audits of sites.	12-2004
	Perfumes & Cosmetics Fashion & Leather Goods Wines & Spirits	Obtain four prefectural authorization orders following expansion of activity.	12-2004
Reduce environmental impact of products and on industrial and administrative sites, shipping centers: water, energy, waste, transportation,...	Fashion & Leather Goods	Equip 100% of spray robots with water-based glue instead of solvent-based glues.	12-2004
	Wines & Spirits	At production sites, increase total volume of recycled waste by 1%, i.e. 27 tons.	12-2004
	Wines & Spirits	Go from 0.9 to 0.85 liter of water per unit processed in bottling, disgorgement and labeling, i.e. a savings of more than 5,000 m ³ .	12-2004
	Fashion & Leather Goods	Resell 100% of "selected" ⁽²⁾ scrap leather from workshops for reuse.	12-2004
	Fashion & Leather Goods	Ship by boat 50% (by volume) of leather goods.	12-2004

PROMOTE TEAM SPIRIT

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2004	DEADLINE
Involve all employees	Holding	Do environmental consciousness-raising in at least 75% of LVMH "Orientation of new managers" seminars.	12-2004
	Holding + 3 companies	Distribute the "green action" guide at three other companies of the Group and the Holding company.	12-2004
	Wines & Spirits	Integrate environmental goals into the management performance evaluation system.	12-2004
Distribute results to all levels of the hierarchy	Holding	Produce a document summarizing the environmental results of the Group's companies available on the environment intranet for all employees.	05-2004

⁽²⁾ Scrap leather of a shape and type that can be reused, i.e. a quantity of approximately 50 tons from all the Louis Vuitton workshops.

CONTROL ENVIRONMENTAL HAZARDS

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2004	DEADLINE
Have an efficient management system, audited at least every three years	Holding + companies	Form a team of 12 LVMH environmental internal auditors.	10-2004
	Holding + companies	Conduct four environmental internal audits with the LVMH team.	10-2004
	Fashion & Leather Goods	Produce and implement an environmental action plan following the 2003 audit.	12-2004
Detect all environmental hazards, anticipate them and reduce them	Wines & Spirits	Set up a program to prevent accidental pollution in the vineyard: phyto-containment enclosures, lay sand bags, oil-containment tubs .	06-2004
	Holding	Conduct 175 days of fire engineering inspections with an environmental component.	12-2004
	Wines & Spirits	Place Crayères wine making under containment and pretreat waste water before discharge.	2004


GIVE PRODUCTS A SECURE FUTURE

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2004	DEADLINE
Integrate the environment into the design of the Group's products, internally and with suppliers and subcontractors	Holding + Fashion & Leather Goods, Selective Retailing, Wines & Spirits	Do the environmental evaluation of three of the Group's products to define relevant performance indicators.	12-2004
	Holding	Distribute a tool to make the design and marketing divisions more sensitive to environmental issues when designing products.	04-2004

BE COMMITTED BEYOND THE COMPANY

STRATEGY	ACTIVITY	GOAL ASSIGNED TO COMPANY IN 2004	DEADLINE
Be more involved with industry players	Wines & Spirits	Get outside companies to pay more attention to the environment by producing an environment code and presenting it to the companies.	12-2004
	Holding	Answer at least 90% of environment-related question asked by rating agencies, associations, clients...	12-2004
	Wines & Spirits	Do an environmental diagnosis of all service-provider distilleries through inspections with questionnaires, and schedule preventive and corrective actions if necessary.	12-2004
	Holding	Conduct joint actions with the 12 partner organizations and associations.	12-2004
	Holding + companies	Participate in "Sustainable Development" week on June 16-27, 2004 at the Holding Company and at least three companies.	06-2004

AUDITORS' REPORT ON THE REVIEW OF CERTAIN ENVIRONMENTAL INDICATORS

At the request of LVMH, we have conducted a review in the aim of providing moderate assurance on 9 environmental indicators which are indicated by the symbol  on pages 6 to 10 of this document, for fiscal year 2003.

These data were prepared under the responsibility of the LVMH Management, in accordance with the environmental data reporting procedures, which can be consulted at the Environmental Department. It is our responsibility, based on the work performed, to express a conclusion on the selected indicators.

NATURE AND SCOPE OF THE WORK

We conducted a limited review to provide moderate assurance that the selected data do not contain significant anomalies. A review of this type does not include all the relevant controls necessary for providing reasonable assurance.

- We assessed the environmental data reporting procedures with respect to their relevance, reliability, neutrality, understandability and completeness.

- We conducted meetings with the persons responsible for the application of these procedures in the Environmental Department at the corporate headquarters and in the three selected entities⁽¹⁾.

- We conducted data validation tests in the selected entities which contributed an average of 21% to the total environmental impact of the group (from 7% to 33% according to the data).

- We reviewed the calculations, on a test basis, and verified the reporting of data to the various consolidation levels.

COMMENTS

ON THE REPORTING PROCEDURES

The reporting procedures defined by LVMH for the environmental data selected call for the following comments on our part:

- The reliability of the data collection and aggregation process was improved by the clarifications made in the definitions, and could be enhanced by implementing additional internal controls.

- The application of the procedures, particularly the understanding of the indicator definitions, must be improved, especially for the "COD discharged" and for "water consumption".

CONCLUSION

Based on our review, we found no significant anomalies likely to call into question the data examined with respect to the reporting procedures defined by LVMH, with the following exceptions :

- The "volumes of waste generated" and the "volume of hazardous waste generated" for which we found significant discrepancies, due to the omission of certain categories of waste (pallets, green waste and catering waste).
- The "volume of recovered wastes," part of which was under-estimated.

Neuilly-sur-Seine, March 26, 2004,

Ernst & Young and Associates
Environment and Sustainability
Services



Eric Duvaud
Partner

(1) Le Bon Marché (1 site in France), Louis Vuitton (2 sites in France, 1 site in Spain), Moët & Chandon (1 site in France).