



PRESERVING THE ENVIRONMENT

Come to the gardens:

A group of students from Cognac in the Baignolet park at Hennessy during a presentation of Rodin sculptures, *Les Bourgeois de Calais*.

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AN AMBITIOUS POLICY DESIGNED TO PROMOTE A RESPONSIBLE ATTITUDE

New steps in the fight to protect the environment were taken in 2005, a commitment solemnly made by Bernard Arnault when he signed the "LVMH Environment Charter" in 2001, then renewed it in 2003 with participation in the United Nations Global Compact launched by Kofi Annan. The bar has been set at the highest level. LVMH, which records three-fourths of its sales abroad wants to align its environmental approach with the best practices around the world and become an example. Programs have been initiated in three areas: to encourage all participants—employees and customers—to adopt a responsible attitude, to integrate the environmental dimension from the initial product design stage, and to provide the production sites with better tools to protect nature.

THE RELATIONSHIP OF LVMH WITH THE ENVIRONMENT

Like every human activity, the activities of the LVMH group have impacts on the environment, which vary by type and magnitude depending on the business:

- energy consumption for operating machines, lighting and heating of sites or certain specific operations (cold stabilization of wines and cognac, distillation of whisky, etc.);
- the consumption of raw materials, particularly the materials needed to manufacture packaging: glass, cardboard, plastics and metals to a lesser extent;
- production of wastes at the sites;
- atmospheric emissions generated by the use of fossil fuels (merchandise shipments, heating, consumption of thermal electricity, etc.).

The companies of the Wines and Spirits and Perfumes and Cosmetics business groups have other more specific needs, including water consumption, which is essential to maintaining the safety of the materials and equipment that come into contact with the product or to ensure the survival of vines (Australia, New Zealand, Argentina and California), and the production of effluents that are rich in organic matter. Finally, the Wines and Spirits sector can generate impacts on the soil related to wine growing.

The areas to be improved are therefore clearly identified. These improvements imply the awareness of all employees and can be achieved through training.

A CHARTER GUARANTEEING AN ABSOLUTE COMMITMENT ■ To become a benchmark in the fight to protect the environment: this was the objective set by Bernard Arnault when he created the Environmental Affairs Direction in 1992. A few

years later in 2001, the signing of the LVMH Environment Charter was the starting point for an ambitious policy. The Group is not content to simply comply with regulations, which is an absolute duty, and is allocating substantial resources to deploying the Charter. This Charter requires each company to set up a high-performance environmental management process and demands that each president be actively involved in the process. It is organized around five commitments:

- TO MOVE TOWARDS A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE;
- TO PROMOTE A COLLECTIVE COMMITMENT;
- TO CONTROL ENVIRONMENTAL RISKS;
- TO GUARANTEE THE FUTURE OF PRODUCTS;
- TO MAKE A COMMITMENT BEYOND COMPANY ACTIVITIES.

This commitment to adopt an exemplary attitude was enhanced with Bernard Arnault's participation in the Global Compact that promotes human rights in the workplace and the environment.

A HIGHLY ORGANIZED ENVIRONMENTAL AFFAIRS DIRECTION ■ The LVMH voluntary policy is managed by an Environmental Affairs Direction that reports directly to a member of the Executive Committee, an advisor to Bernard Arnault. This department ensures the application of the Charter, works with associations, defines guidelines for action and assists the companies within the Group to successfully manage their own programs. Each Company is building and implementing its

own environmental management system, while it continues to work closely with the Group's management. Information and experiences are exchanged via the Intranet and at quarterly meetings of the "LVMH Environment Committee", composed of the environmental managers for each company.

ONGOING TRAINING ■ Motivation and training at all levels of the Group are the two conditions necessary for the success of an environmental policy. In 2005, long-standing efforts were enhanced with a new focus on the training of new employees within the Group companies. A total of 6,800 hours of training ♦ was provided, 30% lower than in 2004. This decline was primarily attributable to the effectiveness of training-awareness modules that do not need to be repeated every year.

EXPANSION OF ENVIRONMENTAL AUDIT TRAINING PROGRAMS ■ In addition to an in-house LVMH team of environmental auditors, training in internal environmental audits was expanded within the companies. For the first time in 2005, training sessions concerning internal environmental audits were conducted at Veuve Clicquot to ensure better monitoring of compliance with the requirements of the ISO 14001 standard. At the headquarters of Louis Vuitton, also for the first time, training was provided in ethical an environmental pre-audit.

GREEN PRACTICES IN THE OFFICE ■ Automatic use of green practices is difficult, because this is a behavior, an attitude in life more than a business practice. In order to change office habits, Veuve Clicquot sends electronic messages to its employees every three weeks, focusing each mailing on a specific theme: paper recycling, air conditioning, electricity consumption, etc. The actions to be taken are explained, along with the energy consumption and savings that can be achieved. This initiative has reduced electricity consumption at the corporate offices by 7%.

At the holding company, new LVMH managers and all employees are informed of the environmental challenges. The managers obtain this information during their orientation seminar, where one hour was devoted to this issue. All employees were alerted to this message during "sustainable development" week in June 2005.

IN THE WORKSHOPS ■ Louis Vuitton is expanding its programs. At the Cergy logistics center, all employees receive a safety and environment letter every two months. At the Ducey workshop, a guide to managing waste products was developed. And Barbera, Spain, 350 hours of training were offered by specialized internal auditors.

IN THE PRODUCTION CENTERS ■ Parfums Christian Dior distributes to the 1,400 plant employees a booklet that includes safety and environmental rules. Givenchy has included an environmental section in its welcome brochure and Guerlain provided one hour of "environmental awareness" training to 280 employees.

Krug regularly organizes small group training sessions, providing a point by point presentation of what can happen in a production center and explaining the actions to be taken in the event of an accident.

IN THE VINEYARDS ■ Veuve Clicquot offers programs tailored to each category of employee: awareness programs for the 1,200 grape pickers and employees in the pressurizing centers, training for the fermenting room employees regarding new cleaning practices and training in integrated wine growing.

Moët & Chandon adapts special programs for vineyard employees as part of its integrated wine growing process.

Domaine Chandon in Australia sends letters and organizes meetings to ensure that all employees participate in the experiments conducted at the site. In Argentina, Bodegas Chandon is focusing on water consumption.

IN THE STORES ■ In the United States, Sephora has developed an environmental training program to ensure that the best practices are applied in all its stores (energy, waste sorting, etc.).

THE GROUP AND ITS STAKEHOLDERS

LISTENING TO THE ASSOCIATIONS ■ To ensure that it is adopting the best environmental practices, LVMH listens to specialized associations. The Group works with OREE, one of the leading associations. Formed in 1992, OREE brings together businesses, local authorities and associations and works to implement concrete actions in the field. Guides are prepared on the basis of member experiences and the close relations maintained with the associations. In 2005, the focus was on the need to involve suppliers in the movement and to train them to adopt "green practices" as well.

LVMH is also a member of other associations, such as the environmental commission of the ILEC (*Institut de Liaison des Entreprises de Consommation*) which discusses issues related to the brand, and the National Packaging Council, which works for manufacturers to reduce their packaging and for consumers to purchase more wisely.

LVMH is also a member of the Council for Responsible Practices in Jewelry, an international association that works to disseminate responsible attitudes in the entire jewelry sector, from the extraction of gold and diamonds from the mines up to the retail jewelry business.

Rated by the agencies that analyze good environmental practices, the Group has been rated well in the American Dow Jones Sustainability index since it was created and in the FTSE 4 GOOD. In addition, LVMH was recognized in 2005 as the "best in class" by Storebrand SRI.



Finally, any person or group may pose questions to the Group, and will receive an answer, by writing to:

environment@lvmh.fr



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THE JARDIN D'ACCLIMATATION BECOMES A FARM AGAIN ■ The Jardin d'Acclimatation in Paris, a paradise for children aged 2 to 14, still has its enchanted river, its kiosk and its puppet show, which date back to its beginnings under the Second Empire. But it is no longer just the merry-go-round kingdom. It has become an ecological farm. With 1.5 million visitors every year, the garden has returned to its roots and is working to develop biodiversity. The goal is to make young visitors aware of the French countryside and not just to show them the animals.

Keeping wild animals in captivity is increasingly being challenged by ecological groups. Thus, the Jardin d'Acclimatation decided to remove the bears and elephants gradually in favor of domestic animals and animals seen in the countryside. A young keeper has brought draught horse, sheep, and wild ox, bovines that are half cow and half bison, which live in Poland and northern Europe.

To illustrate the diversity of the vegetation, a survey was conducted which revealed a few rare species owned by the garden: a sequoia planted by Empress Eugenie some 150 years ago, a tulip tree from Virginia, a cedar from Lebanon.

The chief gardener has recreated a botanical kitchen garden with forgotten vegetables, including cucurbitaceae, pumpkins and Jerusalem artichokes, along with different varieties of potatoes and citrus fruits. An aromatic section holds about 150 herbs and medicinal plants.

By listening to associations and cultivating biodiversity, the Jardin d'Acclimatation has again become the closest farm to Paris.

THE WINES AND SPIRITS GROUP IS WORKING WITH PROFESSIONAL ORGANIZATIONS: A WATER PLAN IN CHAMPAGNE ■ Moët & Chandon, Veuve Clicquot, Hennessy and the other companies of the Wines and Spirits business group are working in partnership with professional organizations—the Interprofessional Wine from Champagne

Committee (CIVC) in Champagne, the National Interprofessional Cognac Bureau (BNIC) in Cognac—to study the best methods to protect the environment while preparing quality products.

For the CIVC in Champagne, which was actively supported by Moët & Chandon and Veuve Clicquot, 2005 was the year during which the Water Plan for viticulture was launched. The plan is intended to preserve the quality of drinking water for future generations. A number of different measures were studied, including the development of techniques for tilling soil that would reduce the use of herbicides. Vegetal invasion of headlands (the perimeters of vine parcels) is also recognized as a method to be used. In 2006, it will be mandatory; already, three-fourths of the perimeters of the Moët & Chandon and Veuve Clicquot vineyards have been allowed to go to seed. Another measure studied was a change in the spraying equipment, with one objective—to reduce the residual volume of the product after treatment, by installing inclined bottoms and rinsing equipment for the parcel spray systems.

CONTINUED IMPROVEMENT IN THE ENVIRONMENTAL MANAGEMENT SYSTEMS

THE CERTIFICATION PROCESS—A NEW CHALLENGE

It has been decided. Moët & Chandon, the Louis Vuitton logistics center in Cergy and in Cape Mentelle, Australia, have begun the process to earn ISO 14001 certification.

At Moët & Chandon, a dedicated environmental team has been in place for more than ten years. It found that, after a maturation phase, earning certification is the best way to make progress and launch a new challenge. Everything has been organized internally—measurement tools, collaboration—as if one day the company would be certified. Frédéric Cumenal, President of Moët & Chandon since December 2003, decided to move into high gear, convinced that the additional requirements related to certification, such as the obligation for transparency and external audits, would ensure a more objective judgment and give the company perspective.

The approach is being built around the standard. On July 1, a Sustainable Development department, reporting directly to the President, was set up. Environmental management is organized on the basis of the major businesses—viticulture, enology and production. Very specific objectives, which take regulatory requirements into account, have been defined, along with indicators that analyze what is going well and what is not. Measurements are scheduled and analyses are conducted twice a year to ensure continual improvement.

The company is working to involve all the employees and ensure that the certification project is shared by everyone. This process requires greater awareness by the players in the field, particularly those closest to the production lines. This is achieved by organizing networks around the most competent and by the presence in the workshops of personnel who coordinate the information meetings and programs. The difficulty lies in providing a clear explanation of the targets, how to reach them and

how to communicate the results obtained. Suggesting ideas, while still allowing great autonomy, encourages feedback from the workers on the most sensitive issues, such as reducing packaging or managing waste products.

LOUIS VUITTON IN CERGY IMPOSES THE MOST STRINGENT RULES ■ At Cergy, the logistics center that ships out Louis Vuitton products to the six regional warehouses and the 350 stores worldwide, wants to become an example before the November 1, 2006 opening of a second 20,000 m² warehouse in Cergy Saint Christophe. Certification is the method it has chosen to achieve this goal. Located near the national park of Vexin, the workshops built by Gilles Carmoy are integrated into the environment and the 180 employees are sensitive to this exceptional backdrop. The process started with meetings with managers and supervisors to analyze the progress that needed to be made and how to make all employees aware of the efforts required.



Comparison will be inevitable with the second warehouse, currently under construction in Cergy Saint Christophe. This warehouse has been designed to comply with stringent High Environmental Quality building (HQE in french). This approach means choosing four strong points and five secondary points from a list of fourteen rules to be followed. Louis Vuitton has decided to focus on the relation with the environment, energy savings, hydrometric comfort and visual comfort. The resulting priorities will be materials, water treatment, waste treatment, air quality and maintenance. Thus, the warehouse will be covered with a wood frame, heating will be partially geothermal, openings in the roof will let in more light, and the windows will be protected by sunshades to save energy.

In another new feature, the water—rain water and waste water—will be recovered and passed through different ponds where it will be depolluted by plants.

THE POST-CERTIFICATION YEARS: A SUCCESS

■ Hennessy in 1998, Veuve Clicquot and Krug in 2004, and three LVMH Wines & Spirits companies are now ISO 14 001 certified. Whether two years or seven years later, all three entities have the same findings: certification allowed them to reach their objectives. Their one-time approach has become a planned and permanent policy involving all personnel. Goals are set, audits ensure commitments are met and, slowly but surely, "green practices" are becoming instinctive for the employees working in the fields as well as in the offices. "For a long time we did the best possible; today, we can truly say that we are able to meet the most stringent standards in the world", notes Rémi Krug.

HENNESSY REFINES ITS ANALYTIC TOOLS

■ In seven years, Hennessy has refined its analytic and study tools. They now determine with greater precision the environmental impacts of the work conducted on the sites. Everything is measured, from alcohol releases and the consequences for the greenhouse effect, energy consumption or the risks of polluting discharges. The sensitivity of the environment is considered, the analyses performed differ depending on the situation at the site: the presence or absence of water tables, the relative fire risk, or the proximity of an urban area.

Analyses are also conducted activity by activity: brandy storage, wine transport, brandy transport, etc. The battery of controls generates much more detailed knowledge of water and energy use.

Over the years, this detailed analysis has been expanded to two Hennessy subsidiaries: the Groie distillery, which was certified last year, and Sodepa, the vineyard operating subsidiary.

Another significant step forward is the regulatory watch. The system tracking is well established. It is no longer necessary to have an outside organization ensure regulatory compliance. Compliance is ensured in house by a team from both the legal department and the environmental department. This team obtains all new regulations, communicates them to all personnel and monitors application.

VEUVE CLICQUOT AND KRUG BENEFIT FROM EVERYONE'S INVOLVEMENT

■ The same situation exists at Veuve Clicquot. Certification transformed periodic actions into a global approach and set up the markers for planning. Veuve Clicquot has always been heavily involved with the champagne wine industry to implement and promote integrated wine growing and the best enological practices. With certification, the environmental approach has been naturally integrated into the company's general strategy. All employees are involved and interested in achieving the environmental objectives.

In 2005, emphasis was placed on increasing awareness of green practices in the office. This included a large number of new attitudes: the choice of recycled paper, printing on both sides of documents, bonuses tied to water and energy consumption and the use of video conferencing to reduce travel. The equivalent of 100,000 km was saved!

Krug, which joined the LVMH group in 1999, has benefited from the example of Veuve Clicquot and initiated a similar certification process. The priority projects were identified, starting with the water consumption necessary to clean the oak barrels. The task was assigned to an enologist. The entire 40-person team was involved in the search for permanent improvement.

Motivation and maintaining motivation are the keys to success. To maintain motivation, Veuve Clicquot sends e-mails every three weeks that explain the savings generated by "green practices" by subject. Hennessy publishes a booklet for all current and new employees, which details its environmental results, and Krug holds regular work group meetings to increase awareness to ensure the greatest possible commitment. The result is that employees are beginning to make very concrete proposals regarding methods to protect the environment, such as how to orient the barrels to obtain the best cleaning and drying.

Permanent discipline, controls through regular audits: the requirements initiated by certification are applied in the three certified companies as an asset that contributes to an improved performance year after year.

ENVIRONMENTAL RISKS MANAGEMENT — A TOP PRIORITY

Achieving the best management of the environmental risks resulting from its activities is a top priority for LVMH, which is acting in three areas: the systematic identification of risks, organization of prevention, and the protection of industrial assets and people with deployment of crisis management procedures. This action is conducted by qualified professionals from the various companies (safety, quality, environmental officers) who work closely with outside specialists. They pay particular attention to the risks from the storage and shipment of the raw materials used in the Group's operations.

■ A reduction in industrial risks includes a prevention policy that implies compliance with the strictest safety standards. LVMH applies the RHP (highly protected risks) standards to reduce the risks of fire significantly. An incentive program for prevention investments, which insurers factor into their risk assessment, has also been implemented. This approach is combined with a program to monitor industrial and environmental risks, under which 30 sites were audited in 2005.

As a result, a number of projects were conducted at Veuve Clicquot in 2005. The fermentation rooms were placed in retention. These retention capacities are designed to contain accidental leaks as well as effluents and fire water in the event of a fire.

The Kami company installed a 100 m³ underground tank in order to recover effluents and fire water in the event of a fire.



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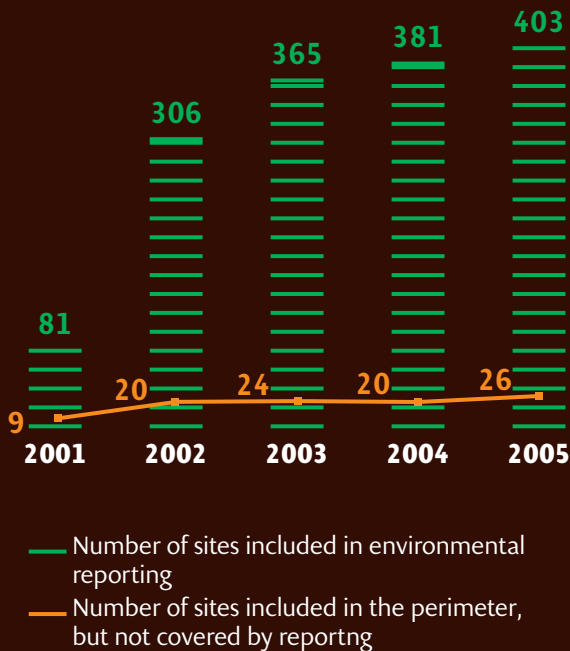
At Parfums Christian Dior, the tanks that receive the alcohol necessary to fabricate the perfumes were buried and installed to ensure that the alcohol is retained in the event of a leak and does not spill into the ground.

■ Product-related risks are prevented by boosting safety and traceability. The HACCP method (Hazard Analysis Critical Control Point) is used in the Wines and Spirits and Perfumes and Cosmetics business groups. This method enhances the ability to anticipate and react in the event of product recalls. A legal watch unit has also been set up to monitor changes in liability risks, particularly those that may affect the Group's brands. For example, Parfums Givenchy continued its work on chemical risks and the implementation of a traceability process for employee exposure to dangerous products.

■ The correct application of this policy is monitored through a large number of site risk inspections and regular reporting. In this way, the relevance of the risk management policy can be measured and evaluated.

Since 2004, the Group has had a risk mapping tool that systematically identifies its industrial, environmental and operational risks on the basis of common references. Prioritizing those risks reveals the priority cases to be handled. This information and alert tool allows the companies to act ahead of time to reduce the probability that the dangers identified will occur.

CHANGE IN ENVIRONMENTAL REPORTING PERIMETER in number of sites



High-performance organizations

Over the years, the companies have expanded their dedicated structures. In 2005, Moët & Chandon and Veuve Clicquot, which already had environmental officers, restructured their operations. Moët & Chandon created a Department of Sustainable Development and Veuve Clicquot an Environment and Quality department, which gave a more strategic dimension to their programs.

The companies outside France are following the lead.

Cloudy Bay introduced an environmental component into its training programs, Glenmorangie appointed an environmental officer, and TAG Heuer drafted an environmental policy.

ENVIRONMENTAL REPORTING: CHANGE IN THE SCOPE OF COVERAGE AND REFINING THE DATA

In 2005, the scope of reporting on environmental indicators, which was initially established in 1999 in a few companies, was as follows:

- the production sites and warehouses held and/or operated by the companies in which the Group holds over 50% or in which it exercises operational control;
- the French stores of Sephora and Louis Vuitton, Le Bon Marché and the main DFS and Fendi stores;
- the principal administrative sites in France;
- the vehicle fleets owned by the Group in France and used for employee travel.

In 2005, the reporting covered 403 sites (381 sites in 2004); 26 sites were excluded this year as their environmental impacts are still insignificant at the Group level. The changes in the reporting scope from 2004 are primarily the result of the following:

- the exclusion of the administrative and production sites of the companies sold or being sold as at December 31, 2005, or activities that have been moved;
- the temporary closing of la Samaritaine;
- the consolidation of Polmos Zyrardow (1 site).

Given its recent consolidation within the Group, Glenmorangie (4 sites) will be included in the 2006 environmental data, after audits, but the nature and volume of its business will have a strong impact on the Group's environmental data.

Reporting for 2005 does not include:

- the environmental impacts (water, energy, etc.) of the administrative buildings and stores operated directly or under a franchise by the Perfumes & Cosmetics group or Fashion and Leather Goods, with the exception of the brands mentioned above;
- the vehicle fleets owned by the Group outside France and used for employee travel;
- the energy consumption related to shipments of merchandise performed exclusively by outside service providers;
- the companies in which the Group holds less than 50% or in which the Group does not exercise operational control.

In relation to the scope of the financial reporting, the environmental perimeter in 2005 covered:

- 94% in number of the Group's production sites, warehouses and administrative sites,
- 35% in area of the Group's total selling areas (the decline from 2004 is due to the temporary closing of la Samaritaine).

The goal is eventually to cover the entire perimeter.

Pursuant to Decree 2002-221 of February 20, 2002, known as the New Economic Regulations (NRE) Act, the following paragraphs describe only the impacts that are relevant and significant to the activity. The information provided in this document also integrates the guidelines of the Global Reporting Initiative (1). Since fiscal 2002 the Group's annual environmental reporting has been verified by the Environment and Sustainable Development Department of Ernst & Young, the Group's auditor.

(1) Discussed in the following chapters: 1.1, 2.9, 2.10, 2.11, 2.13, 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 and EN12.

COMBINING DREAMS AND ENVIRONMENT IN PRODUCT DESIGN

Perfumes, watches, leather goods, champagne, and more. The products of the 50 brands of the LVMH group are the incarnation of French luxury and dreams. These products, which have a mythic attraction for customers all over the world, must be developed and sold with a concern for protecting the environment. To ensure that this is the case, the Group's companies are informed monthly of regulatory requirements through the environment Intranet and of the best industry practices and processes.

BIODIVERSITY, HEALTH AND THE GROUP'S PRODUCTS

A GUARANTEE OF MAXIMUM SAFETY IN THE PERFUMES AND COSMETICS DIVISIONS ■ Following the example of Parfums Christian Dior, which publicly announced its decision in 1989, the various brands of the LVMH Perfumes and Cosmetics business group no longer use animal testing to evaluate the safety of cosmetic products.

Moreover, for several years now, LVMH has worked with academic teams to implement a research program designed to develop new alternative methods, particularly in allergy testing. The Group's toxicologists have also participated in the validation group that achieved official recognition of several alternative methods: phototoxicity, eye irritation, skin penetration.

The objective of LVMH is clear: ensure product safety for humans by selecting the ingredients and using appropriate alternative methods.

The cosmetics manufactured or sold in Europe are regulated by Directive 76/768/CEE from the Council. Considered by experts to be one of the most stringent texts regulating cosmetics in the world, this directive regulates all substances used by the cosmetics industry and requires a risk evaluation by a qualified person for each product marketed, under his responsibility, taking into consideration the conditions of use. In addition, the European Commission's Consumer Product Scientific Committee (SCCP) continually evaluates the safety of the substances used in cosmetics products.

The Group particularly monitors compliance with regulations, opinions from scientific committees and recommendations from professional associations; in addition to these texts, the Group's toxicologists who are responsible for product safety based on scientific advances set the rules for Group suppliers and development teams.

The experts regularly participate in the working groups organized by national and European authorities and are very active in professional organizations.

In the environmental area, changes in scientific knowledge and/or regulations can lead to the replacement of certain ingredients.

Thus, it was decided to no longer use triclosan in the Group's products because of its environmental risk, even though this product was positively evaluated by the European scientific agencies (Executive Scientific Committee and the SCCP) in 2002 in terms of consumer safety. It has been replaced as products are replaced.

IN BURKINA FASO, MADAGASCAR, VIETNAM AND THE INDIA IN THE FUTURE... ■ The Perfumes and Cosmetics laboratory finds its anti-aging molecules in plants.

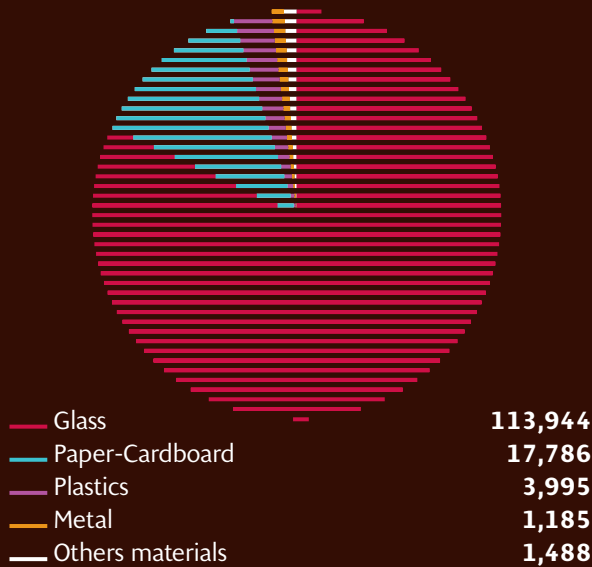
The choice to find in plants the molecules that can be used in skin care and beauty creams was made by the LVMH laboratories nearly twenty years ago, long before animal testing was challenged. Today, this leading-edge approach allows Parfums Christian Dior to work with local partners in Africa, Madagascar, India or Vietnam on little-known plants that become the natural basis for new skin care products.

Vegetation is an inexhaustible deposit of molecules that are compatible with human skin. Instead of working randomly on plants, the head of the ethnobotanical laboratory has favored an ethnobotanical approach, opting to study traditional skills. Since the beginning of time, the therapeutic, even medicinal, virtues of plants have been recognized. He wants to use those virtues and rediscover traditional uses for plants in the various parts of the world, and to interpret them for cosmetic needs.

Thus, twelve years of work conducted in Madagascar in collaboration with a physician in the country resulted in the discovery of the anti-aging properties of the Logonza plant. The result of this research is the new Logonza-based Capture Totale cream that Parfums Christian Dior launched early in 2006. The use of this resource allows the business group to participate in local economic development. The Logonza crops are distributed around several villages, where the residents harvest the grains, dry them, then ship them to the Saint Jean de Braye laboratory where they are transformed.



AMOUNT OF PACKAGING BY TYPE OF MATERIAL ♦
in tons



AMOUNT OF PACKAGING MARKETED ♦
in tons

	2005	2004	Change	Organic change in sales 2005-2004
WINES & SPIRITS	117,735	113,607	4%	11%
PERFUMES & COSMETICS	16,678	19,673	-15%	7%
FASHION & LEATHER GOODS	2,269	2,576	-12%	12%
WATCHES & JEWELRY	213	228	-7%	17%
SELECTIVE RETAILING	1,502	1,451	4%	13%
TOTAL	138,397	137,535	1%	11%

Similar experiments have been conducted for ten years in Vietnam, and also in Burkina Faso, where a business harvesting the bark of the Anogeissus leiocarpus tree has been developed in partnership with the village of Koro.

For the future, other prospects are opening up in India, where a symposium held last August in Hyderabad brought together Indian professors and LVMH researchers. During the initial phase, they discussed their work; during the second phase, work programs are to be set up. The Indians have extensive knowledge of plants, but a very traditional knowledge. The goal is to advance this experiment to translate it into molecules that can be used in future products.

The first research vector is a resin known as "commiphora", which is frequently used in Indian medicine. Its molecules may also have other properties, including the ability to replump the skin as a new anti-aging agent.

DEVELOPMENT OF ENVIRONMENTAL AWARENESS IN PRODUCT DESIGN

LOUIS VUITTON REDUCES ITS PACKAGING ■ The verdict is in: 8% of the greenhouse gases emitted by Louis Vuitton come from packaging. The leather maker has confronted the problem head on to reduce the tonnage of plastic and cardboard, materials that guarantee the safety of the products during transport, along with the volumes of tissue paper that are part of the dream when one receives a gift, and to do this without any change for the customer.

In the initial phase last year, Louis Vuitton reduced its consumption of heavy packaging by 8% by eliminating the plastic that protected the boxes to keep them on the pallets and the packaging was adapted to the size of each article shipped.

This year, Louis Vuitton plans to save another 100 tons of paper and cardboard by eliminating double packaging, first for transportation and then for the customer. Until now, the leather goods were shipped to the stores in rough "packaging" to protect them, which was then thrown out. The final package was created while the customer watched. Since the beginning of the year, the gift packages are made in the plant: they are intended for the customer, but are also used during shipment.

And to push this development even further, these packages are designed so that the customers want to keep them. The boxes are "hard" in the Louis Vuitton colors, chocolate, and stamped with the LV emblem. Some are equipped with a beige drawer, trim-

med with leather. They can be used to store photos, souvenirs or ties, etc.

That's not all. Inside these boxes, the leather article—card holder, briefcase or case—is no longer protected by tissue paper, but by felt covers that can also be kept and reused.

The goal—to eliminate packaging that goes directly into the wastebasket and to design containers, which are just as prestigious, but intended to live a second life with the customer.

LOUIS VUITTON ELIMINATES GLUE-BASED SOLVENTS ■ This is the fruit of several years of research. At the end of tests that began in 2003, Louis Vuitton succeeded in 2005 in eliminating almost all solvent-based glues to replace them with water-based glues.

In leather goods, the glues are used to assemble the leathers and the textiles before sewing them, and also to color the leather sections or fold them. One example can be found in small leather goods, where a portfolio corner requires five small folds to be perfect.

To eliminate glue-based solvents, Louis Vuitton decided to begin with the leather preparation stage before assembly. The brushes used to coat the leather sections were replaced with small robots that spray the water-based glue. Because of the attention to detail required, two years of tests were needed to make the process efficient using a very regular and sufficiently powerful spray mechanism.

For assembly, Louis Vuitton favors the direct use of sewing machines, without prior gluing, to the extent possible.

PARFUMS GIVENCHY ATTACKS PLASTIC FILM ■ For Parfums Givenchy, 2005 was the year to reduce packaging. As it is difficult to touch the prestige of the final package for the customer, efforts focused at the beginning of the process, on the packaging used to ship the perfumes. The plastic "shrink wrap" film was reduced, even eliminated, along with the polystyrene blocks.

This reduction in packaging is the logical result of projects conducted over several years to minimize waste. They are now

Food safety included in the guide to best practices

When alcohol is present on a site, the rules to be followed are much stricter. This is why Hennessy in 2005 included a food safety section in its guide to good environmental practices. It explains how to secure the work area or work at certain hours to avoid emanations.

This guide is distributed to everyone: both in-house, but also to the 2000 wine growers and brandy transporters, the 300 suppliers and the 50 subsidiaries.

yielding results. At the Vervins plant in Aisne, the volumes of recycled cardboard rose 11% from 441 tons in 2004 to 492 tons in 2005, and the quantity of reused plastic jumped 165%, from 37 tons in 2004 to 68 tons in 2005. The balling of the waste, a permanent objective, facilitates resale and increases the volume reused.

EXTEND ENVIRONMENTAL REQUIREMENTS TO SUPPLIERS, SERVICE PROVIDERS AND SUBCONTRACTORS

HENNESSY AND VEUVE CLICQUOT ASSIST THEIR SUPPLIERS ■ If there is an activity that is a heavy energy consumer, it is distillation, the heart of the business of the Cognac companies. Hennessy has taken the lead for fifteen years in attacking this problem by investing in new higher performance facilities, working to find energy sources other than natural gas, installing electric motors with increment startup that consume less, and energy-saving lights. In addition, the company, which has been ISO 14001 certified, regularly conducts energy diagnostics on its own sites to see how it can improve.

Backed by this experience, Hennessy is taking an interest in its twenty-five service provider distilleries and is encouraging them to obtain certification. Questionnaires covering about one hundred points were sent to them to provide a report, to learn how they work, and determine if they comply with standards that are close to Hennessy standards. All sensitive areas were analyzed: waste, water cooling methods, the location of tanks to prevent pollution, waste treatment, storage of finished products to prevent the risk of explosion... an enormous task.

This questionnaire was preparation for the next step -- sending a similar questionnaire to the 400 growers-distillers which perform their own distillation to learn their environmental practices and encourage them to do better.

The Maison Veuve Clicquot, which is also ISO 14001 certified, is also using the general process it completed and sharing it with its principal suppliers, starting with the grape suppliers. Like most Champagne Houses, most of the grape supply is provided through contracts signed with independent growers. A few years ago, Veuve Clicquot hired an agronomy engineer dedicated to assisting and providing technical support for the company's partner growers, with one objective—to ensure that a maximum crop comes from a vine cultivated using integrated wine growing methods. In 2005, the focus was to assist in installing traceability systems that ensure transparent practices and better knowledge of the history of the parcels and treatments. Now, 83% of the growers receive technical advice and most spontaneously forward their treatment program.

For its other suppliers, Veuve Clicquot is beginning to introduce environmental recommendations in its specifications.

ENCOURAGE RESPONSIBLE CONSUMPTION ■ Drink less, but drink better and drink responsibly. With the publication of the Evin law in the 1990's, LVMH, aware of the risks resulting from excessive alcohol use, has been one of the founding members of various producer associations created in Europe: Entreprise and Prevention in France, The Portman Group in Great Britain, the Amsterdam Group, and at the European level in Belgium. The Group has participated in the development of codes of good conduct, which were first drafted and then revised by these various associations. LVMH has developed its own code of good conduct based on this work, a document that it distributed and explained to its marketing teams during a world tour that ended in Paris in 2005.

This code is based on a few strict principles: advertising must not suggest that drinking ensures social success; it must not under any circumstances target young people who have not reached the legal drinking age. A training manual serves as a reference and covers essential issues, including drinking and driving, alcohol use and minors and alcohol and sexual or social success.

In addition, LVMH has signed the European Road Safety Charter prepared by the Transport Department of the Brussels Commission to improve highway safety. By ratifying the Charter, the Group made a commitment to increase the awareness of its employees, in France and the subsidiaries, and among the 350,000 people who visit Moët & Chandon, Veuve Clicquot or Hennessy or any other house within the Group each year, regarding the importance of adopting a responsible attitude. There is a clear call to avoid driving after consuming alcohol.

MORE DEMANDING WITH ITS SUBCONTRACTORS ■

In 2005, Sephora responded to the directive to involve suppliers in programs to protect the environment by paying more attention to its subcontractors.

Continuing the initiative taken in 2004, Sephora was able to measure in 2005 the first results of the ethics charter and environmental charter included in the specifications for its subcontractors to set quality standards for them. As the largest distributor of perfumes and cosmetics, Sephora sells in addition to the major brands, lines of make-up, skin care products, accessories, brushes or toilet kits under its own brand. These products are manufactured by about seventy-five subcontractors, most in Europe and Asia and a few in the United States.

The ethics charter that they must now sign restates basic work rights: the health and safety of employees, the freedom to form unions, the work schedule stipulated by law in each country, the convention on child labor.

The environmental charter restates the need to protect nature and to take into consideration the environmental impacts of work methods. Several guidelines are defined: reduce the consumption of natural resources, water and electricity for the plants, give priority to recycling, and reduce packaging.

Seventy percent of Sephora's suppliers have signed this double charter. They have made a commitment to comply with all regulatory requirements and, second, to implement good environmental practices: waste sorting, encouragement of green practices, studies to set up water or energy consumption indicators.

They have also accepted audits that could lead to a cancellation of contracts, if the charter is not respected. The distributor that conducts frequent quality audits with its manufacturers, including those in Asia, now uses this occasion to discuss environmental issues.



Ethylotests, always useful ...

They are visible, but not required. Ethylotests are available to all the guests who come to the Wines and Spirits Companies, either for a tasting or a meal. If the alcohol threshold is exceeded, or if the guest has the slightest doubt about his or her ability to drive safely, a driver is provided to take the guest home.

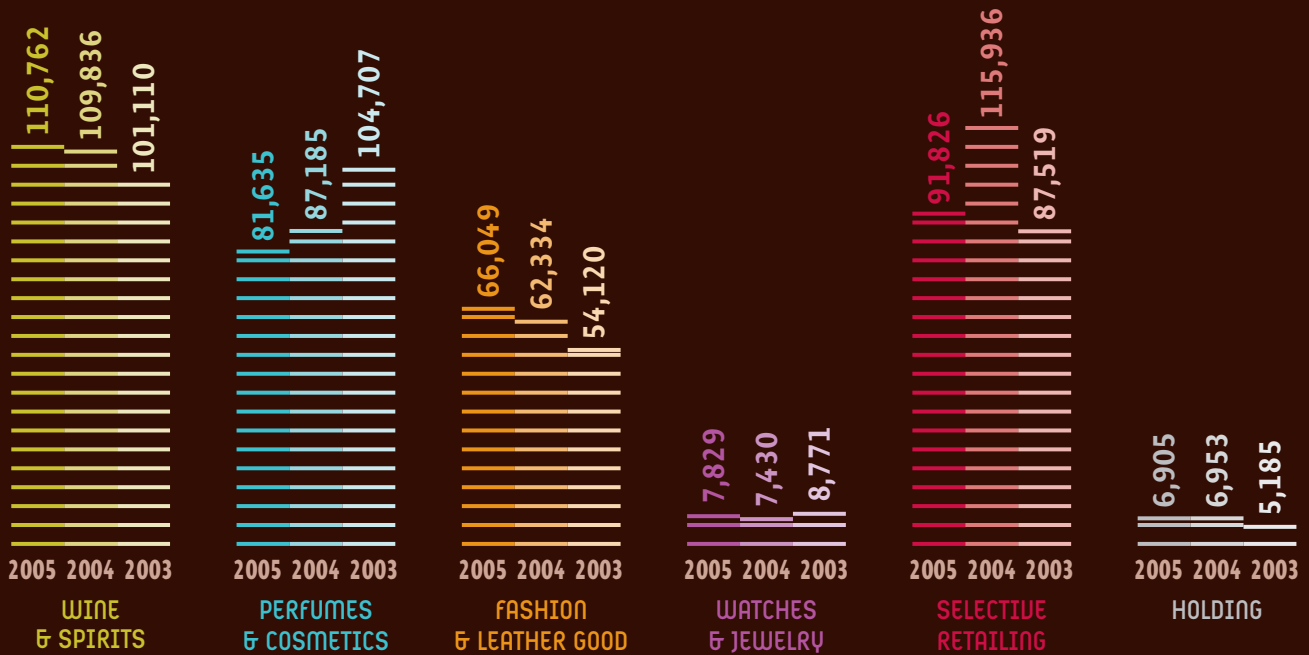
Glenmorangie

adopted a new plastic film packaging for certain whisky brands that reduce waste products, along with the shipping costs for customers.

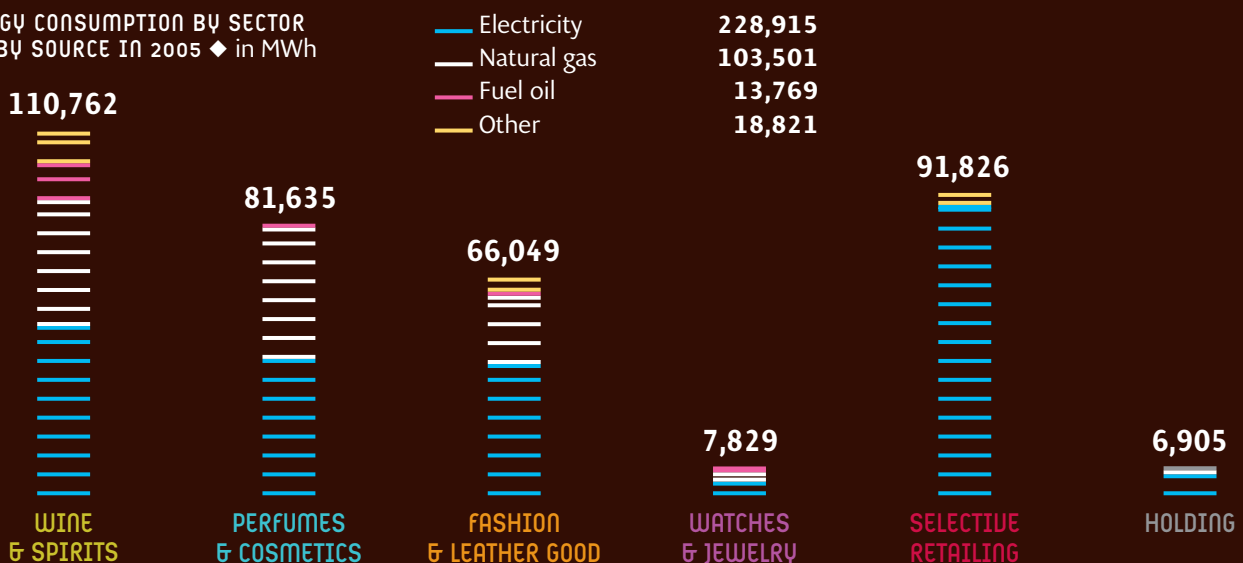
THE SITES PREPARE FOR ENVIRONMENTAL CONSERVATION

The various sites of the LVMH group all share the same concern: do everything within their power to minimize the environmental impact of their activity. Significant progress was made in 2005 by extending the main actions conducted over the past few years. Processes which create compost from organic waste were developed and new waste reclaiming procedures have been identified. Moreover, most of the sites have reduced their water and electricity consumption.

ENERGY CONSUMPTION BY ACTIVITY AND BY SOURCE IN 2005 ♦ MWh



ENERGY CONSUMPTION BY SECTOR AND BY SOURCE IN 2005 ♦ in MWh



ENERGY CONSUMPTION

In 2005, the companies included in the scope of environmental reporting consumed 365,006 MWh of energy, divided among the following energy sources: 63% electricity, 28% natural gas, 4% fuel oil and 5% other energy sources (steam, heavy fuel oil, butane or propane). This consumption stems from the following activities, in descending order: Wines and Spirits (30%), Selective Retailing (25%), Perfumes and Cosmetics (23%) and Fashion and Leather Goods (18%) sectors. The remaining 4% was generated by Watches and Jewelry and the Holding Company's administrative activity.

For comparison purposes, the energy consumption for the industrial sector in France is 128,000,000 MWh (MINEFI data, 2004) and the gas consumption is 158,000,000 MWh (MINEFI data, 2004).

Between 2005 and 2004, energy consumption as an absolute value decreased 6%. This decrease is due to several causes:

- the temporary closing of la Samaritaine,
- to a lesser extent, the good performance of the Perfumes and Cosmetics Companies, which reduced their consumption by 6%, despite increased activity.

Consequently, Christian Dior reduced its electricity consumption by 8% in 2005, namely by installing presence detectors in many rooms of the Saint Jean de Braye site.

To limit energy consumption, especially for air conditioning, Moët & Chandon equipped all offices facing south and west with outside blinds, which are more effective than inside ones, in providing the best protection against sunlight and heat, and air conditioning needs.

WATER CONSUMPTION

Water consumption is divided into two distinct uses:

- **process needs:** use of water for cleaning operations (vats, products, equipment, soil), air conditioning and personnel use, etc. The water used produces waste water.
- **agricultural needs:** use of water to irrigate vineyards outside France (vineyard irrigation is not practiced in France). The water is drawn directly from the natural environment. Its use from one year to another is very closely tied to weather conditions.

Using water to irrigate vineyards is necessary for the survival of the vineyards in California, Argentina, Australia and New Zealand. This practice, closely supervised by the local authorities that issue water-drawing permits, is subject to numerous measures intended to limit water use:

- **rain water collection** (Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina), reuse of treated waste water (Domaine Chandon Carneros, California), collection of runoff from artificial lakes (Newton);

- **establishment of protocols to measure and describe water requirements:** analysis of the soil and leaf moisture, visual inspections of the vines, adaptation of procurement to the needs of each lot (Domaine Chandon Australia);

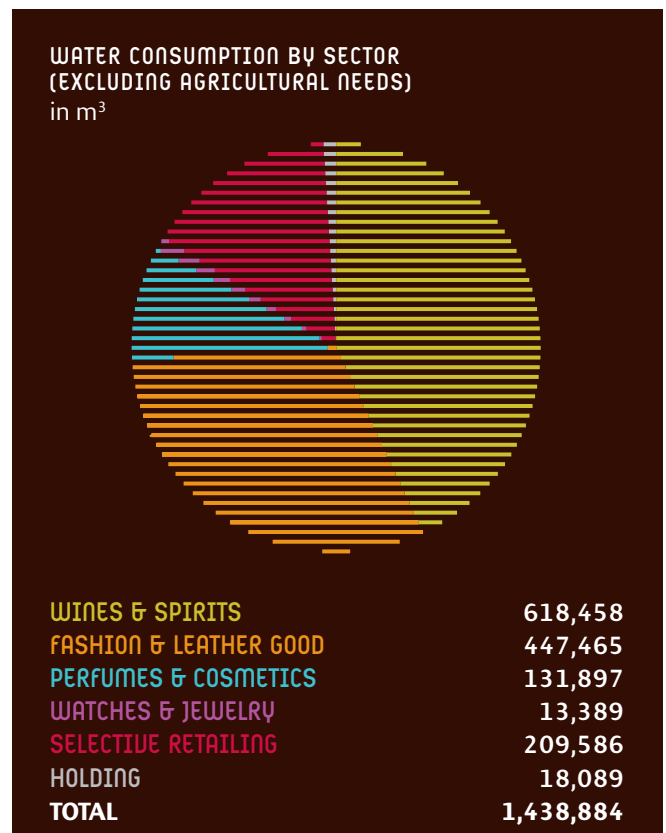
- **widespread use of drip irrigation** (between 73 and 100% of vineyards covered by this practice);

- **weather monitoring** for optimized adaptation of irrigation (weather stations in place in Chandon California);

- **periodic checks of the irrigation systems** to prevent risks of leaks;

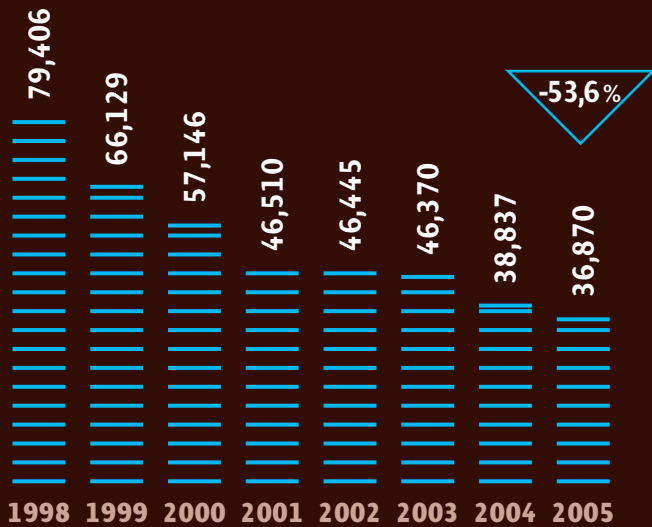
- **the practice of "reduced deficit irrigation,"** which both limits water use and improves the quality of the grapes (maintaining the size of the grape allows a concentration of flavors and color).

In 2005, these companies used 6,648,138 m³ of water for vineyard irrigation (7,445,085 m³ in 2004). The "process" needs in 2005 were 1,438,884 m³ (1,683,937 m³ in 2004); the breakdown by sector is as follows:

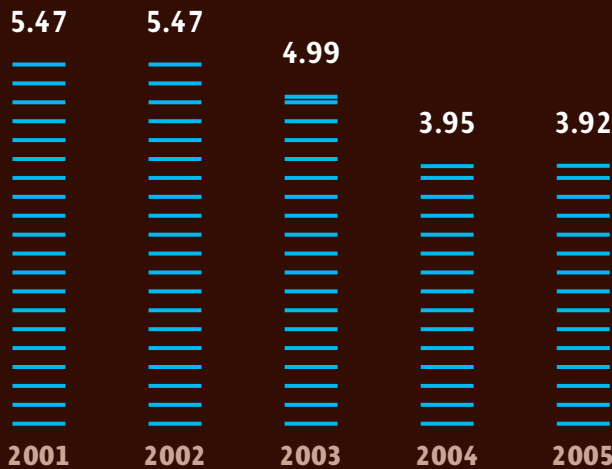


Despite an increase in the number of sites included in the reporting perimeter between 2004 and 2005, the water consumption (for process needs) decreased by 15%. With a constant reporting perimeter, water consumption at the production sites of the "LVMH panel 2" has increased by 11.6%.

CHANGE IN WATER CONSUMPTION FOR ALL THE VEUVE CLICQUOT SITES FROM 1998 TO 2005 in m³



CHANGE IN WATER CONSUMPTION BY ACTIVITY INDEX AT VEUVE CLICQUOT Water liters consumed by BU handled



Water consumption at all the VCP sites has continued to decrease (more than 50% in 7 years), thanks to a combination of the following actions:

- closed-circuit temperature regulation system (5-year investment),
- progressive installation of pressure washers and cleaning with water recycling,
- progressive installation of "stop jets,"
- rinsing system for vats with timing system,
- installation of economical flushing apparatus, shower timers (800 people are managed during harvests),
- annual awareness campaigns,
- financial incentives for employees for water savings.

During this period, the level of activity increased. The reduction in gross consumption therefore corresponds to an improvement in performance levels, particularly since 2003, when the awareness programs began. Even if they are always accompanied by improvements to equipment, the savings realized up to this point are essentially due to vigilance and good personal practices.

WATER: ONE OF THE PRIORITIES FOR PARFUMS CHRISTIAN DIOR

The manufacturing of perfumes involves large water consumption. Parfums Christian Dior continues to install meters to find out the exact status of the situation. The initial verdict: 40% of water consumption is due to the heating and cooling of equipment, 30% to machine cleaning, 20% to maintenance of green areas and 10% to bathroom facilities. The company has started to focus on the highest consumption sources: equipment cooling, for instance, by optimizing production methods. Water consumption has therefore decreased by 8% in 2005 as compared to 2004.

BETTER MANAGEMENT OF EFFLUENTS FOR COGNAC

For Cognac, the areas of concern are similar to the ones for Champagne: raising awareness of water consumption and better management of effluents. Together with BNIC's environmental group, Hennessy, which acts as chair of this group, studied ways to reduce consumption, in order to find solutions that would prevent water waste.

BNIC has also made recommendations to winegrowers on how to reduce and better manage their effluents. They include improved washing of harvesting machines and raising awareness of a better use of fertilizers.

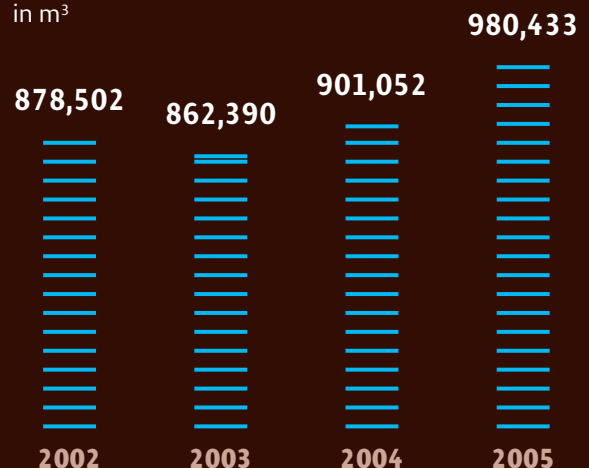
AIR EMISSIONS AND TRANSPORT

The only significant air emissions relevant for the Group's activities are greenhouse gas emissions. Estimated in tons of CO₂ (carbon dioxide) equivalent, they correspond to the emissions resulting from the energy consumption of the sites. They include direct emissions (on-site combustion) and indirect emissions (from the production of electricity used by the sites).

The greenhouse gas emissions have decreased by 6% in 2005, despite an increase in the perimeter and activity (69,275 tons of CO₂ equivalent in 2005 compared to 73,788 tons of CO₂ equivalent in 2004). This shows the Companies' efforts to control

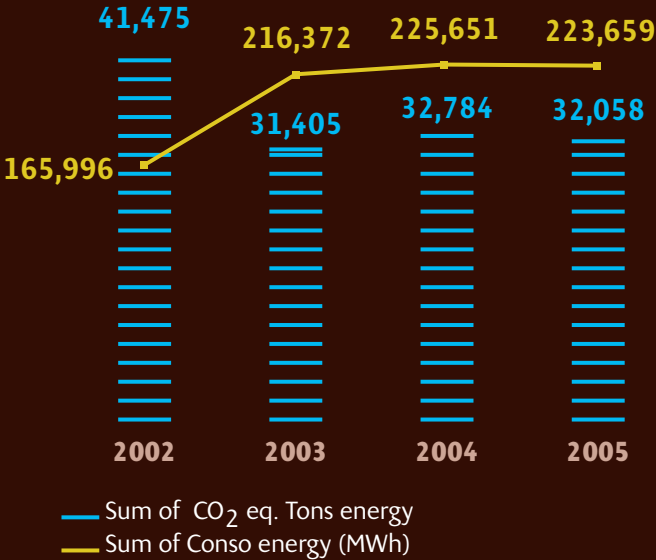
CHANGE IN THE WATER CONSUMPTION OF THE LVMH PANEL 2 PRODUCTION SITES*

(see note (1) p.15) in m³



* Coverage rate as compared to the 2004 environmental perimeter on this indicator: 68%.

CHANGE IN ENERGY CONSUMPTION (MWh) AND GREENHOUSE GAS EMISSIONS (CO₂ eq.t.) FOR THE SITES OF LVMH PANEL 2*, (see note (1) p.15)



* Coverage ratio as compared to the 2005 environmental perimeter on this indicator 61.3% for consumption in MWh and 46.3% of the greenhouse gas emissions.

energy consumption. Sephora U.S.A., for instance, chose "Green Mountain" to light its Texas perfume stores. "Green Mountain" is an energy supplier using renewable energy resources, such as solar, hydraulic or wind energy. The CO₂ emissions related to this type of electricity are lower than those resulting from the combustion of fossil resources (coal, oil or gas).

The DFS stores (selective retailing) account for a significant share of electricity consumption, and especially of greenhouse gas emissions due to their geographic location: the stores are located in countries (such as Australia, China, New Zealand) where with equal power consumption, the CO₂ emissions are proportionally higher than in France.

Transport is another activity that generates CO₂, the main greenhouse gas. Although not directly managed by companies within the Group, it is also the target of specific measures. It is important to note that ships emit 85 times less greenhouse gas than airplanes. This is the main improvement method to date. As a result, Veuve Clicquot has started to use maritime transport for

1. To track the changes in major indicators for a constant reporting perimeter over four years, a panel of the Group companies' main production sites has been defined. Until 2004, this panel included the activity of la Samaritaine. Following the temporary closure of la Samaritaine, an LVMH panel 2 was defined to maintain a constant perimeter. It includes the same activities as the original panel, only la Samaritaine has been excluded. The LVMH panel 2 includes: the French (Moët & Chandon, Veuve Clicquot Ponsardin, Hennessy, Parfums Christian Dior, Parfums Givenchy, Guerlain, Louis Vuitton Malletier) and Swiss (TAG Heuer) production sites and Bon Marché store. All the indicators have been recalculated according to the LVMH panel 2 perimeter. The coverage rate vis-à-vis the 2005 reporting perimeter is defined for each indicator.



GREENHOUSE GAS EMISSION BY SECTOR ♦ in tons of CO₂ equivalent

— Indirect CO₂ eq. t.
— Direct CO₂ eq. t.



over 80% in ton-kilometers of its products. The same applies to Moët & Chandon. As for Hennessy, 90% of its products were shipped by sea. In all these Companies, airplane shipping is used only in exceptional cases, which represent less than 0.5% of the products shipped. In 2005, Veuve Clicquot also studied the feasibility of using river shipping.

OVERALL PERFORMANCE OF LOUIS VUITTON OBJECTIVES ■ When we study potential savings thoroughly, we find improvements. This was the case for Louis Vuitton, which confronted the issue of reducing greenhouse gas emissions through its carbon budget. The initial results are expected shortly.

The LVMH flagship brand carried out an in-depth study of the sources of its discharge gases. The results showed that 37% resulted from the transportation of merchandise to supply the stores worldwide, 17% from suppliers, 16% from store lighting worldwide, 12% from employee travel and 8% from packaging. Each of these stages was studied in order to find solutions.

REPLACE AIRPLANES WITH SHIPS ■ The first decision was to replace the shipping of leather goods, which had almost exclusively been done by airplane up to that point, with maritime transportation. This is how, in 2004, 37% of merchandise was sent out by ship, 50% in 2005 and in the future, the brand hopes to transport only the latest novelty products by airplane, i.e. 20% of its products.

This required a complete reorganization of operations. The sales of each store are analyzed almost on a day-by-day basis to identify the clients' expectations and anticipate their needs. This improved planning and the reorganization of the Cergy storage center allow Louis Vuitton to gain time and therefore make up for the additional time needed for maritime shipping. Indeed, shipping to the U.S.A. or to Asia by sea takes 20-27 days, as compared to 3-4 days for air shipments, or 2-3 extra weeks. "It is manageable" says Emmanuel Mathieu, industrial director.

INVOLVING THE SUPPLIERS ■ A more delicate issue is raising awareness among the suppliers (i.e. manufacturers of leather, bag buckles or fasteners), who are independent producers and responsible for their own company. And yet they are responsible for 17% of the greenhouse gas emitted by the leather goods manufacturer. Louis Vuitton has warned them about the environmental consequences of their working methods. Moreover, the Company is in constant contact with the tanners, who are large water consumers, to help them find potential improvements.

IMPROVING STORE LIGHTING ■ This initiative started out as a savings measure, since lighting is one the major store expenses. Architect teams researched a way of reducing lighting while improving brightness. The results exceeded expectations.

A very sophisticated lighting process using metallic iodide replaced halogen lights in the ceilings, windows and furniture. The goal was 30% energy savings. Much more was achieved, since consumption went from 140 watts per m² to 44 watts for windows and ceilings and from 270 to 100 watts for linear light-

ing. An unexpected, but significant consequence is that since the heat generated is lower, the energy used by the air conditioning that regulates temperature has also decreased by 40%.

All the stores opened in 2005 are equipped with this new lighting system, especially la Maison des Champs-Élysées in Paris, the largest store in the world, as well as stores in Beijing and Hong Kong.

REDUCING EMPLOYEE TRAVEL ■ A significant portion of energy consumption, 12%, results from employee travel, whether to come to work or go on business trips. Louis Vuitton's management handled this issue globally. Car-pooling, though not customarily used, was recommended for traveling to work. Moreover, business trips were carefully reexamined, to find ways of reducing them. Now business trips of two employees are authorized only if strictly necessary. Trips to Asia and the United States are looped together (Europe-Asia-United States) rather than booked as round trips. Video-conferences, in particular, have increased to reduce travel between countries.

OTHER AIR EMISSIONS ■ The manufacturing of skincare products by spraying was changed at Parfums Christian Dior to eliminate all discharge of volatile organic compounds in the air.

Guerlain used better sorting to redirect solvent wastes recovered from spray cans to companies specialized in their treatment. In 2005, emphasis was placed on the analysis of air waste products, which proved to be very low and in compliance with the standards.



About 60% saved in energy for lighting: this is the result of the installation of metal iodide lighting in Louis Vuitton's stores opened in 2005.

© Laurent Brémaud / LB Production

WATER EMISSIONS AND POLLUTION PREVENTION

WATER EMISSIONS ■ Given the low impact which the activities of Group companies have on water, the only relevant and significant emissions that might be identified are discharges into water of organic substances that promote eutrophization. These substances are measured by Chemical Oxygen Demand (COD), calculated after treatment of the effluents in site stations or in collective stations. The following operations are considered as treatments: collective purification, autonomous purification (aeration basin) and spreading.

The COD parameter is actively monitored at all the Wine and Spirits and Perfumes and Cosmetics sites. All the companies periodically measure this parameter, sometimes even daily during large, concentrated discharge periods (Wines and Spirits harvests).

WATER POLLUTION ◆

Activity tons/year	COD after treatment	
	2005	2004
WINES AND SPIRITS	143.3 (a)	74.0
PERFUMES AND COSMETICS	6.2 (b)	19.5
TOTAL	149.5	93.5

(a) The change is due to the consolidation of Polmos Zyrardow, Cloudy Bay and Cape Mentelle data.

(b) The change is due to the construction of a new and efficient waste water treatment plant in the Guerlain site at Chartres.

Activity (in tons)	Hazardous waste (a) in 2005 ◆	Waste produced			Change in waste produced between 2004 and 2005 (%)
		2005 ◆	2004 ◆	2003 ◆	
WINES & SPIRITS	102	26,148	26,909	13,958	-3%
PERFUMES & COSMETICS	856 (b)	7,824	7,970	8,574	-2%
FASHION & LEATHER GOOD	33	19,275	4,911	3,704	293% (c)
WATCHES & JEWELRY	11	173	176	159	-2%
SELECTIVE RETAILING	6	1,783	4,906	4,452	-64% (d)
HOLDING	0	206	204	2	1%
TOTAL (TONS)	1,008	55,409	45,076	30,849	23%

(a) Waste that needs sorting and treatment separate from other so-called non-hazardous waste (cardboard, plastic, wood, paper, etc.)

(b) Some products are collecting from the normal production line and considered and treated like hazardous waste to avoid all imitation risk.

(c) The increase is due to an exceptional waste production because of a building deconstruction (15 000 tons).

(d) The decrease is due to the reporting scope evolution (the temporary closing of la Samaritaine).

GUERLAIN DISCHARGES CLEAN WATER DUE TO ITS PURIFICATION PLANT ■ Lipstick, make-up remover, lotions, skincare creams... all this leaves organic deposits in the water. To avoid them and purify the water, Guerlain built a purification station in Chartres, in 2003, which filters the discharges generated by this plant that manufactures the Issima skincare line, among others.

This station treats effluents resulting from the manufacturing plant, after the equipment cleaning. The result is purified water that can be discharged in the communal water system. The sludge recovered from filtration is pumped, treated and turned into compost spread over agricultural land. The cream and lipstick residues, mixed with vegetal residues, are used to make topsoil.

PARFUMS CHRISTIAN DIOR'S LIMITATION OF POLLUTING EMISSIONS ■ The manufacturing of skincare creams leaves traces of organic substances in the cleaning waters, which have to be treated before being discharged. To better recover these substances and improve the quality of this water, most of the 300 flat bottom tanks were replaced by conic bottom tanks, which improve product flow.

WASTE RECOVERY

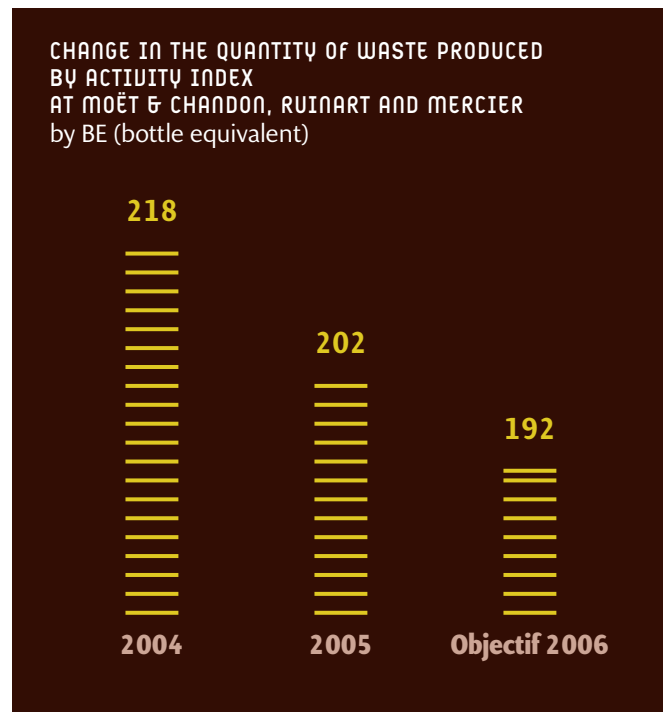
In 2005, a total of 55,409 tons of waste were produced by the Companies of the Group, an absolute value of 23% more than in 2004. This figure includes the one-time production of 15,000 tons of waste related to the destruction of a site. The breakdown of tons by sector is as follows:

WITH ADEME, MOËT & CHANDON COMMITS TO REDUCE ITS WASTE BY 10% ■ This is an ambitious project. Moët & Chandon was the only champagne company selected by ADEME (Environmental and Energy Control Agency) from among 334 candidates asked to join it in a pilot program concerning a 10% waste reduction over two years. As at the end of 2005, mid-way through the program, the balance sheet is encouraging, even if the reduction is still low at 1%. However, the environmental coordinator at Moët & Chandon estimates that all the conditions are in place for the -10% objective to be reached at the end of 2006.

It all started with an inventory of all the waste produced by Moët & Chandon and the identification of improvement methods. The diagnosis: identification of an operational reduction perimeter of 1,000 tons that includes wood, paper, cardboard, plastic, metal and hazardous waste. All the efforts were focused on saving 100 tons over 2 years. Some instances of actions taken include: development of specific packaging (e.g. wood pallets, packaging of cork-sealing capsules, large containers for oenological products), reducing over-wrapping of cases or cartons (estimated gain: -10 to -60 tons per year), reducing paper volume by eliminating useless subscriptions and catalogs (estimated gain: 1 ton per year).

Moreover, all the waste treatment methods have been revised. The purpose was to guarantee perfect regulatory compliance and improve performance. New partnerships have been established this way. Waste sorting, already well established in Moët & Chandon's practices, was improved even further and reached 94%. The percentage of recovered waste is also up: over the short term, the target is 100%, i.e. no more waste at the recovery center!

Many actions initiated in 2005 will bear fruit in 2006. We will continue to search for new reduction methods, focusing on the reduction of waste from the production process.

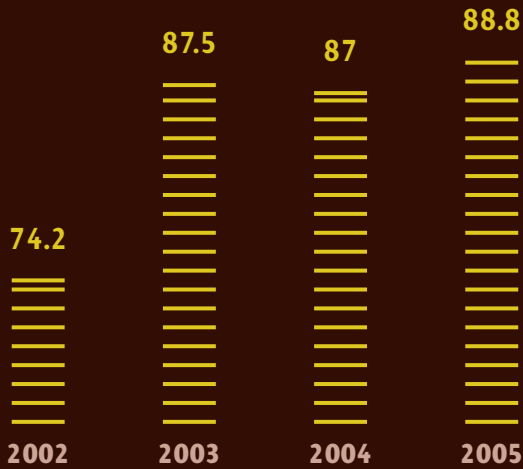


RECOVERY OF WASTE PRODUCED BY LVMH GROUP SITES

Activity	% of waste recovered ◆			
	reused	recycled	burned with energy production	% total recovered
WINES AND SPIRITS	3%	87%	1%	91%
PERFUMES AND COSMETICS	9%	44%	29%	82%
FASHION AND LEATHER GOODS	1%	8%	6% (*)	15%
WATCHES AND JEWELRY	12%	18%	51%	81%
SELECTIVE RETAILING	0%	66%	9%	75%
HOLDING	0%	99%	0%	99%
TOTAL	3%	52%	7%	63%

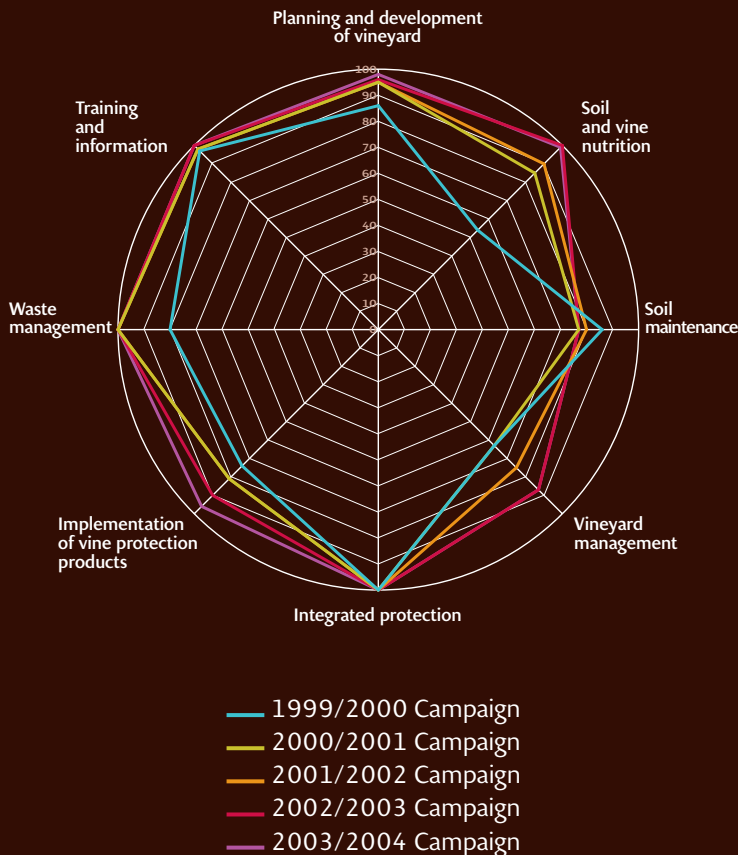
(*) The one-time waste generated by decommissioning a site (15,000 tons) was not recovered. The 2005 activity of the Fashion and Leather business group is therefore penalized.

PERCENTAGE OF WASTE RECOVERED AT THE LVMH PANEL LVMH 2 SITES* BETWEEN 2002 AND 2005 (see note (1) p.15) in %



* The coverage rate compared to the 2005 environmental perimeter for this indicator: 70% in tons of recovered waste.

VEUVE CLICQUOT'S GENERAL SUMMARY OF INTEGRATED VITICULTURE SELF-ASSESSMENTS OF ITS WINE-MAKING PRACTICES FROM 2000 TO 2004 Compliance points (%)



PARFUMS CHRISTIAN DIOR IMPROVES SORTING

Although this initiative started several years ago, selective collection of waste products was improved in 2005, through the acquisition of more efficient equipment. A press was installed to compact clear wrap and other plastic packaging. The thirty tons of plastic recovered during the first nine months of the year were recycled, whereas before they were burned.

As for finished Dior products that have to be discarded (manufacturing defect, inventory, etc.), they have to be burned to avoid any risk of a parallel market. A project is underway to go from incineration to recycling in the future.

SOIL USE AND INTEGRATED VINE GROWING

PROGRESS IN SUSTAINABLE VINE GROWING The Group's businesses do not use soil very much outside viticulture. The soil pollution related to former industrial facilities (Cognac and Champagne preparation, trunk manufacturing) are not significant. The more recent production sites are located on former farming land without pollution resulting from the past.

Sustainable viticulture, a method that combines high technical standards and observance of traditions, has been practiced by the Wines and Spirits Companies for several years. It has been further developed this year.

Beyond its own vineyard, which is fully integrated in terms of viticulture, Veuve Clicquot continues to draw grape suppliers into this practice. Moët & Chandon also pursues the deployment of sustainable approaches for viticulture:

- modification of tilling practices, with the generalization of the natural weed invasion control and regular development of weed infested headlands,
- adaptation of spraying equipment to minimize the volume of unused products,
- development of alternative solutions to using certain insecticides,
- working with the grape suppliers to generalize traceability of vineyard treatment.

Integrated viticulture was also expanded in 2005 by the Companies of Moët Hennessy Wine Estates. Domaine Chandon Australia continues to deploy it and, this year, it has discontinued the use of certain pesticides. Domaine Chandon California has performed many actions:

- eliminating the use of most pesticides in favor of using natural and beneficial parasites (insects, bacteria, etc.); through their predator actions, they will reduce or eliminate the need for pesticide spraying treatment,
- planting trees to reduce soil erosion,
- creating owl niches (a natural predator of undesirable insects).

Domaine Chandon California was awarded the American "Sustainable Farming" prize for its efforts in the area of integrated viticulture since 1990.

Cloudy Bay (Domaine Chandon New Zealand) submitted an application and was successfully audited by SWNZ (Sustainable Winegrowing New Zealand). This organization comprises integrated viticulture specialists and professionals from New Zealand.

DEVELOPMENT OF HIGH ENVIRONMENTAL QUALITY BUILDING ■ The EOLE project, based on the Louis Vuitton HEQ (High Environmental Quality) logistic platform, continued during 2005. The initial objectives were exceeded. Seven of the fourteen HEQ targets were reached at a **"very performing"** level (instead of the four, initially planned):

1. Relation of the building to its immediate surroundings: significant landscaping development, easier access for pedestrians, building orientation, etc.
2. Integrated choice of construction products, systems and processes: wood framing, COV (volatile organic compounds)-free paint, etc.
3. Energy management: geothermy (corporate and administrative buildings), heating with high yield gas and low NOX, (warehouses and docks), etc.
4. Water management: "Zero discharge" objective for rain water, with filtration and recycling for the watering of green areas, waste water treatment through phyto-remediation, etc.
5. Maintenance and continuation of environmental performances: BTM (building technical management) integration,
6. Hygrothermal comfort.
7. Visual comfort.

Two other targets were reached at a **"performing"** level:

1. Management of waste produced by the activity,
2. Safe air quality.

In partnership with CSTB (Building Scientific and Technical Center), EOLE will contribute, together with other sites, to the construction of the HEQ Warehouse reference. The construction of the logistic platform will be completed at the end of 2006.

GROUP ENVIRONMENTAL EXPENDITURES

THE ENVIRONMENT: A PROFITABLE INVESTMENT ■

Expense or investment? The cost of the environmental policy is hard to assess. At first, there is a commitment, a desire. Raising the awareness of the entire staff and, more recently, of the suppliers requires hours of training, over 6,800 hours in 2005 for the entire Group. These hours come with a price. But over the years, the adoption of "green actions" by the largest number of people will result in reduced consumption of water, electricity, and raw materials, and implicitly in savings.

Similarly, implementation of the most effective equipment, whether it is meters in the workshops or slanted bottom tanks in the Wine and Spirits Companies, comes with a price, but it results in savings over the medium and long term. Waste sorting, reduced packaging, and carton compacting reduce the cost of shipping. Under these circumstances, it is hard to establish a balance sheet of the many actions conducted at all levels by the Group's 50 or more brands.

However, one significant example is Louis Vuitton. The new stores, which include Maison des Champs Elysées in Paris, are lit by using a sophisticated metallic iodide process, considerably more expensive to install than halogen. But this type of lighting has reduced electricity consumption in ceilings and windows by three quarters, linear lighting by almost two thirds, and cut the energy used by the air conditioning systems by 40%. The higher initial investment will be profitable, but over a term that is still hard to estimate.

This example, just like most of the efforts made by the Group, shows that environmental expenses are a profitable investment over the medium or the long term.

In 2005, the amount of expenses directly related to environmental protection is broken down as follows:

- operating expenses: 5.1 million euros (6.1 million in 2004);
- capital expenditures: 3.7 million euros (2.7 million in 2004).

No amount was set aside as a provision for risks related to the environment in 2005.

Environmental expenses were accounted for following the recommendations in the opinion of the Conseil National de la Comptabilité (CNC) [National Accounting Board].

Operating expenses and capital expenditures were recorded for each of the following items:

- ambient air and climate protection,
- wastewater management,
- waste management,
- protection and sanitation of soil, groundwater and surface water.
- fight against noise and vibrations,
- protection of biodiversity and of the landscape,
- radiation protection,
- research and development,
- other environmental protection activities.

Aichi salt house

The wisdom of nature: this was the theme of the international exhibit held in Aichi, Japan, from March to September 2005. To illustrate it, Louis Vuitton came up with the idea of designing... a salt house...

Why salt? Because it is a natural material which illustrated awareness of the importance of nature conservation. Moreover, salt is white and noble. A symbol of purity, it has many functions: it is used in the kitchen, but also to salt the roads. In Japan, it is sacred. Sumo wrestlers throw it on the ring before the fights. A technical miracle, the Midi salt mines designed compacted salt disks with a thickness of 1 cm and a diameter of 25 cm. These disks were used to build a 20 meter long and 5 meter high house, which was bright and calm, a sort of peaceful haven. The inside walls were covered with mirrors on which a film was projected. The film was a few minutes long and presented the Carbon Budget of a Louis Vuitton manufacturing site. Return to nature: when the house needed to be demolished, the 4,000 salt disks were thrown into the sea.



Three initiatives among others

Cloudy Bay launched a "water" program involving increased consumption control and improvement of the irrigation systems connected to the wine growers.

Domaine Chandon in Australia is concerned with nature conservation. The company works in close connection with government authorities and with neighboring landowners to recreate vegetation in the Yarra river valley, in the alluvial planes and in the Yeringberg cove.

Domaine Chandon in California is studying the range of new treatment products that are equally effective, but have a lesser environmental impact.

Louis Vuitton's salt house is made up of 4,000 internally lit salt disks. Once inside the house, visitors find themselves in a world of images floating in space and can reflect endlessly on the depths of the surrounding large mirrors. The images illustrate the Carbon Budget theme chosen by Louis Vuitton.

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For reasons of safety and precaution, la Samaritaine closed its store to the public in June 2005. Based on the conclusions of several studies and after consulting employee representatives, it was decided that the store should remain closed during restructuring and renovations, expected to last approximately 6 years, to bring the

building into compliance. It is the intent of management that after such time, the commercial nature of the site will be continued through the creation of a major commercial complex of high architectural interest adapted to an urban environment and the needs and lifestyle of the 21st century.

OBJECTIVES

These tables indicate the objectives assigned to a given Group Company, and its business group appears in the second column.

ACHIEVEMENTS VERSUS 2005 OBJECTIVES

MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

Strategy	Activity	Objective assigned to the company in 2005	Achieved/ Not achieved
Comply strictly with environmental regulations	HOLDING	<ul style="list-style-type: none"> Routinely check environmental compliance during internal financial site audits Continue to monitor French and international environmental regulations 	<ul style="list-style-type: none"> Achieved Achieved
	WINES & SPIRITS	Secure a prefecture authorization	Achieved
	FASHION & LEATHER GOOD	for 2 production sites	Achieved
Reduce the environmental impacts of products and at industrial, administrative and central shipping sites: water, energy, wastes, transport, etc. achieved	FASHION & LEATHER GOOD	Build a new HEQ (High Environmental Quality) warehouse	Pending
		Reduce electricity consumption in the stores by 50%	Exceeded (60%)
	WINES & SPIRITS	Consume 85 W of electricity per bottle equivalent produced	Not achieved (90W)
		Reach 0.65 l of water per bottle equivalent produced	Non achieved (0.77 l)
	SELECTIVE RETAILING	Project to extend selective sorting to new waste categories	Achieved
	PERFUMES & COSMETICS	Replace one gas boiler with a cogeneration system	Pending
	FASHION & LEATHER GOOD	Include the obligation to comply with the Euro III standard in 100% of the new contracts with (truck) carriers	Achieved
	WINES & SPIRITS	Consistently avoid airplane shipping each time new products are launched	Not achieved (0,38 % of shippings are made by airplane)
	FASHION & LEATHER GOOD	Ship by boat an average of 50% of the leather goods volume, at least	Achieved
	WINES & SPIRITS	Sort 93% of production generated waste	Achieved (94%)
		Reduce the quantity of source wastes by 10% as part of the ADEME program "-10% in two years."	Pending

FOSTER A COLLECTIVE PURPOSE

Strategy	Activity	Objective assigned to the company in 2005	Achieved/ Not achieved
Involve all employees	HOLDING	■ Create an environmental newsletter for management	■ Not achieved <i>(projet conducted in 2006)</i>
	HOLDING + COMPANIES	■ Raise employee awareness in at least three Group companies during the sustainable development week from May 30 to June 5, 2005	■ Achieved
	WINES & SPIRITS	■ Integrate environmental concerns into the training of 100% of seasonal harvest workers (wine presses)	■ Achieved
Circulate the results throughout the organization	HOLDING	■ Make the 2004 environmental results available to the employees through the LVMH environmental intranet	■ Achieved

CONTROL ENVIRONMENTAL HAZARDS

Strategy	Activity	Objective assigned to the company in 2004	Achieved/ Not achieved
Establish an effective management system that is audited at least every 3 years	FASHION & LEATHER GOOD	■ Obtain the ISO 14001 certification for a logistic platform	■ Pending
	WATCHES & JEWELRY	■ Have a written environmental policy (Watches & Jewelry)	■ Achieved
	WINES & SPIRITS	■ Draft a second version of the environmental policy	■ Achieved
Detect all environmental risks, prevent and reduce them	ALL	■ Conduct 9 in-house environmental audits with the "LVMH environmental audit" team	■ Not achieved <i>(2 audits performed, 7 carried forward to 2006)</i>
	WINES & SPIRITS	■ Equip 3 wine making sites with retention basins	■ Achieved

GUARANTEE THE FUTURE OF OUR PRODUCTS

Strategy	Activity	Objective assigned to the company in 2005	Achieved/ Not achieved
Integrate the environment in the design of Group products, both in-house and with suppliers and subcontractors	HOLDING + COMPANIES	■ Distribute a new version of the LVMH environmental trendbook to marketing managers and designers	■ Achieved
		■ Design a materials, processes and ecological products watch and make available on the intranet	■ Achieved
	HOLDING	■ Streamline all LVMH product ecodesign tools in a computerized version	■ Achieved
	WINES & SPIRITS	■ Integrate environmental concerns throughout the entire new product design and production process (applicable to 4 Companies)	■ Achieved

COMMITMENTS BEYOND THE COMPANY

Strategy	Activity	Objective assigned to the company in 2005	Achieved/ Not Achieved
Be involved with stakeholders	HOLDING	<ul style="list-style-type: none"> ■ Continue involvement with the OREE association: chair the association, participate in work groups to produce a guide for "sustainable" transport of goods intended for small businesses and manufacturers and manufacturers ■ Continue joint actions with the 11 other partner organizations and associations 	<ul style="list-style-type: none"> ■ Achieved ■ Achieved
	WINES & SPIRITS	<ul style="list-style-type: none"> ■ Allow the public to visit 	<ul style="list-style-type: none"> ■ Achieved
	PERFUMES & COSMETICS	<ul style="list-style-type: none"> ■ the site during Heritage Days 	<ul style="list-style-type: none"> ■ Achieved

OBJECTIVES FOR 2006 AND BEYOND (non-exhaustive)

MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

Strategy	Activity	Objective assigned to the company in 2006	Due date
Comply strictly with environmental regulations	HOLDING	<ul style="list-style-type: none"> ■ Routinely check environmental compliance during internal financial site audits ■ Continue to monitor French and international environmental regulations 	<ul style="list-style-type: none"> ■ Ongoing ■ Ongoing
	WINES & SPIRITS	<ul style="list-style-type: none"> ■ Backfitting of a battery charging building 	<ul style="list-style-type: none"> ■ 2006
Reduce the environmental impacts of products and at industrial, administrative and central shipping sites: water, energy, wastes, transports, etc.	FASHION & LEATHER GOOD	<ul style="list-style-type: none"> ■ Build a new HEQ (High Environmental Quality) warehouse 	<ul style="list-style-type: none"> ■ 2007
	HOLDING	<ul style="list-style-type: none"> ■ Do an energy assessment of a head office site 	<ul style="list-style-type: none"> ■ 2006
	WATCHES & JEWELRY	<ul style="list-style-type: none"> ■ Reduce water consumption by 75% on a production site 	<ul style="list-style-type: none"> ■ 2006
	SELECTIVE RETAILING	<ul style="list-style-type: none"> ■ Project to extend selective sorting to new waste categories 	<ul style="list-style-type: none"> ■ 2006
	PERFUMES & COSMETICS	<ul style="list-style-type: none"> ■ Replace one gas boiler with a cogeneration system 	<ul style="list-style-type: none"> ■ 2006
	WINES & SPIRITS	<ul style="list-style-type: none"> ■ Consume 192 kWh per bottle equivalent sold ■ Consume 3.4 liters of water per bottle equivalent sold ■ Produce 192 grams of waste per bottle equivalent sold ■ Consistently avoid airplane shipping each time new products are launched ■ Implement water recycling systems (case washing and bottle rinsing) ■ Reduce the quantity of source wastes by 10% as part of the ADEME program "-10% in two years." 	<ul style="list-style-type: none"> ■ 2006 ■ 2006 ■ 2006 ■ Ongoing ■ 2006 ■ 2007

FOSTER A COLLECTIVE PURPOSE

Strategy	Activity	Objective assigned to the company in 2006	Due date
Involve all employees	HOLDING	■ Create an environmental newsletter for management	■ 2006
		■ Develop a training tool for environmental managers	■ 2006
	HOLDING + COMPANIES	■ Raise employee awareness in at least three Group companies during sustainable development week from May 29 to June 4, 2006	■ 2006
	WINES & SPIRITS	■ Integrate environmental concerns in the training of 100% of seasonal harvest workers (wine presses)	■ Ongoing
Circulate the results at all levels of the organization	HOLDING	■ Make the 2005 environmental results available to the employees through the LVMH environmental intranet	■ 2006

CONTROL ENVIRONMENTAL HAZARDS

Strategy	Activity	Objective assigned to the company in 2006	Due date
Have an effective management system that is audited at least every 3 years	FASHION & LEATHER GOOD	■ Obtain ISO 14001 certification for a logistic platform	■ 2007
	WINES & SPIRITS	■ Initiate an ISO 14001 certification process with a 2007 certification objective	■ 2007
Detect all environmental risks, prevent and reduce them	ALL	■ Conduct 7 in-house environmental audits with the "LVMH environmental audit" team	■ 2006
	PERFUMES & COSMETICS	■ Create a containment basin	■ 2006

GUARANTEE THE FUTURE OF OUR PRODUCTS

Strategy	Activity	Objective assigned to the company in 2006	Due date
Integrate environmental concerns in the design of Group products both in-house and when working with suppliers and subcontractors	HOLDING + COMPANIES	■ Distribute a new version of the LVMH environmental trendbook to marketing managers and designers	■ 2006
		■ Maintain the materials, processes and ecological products watch	■ Ongoing
	WATCHES & JEWELRY	■ Substitute the polystyrene used in the shipping packaging	■ 2006

BE COMMITTED BEYOND THE COMPANY

Strategy	Activity	Objective assigned to the company in 2006	Due date
Be involved with stakeholders	HOLDING	■ Continue involvement with the OREE association: chair the association, participate in work groups to produce a guide for "sustainable" transport of goods intended for small businesses and manufacturers	■ Ongoing
		■ Continue joint actions with the 11 other partner organizations and associations	■ Ongoing
	WINES & SPIRITS	■ Allow the public to visit the site during	■ Ongoing
	PERFUMES & COSMETICS	■ Heritage Days	■ Ongoing

AUDITOR'S 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 regarding 11 environmental indicators related to fiscal year 2005 and identified with the symbol ♦ on this annual report on pages 3, 9, 12, 15, 17 and 18.

These data were prepared under the responsibility of LVMH's general management, in accordance with the environmental data reporting procedures that can be consulted at the Environmental Affairs Direction. It is our responsibility, based on the work performed, to express a conclusion on the selected indicators.

NATURE AND SCOPE OF THE WORK ■ We have performed a limited review to provide moderate assurance that the data do not include any significant error. A higher level of assurance would have required more extensive work.

- We assessed the environmental data reporting procedures with respect to their relevance, reliability, neutrality, understandability, and completeness.
- We had meetings with the Environmental Affairs Direction, at the corporate headquarters and in ten selected entities (1) with the persons concerned with the application of these procedures.
- We conducted data validation tests in the selected entities, which contributed an average of 37% to the total environmental impact of the Group.
- We reviewed the calculations, on a test basis, and checked the reporting of the 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 process has improved, due to the implementation of a methodological guide on environmental reporting and to an increasing awareness of the participants.
- Further progress in the quality of the reporting process will require to strengthen internal controls at all levels and to improve the reporting procedures, as some definitions need to be precised in order to ensure consistent application group-wide.

CONCLUSION ■ Based on our review, we found the following errors that have been corrected:

- The "training hours" led to errors in the understanding of the definitions, which resulted in significant discrepancies.
- The "quantity of hazardous waste generated" for which omissions were identified for two sites and for which two sites over-estimated the quantities generated.

Based on our review and subject to the exceptions mentioned above, we did not identify any material anomalies likely to call into question the fact that the data examined was prepared, in all material respects, in accordance with the above-mentioned reporting procedures.

Neuilly-sur-Seine, April 4, 2006



Ernst & Young et Associés
Environmental and Sustainable Development Department
Eric Duvaud
Partner

(1) Domaine Chandon California, Guerlain, Kenzo, Louis Vuitton (3 sites), Moët & Chandon, Newton, Parfums Christian Dior, Holding (head office).