

LVMH

MOËT HENNESSY • LOUIS VUITTON
PASSIONATE ABOUT CREATIVITY



LVMH
MOËT HENNESSY ♦ LOUIS VUITTON

LVMH: the world's leading luxury goods company, with an unparalleled portfolio of 50 prestigious brands.

Champagne: number 1 worldwide

Cognac: number 1 worldwide

Fashion and Leather Goods: number 1 worldwide

Perfumes and Cosmetics: number 1 in France
number 3 worldwide

Selective Retailing: number 1 worldwide

Watches and Jewelry: number 3 worldwide

The world's leading retail network, with 1,286 stores worldwide, all brands included.

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A coherent universe of men and women passionate about their business and motivated by entrepreneurship and the desire to innovate. An unrivaled group of powerfully evocative brands and famous names that are synonymous with the history of luxury. A natural alliance between businesses close to the artistic world where creativity, virtuosity and quality are of overriding importance. A remarkable economic success: nearly 48,000 people worldwide, the largest luxury goods sales volume, a key force in selective retailing. A unique blend of global vision and dedication to serving the needs of every client. The successful union of cultures that value traditional craftsmanship and elegance, with the most advanced techniques in marketing, industrial organization and management. An unprecedented cocktail of talent, audacity and thoroughness in the quest for excellence. A company unique in its class. Our philosophy is summarized in two words: creative passion.



Bernard Arnault
Chairman and CEO



Myron Ullman III
Group Managing Director

2000 was a record year for LVMH. Major developments within the Group and excellent results demonstrated the success and resilience of our strategy. They enabled us to extend our leadership in the luxury goods market and strengthened the foundations for continued growth in the future.

With the market becoming broader and more diversified, the sector offers us remarkable opportunities for further growth. Active in the most dynamic areas of the luxury market and positioned as its undisputed leader, LVMH is uniquely able to fulfill its exceptional potential through its core competencies.

Our investment strategy is to focus on those areas likely to be the most significant sources for global growth.

Innovation, distribution: growing from within

Our priority continues to be developing our existing brands. Innovation is the key to this goal, with new products accounting for 15% of turnover at Louis Vuitton and 20% of turnover for the Perfumes & Cosmetics business group. The success of new products at Vuitton has also encouraged us to increase our production capacity so that we can meet surging demand. Sales for J'Adore introduced by Christian Dior reached an all time record, and Flower by Kenzo, launched in September 2000, outperformed all expectations and promises to become a global success. Hennessy is on an upward trend, with both the contemporary Pure White and Hennessy Classique making good progress in Europe and Japan. And there are many other examples of our product innovation success.

Selective retailing is a vital part of our business and the LVMH group will soon have 1,300 stores throughout the world for all of its brands: this distribution network is an invaluable strategic asset. As an example, Louis Vuitton currently has 284 stores, of which 26 are global stores and DFS's Galleria stores

provide an innovative and successful travel retail concept and an important platform for Group brands.

We have also devoted resources for the international expansion of Sephora. Thanks to these investments, Sephora is now established as a leader in its principal markets. In the United States, which accounts for a third of the global fragrance and cosmetics market, the Sephora stores are proving to be an effective vehicle for selective brand growth.

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POSITIONED AS THE UNDISPUTED LEADER OF THE LUXURY MARKET, LVMH IS UNIQUELY ABLE TO FULFILL ITS EXCEPTIONAL POTENTIAL THROUGH ITS CORE COMPETENCIES.

LVMH GROUP WILL SOON HAVE 1,300 STORES THROUGHOUT THE WORLD FOR ALL OF ITS BRANDS.

Building on expertise, moving into new territory

Future growth will stem from our internal strengths combined with the fruits of a selective acquisition policy targeting high-quality, developing brands which can benefit from strengths within the Group. The majority of these acquisitions strengthen our existing businesses: Krug, Chateau d'Yquem and more recently, the exceptional Newton and MountAdam vineyards, Fendi and Pucci, Gabrielle Studio, owner of Donna Karan brands, Miami Cruiseline, affording access to the cruise industry clientele, cosmetic brands in the US. Others have enabled us to enter new and particularly dynamic areas of the luxury market: we established a Watches and Jewelry business group and created a joint venture with the De Beers diamond group, to develop a top range, branded diamond business.

GROWTH FROM LEADERSHIP STRENGTH

2001 and beyond: confidence in the teams at LVMH

With the prospects of the dollar and yen becoming weaker against the euro and slower growth in America, the economic backdrop of 2001 is likely to be more uncertain. But we are prepared and will move into this period with cautious optimism. We are confident that 2001 will be another year of growth.

On a technical level, our targeted hedging of currencies will help offset the impact of the potential weakening of the dollar and yen. Our financial policy is prudent, with a commitment to cash flow growth. Lower interest rates should also work in our favor.

We have great confidence in the inner resources of LVMH, and believe we are less susceptible to economic cycles than most of our competitors thanks to the breadth of our portfolio of brands and the geographic balance of our sales.

First and foremost we will concentrate on our key sources of internal growth: launching new products and extending our existing ranges, targeted opening of new stores and making inroads into new markets. Our business groups will continue to increase their profitability and will invest wisely in infra-

structure and production. We are also implementing a number of synergies in purchasing, research and development, thereby increasing the competitive edge of our brands and enhancing the profitability of each of the business groups.

We are confident that benefits will flow from our recent acquisitions. Our American cosmetic start-ups are rapidly growing and already making a significant contribution to profits for Perfumes & Cosmetics. In fashion, we have enabled Fendi and Pucci to strengthen their creative teams and distribution. With the expertise of DFS and strong client purchasing power, we also expect to see excellent growth from the successfully integrated Miami Cruise line. 2000 has seen the formation of a strong structural framework in the Watches and Jewelry business group and the generation of operating synergies, including 15 common distribution subsidiaries set up in major markets.

Well positioned for 2001, as leaders in the luxury industry we also need to plan for the long-term. Our extremely talented teams are our greatest asset, motivated by a really inspiring goal: to further the lead LVMH has on its competitors in all of its markets. Thanks to the people at LVMH, we will achieve the ambitious target we have set ourselves for the future - to double the size of the Group in five years.

A SELECTIVE ACQUISITION POLICY TARGETING HIGH-QUALITY, DEVELOPING BRANDS WHICH CAN BENEFIT FROM STRENGTHS WITHIN THE GROUP.

IN 2001, WE WILL CONCENTRATE ON OUR KEY SOURCES OF INTERNAL GROWTH: LAUNCHING NEW PRODUCTS, TARGETED OPENING OF NEW STORES. OUR BUSINESS GROUPS WILL CONTINUE TO INCREASE THEIR PROFITABILITY. BENEFITS WILL ALSO FLOW FROM OUR RECENT ACQUISITIONS.

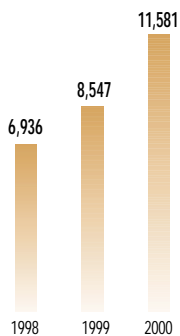
Bernard Arnault
Chairman and CEO

Myron Ullman III
Group Managing Director

CONSOLIDATED HIGHLIGHTS

Net sales

EUR million

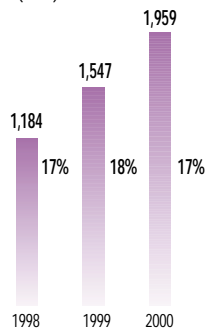


Income from operations

EUR million

Operating margin

(in %)



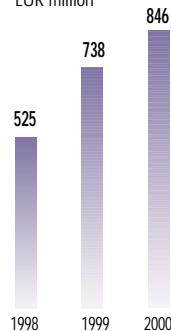
In 2000, net sales grew 35% to total EUR 11.6 billion. Sales were up in all business groups and geographic regions. Growth would have been 22% with comparable consolidation scope and 23% with constant exchange rates.

Income from operations was up 27% due to strong performances in Fashion and Leather Goods and Perfumes and Cosmetics. Growth in Wines and Spirits was slower due to the post millennium effect, and results for Selective Retailing remained stable from the previous year.

Net income before amortization of goodwill and unusual items rose 15%, or 14% on a per-share basis.

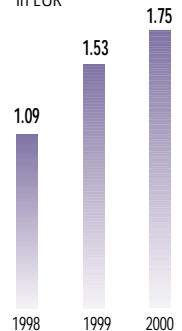
Net income before amortization of goodwill and unusual items

EUR million



Earnings per share before amortization of goodwill and unusual items⁽¹⁾

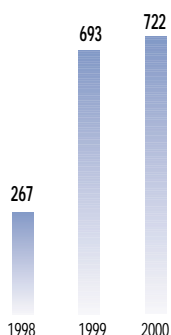
in EUR



(1) after the five-for-one stock split of July 2000

Net income

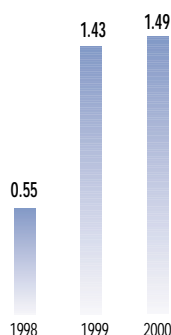
EUR million



Net income rose 4%. This figure includes unusual items and amortization of goodwill.

Earnings per share⁽¹⁾

in EUR

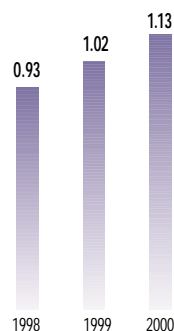


(1) after the five-for-one stock split of July 2000

Dividend per share

in EUR

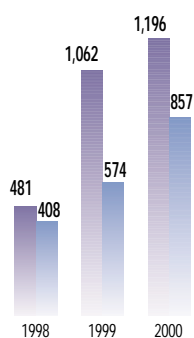
(including the "avoir fiscal" French tax credit)



A dividend of EUR 0.75 per share (EUR 1.125 including the « avoir fiscal » French tax credit), will be proposed to the Shareholders' Meeting on May 14, 2001. After taking into account the five-for-one stock split of July 2000, this dividend represents an increase of 10% over 1999, and equals a payout rate of 43% of net income before amortization of goodwill and unusual items.

Cash flow from operations and capital expenditures

EUR million

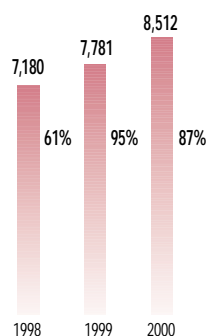


Capital expenditures totaled EUR 857 million in 2000, primarily for the expansion of the retail network of Sephora, DFS and Louis Vuitton, and of Louis Vuitton's production capacities.

Shareholders' equity⁽¹⁾

and financial debt to equity ratio (in %)

EUR million



(1) including minority interests

After deducting the book value of the Gucci equity stake, the financial debt to equity ratio would fall from 87% to 72%.

Return on capital employed

	1998	1999	2000
Capital employed	8,221	10,270	13,593
EUR million			
ROCE (in %)	14.4%	15.1%	14.4%

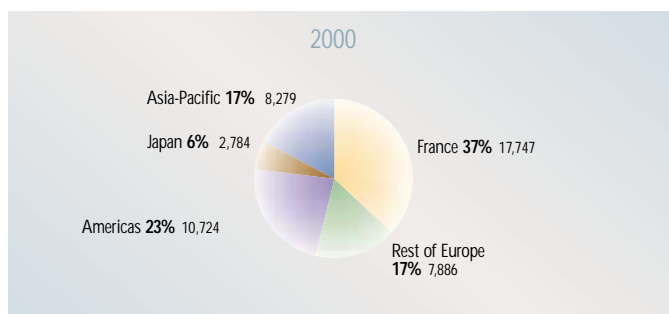
« Return on Capital Employed » (ROCE) is the income from operations on capital employed ratio; the capital employed notably includes intangible assets and goodwill.

This ratio increased in 2000 in all the business groups, but dipped slightly at Group level as a result of the acquisitions and operating investments.

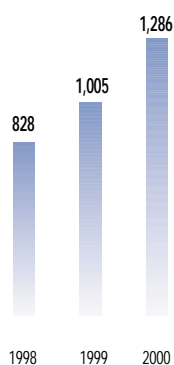
Average number of employees by business group



Average number of employees by geographical region

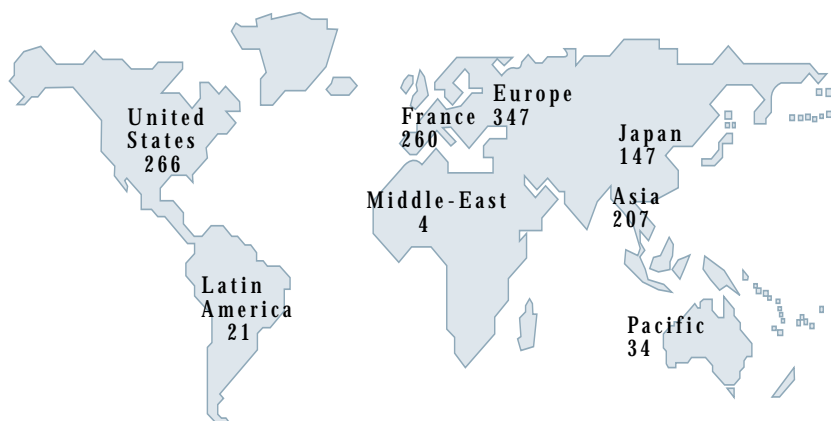


Number of stores



The number of LVMH boutiques increased by 28%, with 1,286 stores at year-end.

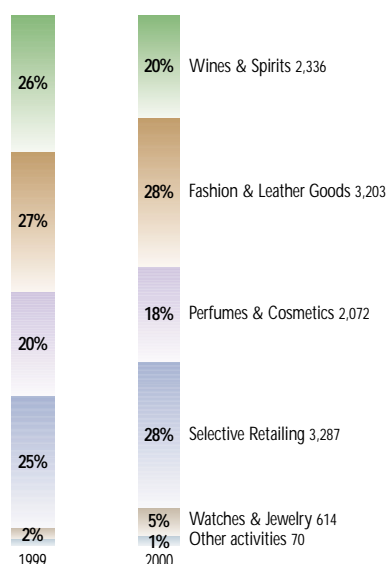
Store network at December 31, 2000



Louis Vuitton had 284 points of sale, including 26 global stores. Sephora had 461 stores, with 388 in Europe, 67 in the United States, and 6 in Japan.

Net sales by business group

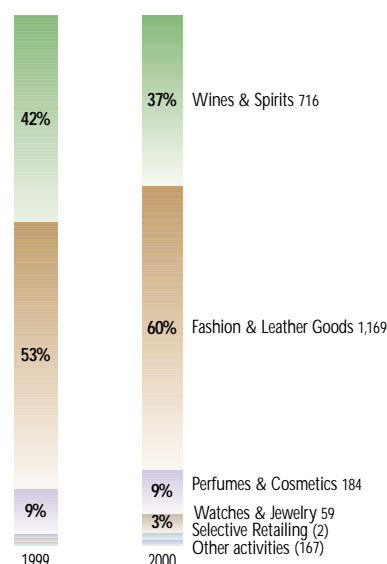
in EUR million and %



The breakdown of LVMH net sales by business group changed in 2000. The proportion contributed by Wines and Spirits dropped in favor of Selective Retailing, whose sales grew rapidly to equal the sales levels of Fashion and Leather Goods. Watches and Jewelry represented 5% of consolidated sales.

Income from operations by business group

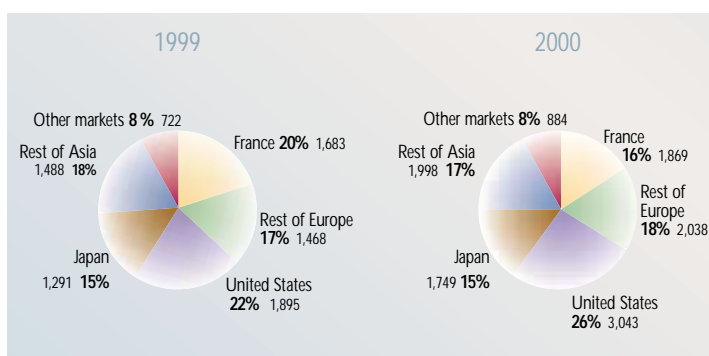
in EUR million and %



The Fashion and Leather Goods business group accounted for 60% of income from operations in 2000, a 7-point increase over 1999. Wines and Spirits accounted for 37% of the total. This was down 5 points from the year before due to slower growth in Champagne and Wines.

Net sales by geographic region

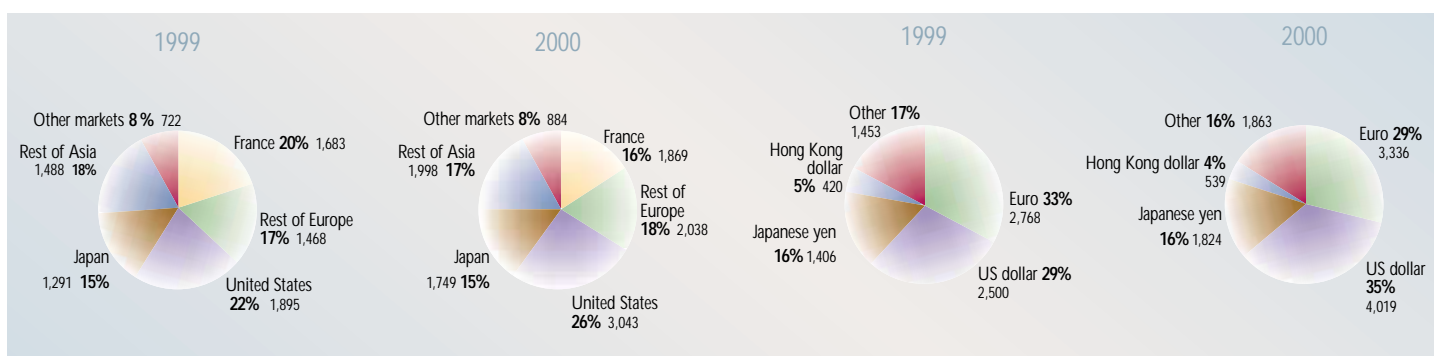
in EUR million and %



The net sales breakdown by geographic area shifted in 2000 from 1999. The proportion of sales contributed by France dropped, with a corresponding increase in the share contributed by the U.S., which increased from 22% to 26% based on organic growth and acquisitions, primarily the acquisition of Miami Cruiseline. Other geographic areas remain comparable to 1999.

Net sales by currency

in EUR million and %



Regarding the net sales breakdown by currency, the percentage of total sales denominated in euros fell considerably in favor of the US dollar, reflecting growing sales in the United States and the effect of consolidating Miami Cruiseline.

Other currencies, expressed as a percentage of the total, remain stable compared to 1999.

MAIN CONSOLIDATED HIGHLIGHTS

<i>(in millions except per share and employee data)</i>	2000		1999 EUR	1998 EUR	1997 EUR	1996 EUR
	FRF	EUR				
NET SALES BY BUSINESS GROUP						
Wines & Spirits	15,323	2,336	2,240	1,919	1,896	1,722
Fashion & Leather Goods	21,004	3,202	2,295	1,797	1,837	1,591
Perfumes & Cosmetics	13,591	2,072	1,703	1,369	1,406	1,366
Selective Retailing	21,561	3,287	2,162	1,799	2,170	–
Watches & Jewelry	4,028	614	135	32	–	–
Other activities	458	70	12	20	14	69
TOTAL	75,965	11,581	8,547	6,936	7,323	4,748
Percentage outside France	85%	85%	80%	81%	87%	84%
Income from operations	12,841	1,959	1,547	1,184	1,269	1,070
Net income before amortization of goodwill and unusual items	5,550	846	738	525	742	679
Net income per share before amortization of goodwill and unusual items ⁽¹⁾	11.45	1.75	1.53	1.09	1.55	1.43
Net income	4,736	722	693	267	690	561
Gross dividend per share ⁽¹⁾	7.38	1.13	1.02	0.93	0.93	0.85
Total assets	152,131	23,192	20,734	16,294	15,212	12,195
Average number of employees	47,420		38,282	33,057	32,348	20,644

(1) EUR, FRF The number of shares has been adjusted to reflect the bonus share distribution (one new share for ten shares held on this date) of June 1999 and the five-for-one stock split of July 3, 2000



Rapid expansion into selective retailing

LVMH acquired the US company, Miami Cruiseline Services, in early 2000. With a 76% market share, it is the worldwide leader in the fast-growing travel retail sector of duty-free luxury product sales on cruise ships. The strong growth potential of this acquisition enables the Travel Retail group to have a more well rounded customer base by supplementing its predominantly Asian customer base with one made up for the most part of Americans and Europeans.

LVMH provides a fresh start for la Samaritaine as it integrates the department store into the Group

In January 2001, LVMH acquired a majority stake in la Samaritaine, a leading Paris department store. This well known name is one of the symbols of Paris upscale shopping. Located in the heart of the capital, in a fast-growing neighborhood, la Samaritaine has a loyal Parisian clientele, as well as a potentially large international clientele.

La Samaritaine's partnership with LVMH's prestigious brands will enable it to expand its business and improve same-store margins. LVMH has previous experience helping Le Bon Marché to become the most creative and exclusive department store in Paris. The Group will draw on its successful experience to orchestrate the rebirth of the new la Samaritaine.

LVMH bolsters its Italian presence

In February 2000, LVMH acquired a 67% stake in the capital of Emilio Pucci, the famous Florentine brand. Since its creation in 1948, the Pucci name has been synonymous with creativity, pleasure and escape. The refined, comfortable style of Pucci designs has been a major influence on contemporary fashion. LVMH's broad backing will give this exceptional brand the required human and financial resources to attain a world-class position, consistent with its potential. The integration of Fendi into the Group in partnership with Prada, has confirmed the desire of LVMH to boost its fashion business with vibrant Italian forces, creativity and expertise.

LVMH acquires an American fashion brand

In December 2000, LVMH acquired Gabrielle Studio, owner of one of America's most famous brands, Donna Karan. The company was founded in 1984 by the talented Donna Karan, a world-famous American designer. Donna Karan designs, manufactures and sells clothes for men and women, sportswear, accessories and footwear. This acquisition will enable the Group to bolster its presence in the United States and plan a global brand strategy for Donna Karan, whose products embody a genuine contemporary lifestyle.



LVMH expands its still wines business

In late 2000, LVMH acquired a stake in Newton and Mount-Adam wines.

Newton is an outstanding winery covering 60 hectares of California's Napa Valley hills. The estate produces superior quality wines from Chardonnay, Cabernet Sauvignon and Merlot grapes. MountAdam is a 50-hectare winery in the Eden Valley north of Adelaide, one of Australia's best vineyards, also known for its cool climate. The estate's top quality wines are produced from Syrah and Chardonnay grapes. Newton and MountAdam wines will be distributed worldwide through the Veuve Clicquot retail network.

Two new cosmetics brands with strong potential

LVMH acquired Urban Decay in February 2000. The young cosmetics company is very savvy in contemporary makeup trends and has become a cult brand for young Americans.

In September, the Group acquired a stake in Fresh, a cosmetics company based in Boston, Massachusetts. Formed in 1991, Fresh grew rapidly by proposing a complete line of upscale beauty

products made with natural components and manufactured in France.

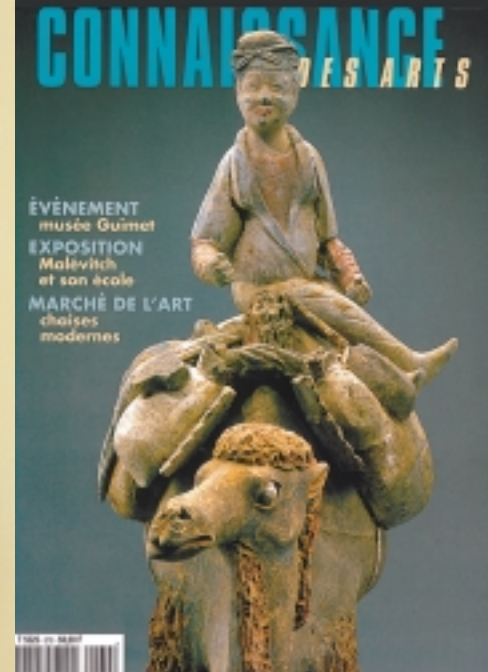
Acquisition of Omas pens

LVMH acquired Omas, an Italian brand that specializes in luxury pens in May 2000.

Founded in 1925, Omas has become the flagship brand of the prestige pen industry and enjoys a very solid reputation with collectors as well as writing fans. The integration of Omas into the Watches and Jewelry business group will open up new horizons for the brand. Omas will also have the opportunity to design pens for other LVMH brands.

eLUXURY goes live

eLUXURY, the special luxury products internet site created by LVMH, went live on the Net in June 2000. eLUXURY carries the most prestigious brands, as well as a set of upscale products and aims at becoming the benchmark for online luxury. eLUXURY's special relationships with more than 60 major brands enables it to offer an unrivaled selection of products and services as well as unparalleled access to the creativity of the world's most talented designers. The website can be accessed at the following address: www.eluxury.com



De Pury & Luxembourg Art merges with Phillips

In February 2001, the private sales company de Pury & Luxembourg Art merged with Phillips, the auction house acquired by LVMH at the end of 1999. The company was renamed Phillips, de Pury & Luxembourg after the merger and plans to sell top quality paintings and valuable objects through both auctions and private sales, while offering the best expert advice and outstanding customer service.

Two art magazines join the Group

LVMH acquired art magazine *Connaissance des Arts* in April 2000. The magazine has an excellent reputation and is read by some 40,000 art specialists and amateurs who value its high quality standards.

This acquisition was followed by that of *Art & Auction Magazine*, an American monthly magazine, in August 2000. *Art & Auction* is one of the most specialized magazines on the art market. It is published in New York and circulated to 20,000 readers. The magazine's editorial style and insight for analysis have given it an excellent reputation with art and auction specialists.

PASSIONATE ABOUT CREATIVITY

« EACH OF US MUST BE CAPABLE OF BEING A MANAGER, ENTREPRENEUR AND VISIONARY AT ONE AND THE SAME TIME. »



L V M H ' S V A L U E S

OUR CULTURE IS BUILT ON FIVE KEY VALUES, SHARED AND EXPERIENCED DAILY BY ALL THE PEOPLE IN THE GROUP.

- **INNOVATION AND CREATIVITY.** BECAUSE CREATIVITY IS SUCH A VITAL PART OF OUR BUSINESSES, SO AKIN TO ART, BECAUSE OUR LONG-TERM SUCCESS HINGES ON TECHNOLOGICAL INNOVATION.
- **EXCELLENCE.** BECAUSE LUXURY ENTAILS FINELY CRAFTED GOODS, BECAUSE OUR CUSTOMERS MUST BE CONSTANTLY SURROUNDED BY A WORLD OF PERFECT QUALITY.
- **BRAND IMAGE ENHANCEMENT.** BECAUSE IT HAS TAKEN YEARS, EVEN DECADES, TO BUILD EACH BRAND IMAGE – A PRICELESS AND IRREPLACEABLE ASSET, BECAUSE EACH MESSAGE MUST BE WORTHY OF THE BRAND.
- **ENTREPRENEURSHIP.** BECAUSE AS THE WORLD'S LEADING LUXURY GOODS GROUP, WE NEED TO HAVE LONG-TERM VISION AND HARNESS OUR TEAMS TO ACHIEVE AMBITIOUS GOALS.
- **LEADERSHIP-BE THE BEST.** BECAUSE COMPLACENCY IS THE GRAVEYARD OF CREATIVITY.

Group brands are sustained by this creative passion which underpins our management philosophy and our main strategic focuses, built on a long-term vision of the evolving trends in the luxury market: a leader must show the way.

Brand autonomy and cross-fertilizations

Brand autonomy, that is being true to its own identity, is a fundamental LVMH management principle. In addition to having its own specific designer and management team, each brand must be capable of shaping and enhancing its world, and developing the best marketing and retail strategies. One

of the keys to the success of our companies lies in their human scale and the full responsibility given to the management teams. This strategy allows us to attract high-caliber talent and true entrepreneurs who are provided ideal conditions for fully applying their skills.

These companies can call upon the Group's vast resources and solid investment capacities to gain worldwide presence, which would otherwise be impossible for a small, isolated brand. The Group has been divided into main business units to facilitate co-ordination of strategies, sharing of structures and skills, cross-fertilization of experiences acquired from the four corners of the earth and implementation of numerous synergies in support functions which reduce costs, and above all, foster the swift growth of our brands.

Innovation, communication, and retail control: the power behind global success

- Innovation is the primary growth engine and the principal source of added value. Our ability to innovate and create new products in all our businesses helps us to maintain our brands at the forefront of trends, extend their territory, and conquer and retain new customers worldwide. New products continue to account for an increasingly large share of LVMH's consolidated sales. Organic growth, our first goal, is driven by new products.
- The exceptional image of LVMH brands, some of which – Christian Dior, Louis Vuitton, and Dom Pérignon – are genuine legends, is an invaluable LVMH asset that requires constant enhancement. The Group invests a great deal of money, 12% of consolidated sales, in communication. Promotion and advertising are backed by prestigious communication campaigns, such as the association of Louis Vuitton with the



America's Cup. Such campaigns help to sharpen the exceptional image of Group brands and generate considerable coverage in the international press.

- Another key to LVMH's success is its all-embracing control over the retail network. This control leads to better margins and consequently the creation of more value for Group shareholders. Most importantly, it allows the Group to maintain strict control over the image of its brands and their sales and marketing environments. We like to sell our products directly to our customers, because this is the only way to stay close to them, know their expectations and respond to them. LVMH was the first luxury group to build its own retail network. Others are now following in our tracks, but with nearly 1,300 outlets worldwide, LVMH has a considerable head start over its competitors.

Developing the market: a leading role

In 1997, LVMH completed a major strategic move through the acquisition of the DFS group, the world's leading travel retail company, soon followed by the takeover of Sephora and Le Bon Marché, and more recently the arrival of Miami Cruiseline in the Group. These acquisitions enabled LVMH to attain leadership worldwide and exceptional expertise in selective retailing, a business that is closely linked to the development of luxury goods.

Each of our multi-brand retailers develops creative concepts on its territory, especially designed to attract consumers from all countries. Obviously, these concepts also represent an extraordinary springboard for LVMH brands. But most importantly, they help to create a commercial environment consistent with the expectations of all major luxury brands, concerned about their image and associated service quality.

The selective retailing business has enabled LVMH to extend the development of the luxury market far beyond Group brands and has opened up sustainable new growth opportunities to its partners. As such, the Group is highly active in its role as market leader.

Breaking new ground: creative passion fuels future growth

The responsibilities of a leader include building new growth horizons. We must create today the conditions and structures that will underscore our development tomorrow.

The approach adopted by LVMH with regard to the development of the Phillips auction house, a recent Group acquisition, perfectly illustrates this long-term vision. Our goal is to penetrate the art world, a world close to our customers and our culture, establish a foothold and grow in this fast expanding sector while introducing a different approach, characterized by the superior quality that must underpin everything we do.

A second initiative is the creation of a joint venture with De Beers, the world's leading diamond group, to develop a new jewelry business under the De Beers brand. This alliance of a household name, symbol of a universal dream, and our creative passion, is the first stone in the foundation being laid for the construction of a major jewelry house.

INNOVATION: AN ESSENTIAL PRIORITY

« LUXURY IS THE ANTITHESIS OF BANALITY: CREATIVITY MUST BE REFLECTED IN ALL OUR PRODUCTS AND SHOULD BE THE INSPIRATION FOR ALL OUR CORPORATE ACTIONS. »



Innovating in all our businesses

Innovation, one of the keys to our success, is a major strategic focus. The increasing share of new products in LVMH's consolidated sales illustrates its critical role. The Group's innovative fire is stoked by inspiration from contemporary trends, attention to novel concepts, tireless effort to keep brands up to date, to enhance the products our houses offer, to extend their reach, to pioneer new forms of retail and to conquer new consumers.

New products accounted for 15% of Louis Vuitton sales in 2000 and more than 20% of Perfumes and Cosmetics sales. While it might seem more difficult to innovate in the Wines and Spirits business, with its deeply-rooted traditions that are jealously guarded from one generation to another, Hennessy imagined and designed *Pure White*, a young, irreverent product, whose resounding success proves that cognac can renew its image and attract new consumers without denying its excellence values. Pommery cheerfully broke champagne conventions and launched *Pop*, a true champagne that can be drunk wherever, whenever, straight from its little blue and silver bottle, or with a straw. *Pop* is a product designed for non-conformist lovers of beauty. In a similar burst of youthfulness, Veuve Clicquot also came up with an irresistible concept leveraged by cutting-edge technology to invent the *Clicquot Box*, the first gift box that can be transformed into a champagne bucket. The success has been overwhelming.

Totally committed to creativity

A luxury product kindles dreams and as such must incorporate a substantial dose of creativity. It is, therefore, absolutely essential to attract the most talented designers. Fashion and

leather goods companies, which by their very nature must constantly renew their collections, are supported by the talent of world-renowned designers capable of producing the genuine designs that set them apart. The mission of designers is critical in the perfume and cosmetics business, as is the talent of oenologists in their own field: the assembling of a great champagne, the composition of an exceptional cognac, can be likened to the creation of a work of art.

LVMH has considerably bolstered its design teams in the last years and continues to attract the best talent by offering them environments where they can fully utilize their gifts. We do not limit our commitment to creativity to the design of our products, we extend the same values to the retailing and communication of our products. We also encourage creativity in each and every employee, throughout the entire organization regardless of rank, since we believe that the urge to innovate and grow exists in everyone. Every corporate action, each strategic decision, and every message transmitted to the world, must reflect this commitment.

The tower built by LVMH in New York as its North American headquarters, described as a crystal flower by its architect Christian de Portzamparc, is one of the most obvious symbols of our sponsorship of audacious contemporary design.

Research and development: a critical tool for honing the competitiveness of Group brands

Research and technological innovation are vital tools for sustaining the durability of our professions and constantly upgrading the quality and creativity of Group products. So LVMH has 220 employees committed full-time to research and development.



« Viticulture raisonnée », or sustainable viticulture for improving the quality of wines

Wine growing research is part of an extensive international effort to control vine diseases. Current experiments focus on studying the vine's natural defense mechanisms in order to enhance the vine's ability to fight diseases.

The findings will help to bolster the development of sustainable viticulture, aimed at protecting the environment.

Our oenology researchers have just completed a vast program that has received the French Research Ministry's « Saut Technologique » (technological leap) label. The program's goal was to improve the organoleptic qualities of champagne through the development of rapid analysis tools. The main results were applied to the 2000 harvest to track the sanitary status of grapes and wines. Moët & Chandon is also using high-speed video cameras to study bubbles and gain greater insight into the phenomena of effervescence.

Cosmetics: pleasure, safety and efficiency

In the cosmetics area, significant events in 2000 included the completion of the Saint-Jean-de-Braye central laboratory at the Parfums Christian Dior site, near Orléans. The lab handles innovation, product development and safety for all brands in the business group, both French and American.

Our researchers pursued their studies in their fields of expertise, concerning sensory response, pleasure and efficiency of products, and the quest for new active plants. The pioneering discoveries made in the field of molecular biology will enable the rollout of a new generation of skincare products in the first half 2001. New visual effects and new textures developed by incorporating technologies from textile materials will be used to enhance makeup products.

More than 300 short or medium-term projects are currently in the pipeline. The resounding successes of the year 2000 include Christian Dior's *Model* range, built on a new approach to firm skin, Guerlain's *Serum Mythic*, which uses cellular communication to fight aging, the *Remède* range by Bliss and Givenchy's new *Miroir* makeup range.

PRODUCT INNOVATION: A FEW EXAMPLES

- L'ESPRIT DU SIÈCLE BY MOËT & CHANDON
- CLICQUOT BOX BY VEUVE CLICQUOT
- POP BY POMMERY
- CHANDON FRESCO, CHANDON ROUGE AND CHANDON BRUT, TERRAZAS
- HENNESSY PURE WHITE, HENNESSY CLASSIQUE, HINE V.S.O.P
- EPI PASTEL, TAÏGA ARDOISE, DAMIER VERNIS AND DAMIER SAUVAGE BY LOUIS VUITTON
- CHRISTIAN DIOR'S MODEL AND DIOR PRESTIGE BEAUTY CARE PRODUCTS
- MAHORA BY GUERLAIN, ISSIMA SERUM MYTHIC
- GIVENCHY'S HOT COUTURE, THE MIROIR MAKEUP RANGE
- FLOWER BY KENZO
- BENEFIT COSMETICS KITTEN RANGE
- SEPHORA BLANC
- THE ALTER EGO FEMININE LINE AND THE MONZA CHRONOGRAPH BY TAG HEUER
- THE MIHEWI TIMEPIECES BY CHAUMET
- THE SUCCESS AND RUBAN JEWELRY COLLECTION BY FRED

COMMITMENT TO TOTAL QUALITY

« WE ARE UNCOMPROMISING WHEN IT COMES TO QUALITY BECAUSE OUR BUSINESSES EMBODIES THE BEST OF FINE CRAFTSMANSHIP. »



Striving for excellence

A luxury product is first of all characterized by exceptional quality. All our designs, even the boldest ones, are rooted in our passionately preserved and nurtured skills.

Our houses pay meticulous, uncompromising attention to the smallest detail and ensure the utter perfection of their products, which embody an impeccable tradition. Group companies are uncompromising when it comes to quality. The best example of our uncompromising quality standards is Château d'Yquem. The house meticulously selects each grape and throws away any crop that is not worthy of its name.

But the search for excellence goes far beyond product design and manufacturing. We extend it throughout the product's life cycle, up to its ultimate encounter with the consumer.

Everything surrounding the product must be just right, which is why we focus a great deal of attention on the design of our stores, the showcasing of products and customer reception and service.

From nature to the masterpiece: the Moët & Chandon quality

The Moët & Chandon quality and the success of its universally appreciated style are rooted in the perfect harmony between the talent of its oenologists, the total command of the preparation process, and its vast knowledge of wine growing. Moët & Chandon wines are grown on nearly 800 hectares of land tended by 250 wine growers, with a single hectare requiring nearly 750 hours of work. The house has the most extensive range of different wines (more than 150) representing all the nuances of the Champagne region, and thus can draw on their complementarity. The Moët & Chandon vineyard is the leader

in terms of quality and diversity. The house's priceless wine portfolio includes 25 of the 41 leading vintages (« Premiers Crus ») and 13 of the 17 major vintages (« Grands Crus »).

A team of some dozen oenologists with a good fit of experiences carry out the assemblages. The goal is to offer complete, generous and dynamic wines symbolizing the Moët & Chandon style. Each different champagne is prepared according to a constructed and well-designed process. But this process is implemented unpretentiously and in keeping with age-old Champagne traditions so as to faithfully express the essence of the grapes. We can only guide nature, we do not force it. For example, our oenologists implement preventive rather than curative methods, organic and physical techniques instead of chemical ones.

Impeccable finishing, durability: Louis Vuitton quality

The Louis Vuitton house is famous for its extreme concern for perfect quality. This high standard is applied in the systematic search for impeccable finishing and optimal durability through a rigorous selection of the finest materials and close attention to every product detail such as stitching, metal parts and accessories.

A product's quality is first and foremost the result of a long process that begins at the development phase. For each new rollout, a multi-functional team of technical, quality-control, purchasing, design, marketing and manufacturing personnel works closely on the development process. Each component, each material and each finished product has to pass rigorous laboratory tests to ensure the fabric's resistance to dirt, friction, wear and tear and light, as well as the resistance of mechanical parts to corrosion, pollution and the humidity of tropical climates.



Quality is then the result of unfaltering attention throughout the manufacturing process. The products are made in Vuitton workshops, according to traditional craft methods, by workers fully trained in-house. Each site is responsible for the quality of its products, which entails self-inspection at every operating stage and an ultimate check carried out just before a product is packaged. The same process is applied in Louis Vuitton's more recent activities such as ready-to-wear and footwear.

Louis Vuitton quality is the result of permanent customer feedback on design and production. It is the duty of a network Quality team which works closely with the stores' special customer representatives to resolve any problem encountered by customers, and particularly to provide feedback for optimizing future product development. In addition, the company conducts customer satisfaction surveys; in Europe, for example, they have been conducted three times a year since June 1999. These surveys do not only focus on product quality, they also look at all the other criteria such as the level of comfort in stores, window design, reception and advice to the clientele.

Quality at Le Bon Marché: a different commercial relationship

Le Bon Marché has succeeded in becoming the most exclusive department store in Paris. This is partly due to the exceptional renovation work and image enhancement carried out over the last few years. More important is an overall approach built on the values of authenticity, beauty, friendliness and service. These traits are entirely in keeping with the store's location in the Left Bank of Paris and its clientele, who would prefer not to shop in malls.

The relentless search for added value is expressed in the store's formats, designed as various concepts with *L'Entretemps* devoted

to culture, *Les Trois Hiboux* for children, *Balthazar* for men, *Le Théâtre de la Beauté* for perfumes and cosmetics, etc. These are enhanced by contemporary art works and even major exhibitions. Le Bon Marché is much more than a place to make purchases. It is a vibrant meeting place that has been enhanced by art and culture.

The store also has product offerings of remarkable quality that are meticulously selected. But what actually makes the difference at Le Bon Marché is the spirit in which each customer is welcomed. The customer comes first, as shown by the employees' constant attitude. At Le Bon Marché, selling is not a battle; it's a mission. This principle is reflected in each contact, which must be felt by the customer as a positive and utterly respectful human contact. This doubtless creates a permanent pressure and daily challenge for the store, but it is the primary competitive edge of Le Bon Marché, whose performance for the past years has far exceeded those of its competitors.

HUMAN RESOURCES

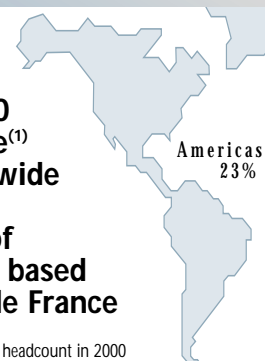
« I'M CONVINCED THAT TALENT IS WHAT GIVES VALUE TO A COMPANY. BRANDS ARE WORTHLESS WITHOUT PEOPLE, AND I BELIEVE THAT THE ABILITY OF LVMH TO ATTRACT OUTSTANDING TALENT IS A MAJOR ASSET. »



36% of positions filled by **internal mobility** in 2000

48,000 people⁽¹⁾ worldwide

63% of teams based outside France



(1) Average headcount in 2000

The Group has focused its strategy on doubling its earnings within the next five years; this growth is expected to be driven by recruitment and personnel development policy.

In 2000, LVMH continued its Human Resources strategy to bolster its management. The Group has always paid close attention to building up and developing high-caliber teams.

Talent spotting

Last year, more than 2,000 executives were recruited throughout the world, representing a 28% increase compared to 1999. The Group particularly attracts young talent: in 2000, 350 young graduates of all nationalities, from the world's best schools and universities, joined the current LVMH talent pool of more than 750 young executives. The Group also offered internships to 650 young people, an increase of nearly 20% over 1999. The number of visits to the LVMH website gives a good idea of the Group's appeal: visitors to the « Job opportunities » section on the website increased by 75% in 2000. And it came as no surprise to see LVMH ranked by the Universum Graduate 2000 study among the three top-choice groups of students in European business schools. To speed up the development of management skills required for its growth, the Group implements advanced programs for spotting and developing people with strong potential. For example, for the past two years, the « Futura » program has enabled the creation of a pool of more than 50 high-potential international managers, some twenty of whom were hired in 2000 through campaigns organized on the MBA campuses of the most prestigious business schools: Harvard, Stanford,

Columbia and Kellogg in the United States, INSEAD in Europe, and CEIBS in China. These young executives are immediately offered operational responsibilities that enable them to develop the skills required for their development within the Group.

Developing managerial skills to prepare for the future

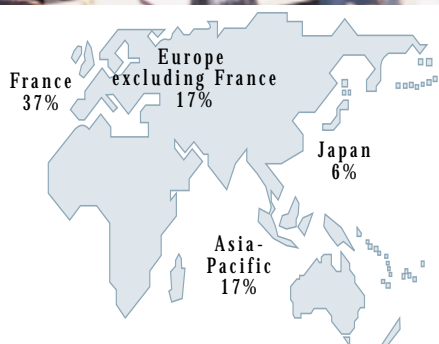
LVMH has nurtured a strong culture of performance. Improving skills and encouraging individual fulfillment are two of the priority goals set by the Group. The Group is aware that its success depends on its ability to develop and retain the best talent, hence the current policy to use mobility, training and cross-fertilization of know-how to achieve rapid development of internal skills.

In 2000, more than 700 executives benefited from mobility inside the Group. The percentage of vacancies filled by internal mobility reached 36%, a rate that is five times higher than three years ago. Out of 132 senior executive positions filled to meet growth needs in 2000, 65% were through internal mobility. Inter-country movements increased by 15% compared with 1999. These figures illustrate the international dimension of LVMH management and the career development opportunities proposed by its companies.

Within the Group, the number of training days is constantly rising in Paris, New York, Tokyo and Hong Kong centers. Highly specialized training programs to support the Group's development strategies were organized in 2000, particularly for high-potential employees. A new integration program was set up, and a general management seminar will be rolled out in 2001, in partnership with a leading consulting firm.



350 young graduates
recruited in 2000



More than 2,000
executives recruited
in 2000

(+28% compared to 1999)

LVMH House

LVMH House, a management and innovation center especially dedicated to the development of Group executives, was opened in London in late 1999. Designed as a place where executives can share their skills and experience, and develop a common Group vision, the new forum with its innovative concept organized various symposia in 2000, attended by more than 400 participants from all over the world.

In early October 2000, shortly after the creation of LVMH House, a prize was awarded to LVMH at the Corporate University Xchange European Excellence Awards ceremony, which acknowledges European organizations that have demonstrated breakthrough strategies and best practices in the development of skills and management.

Furthermore, last September, LVMH and the London Business School signed an agreement pursuant to which the prestigious management school will host a series of forums centered on overall strategic questions such as innovation, organizational renewal and new technologies for Group executives.

Cross-fertilization: the impact of new information technologies

Although LVMH House provides a specific venue for nurturing efficient relational networks between executives, it is more generally all the Group teams which benefit from the pooled knowledge, skills and best practices.

It is in this perspective that new inter-company networks were set up in 2000, particularly in the area of Human Resource information systems or Internet strategy. They were set up in

addition to other networks or transversal project groups created recently within the Group, which now open forums on the Internet or Intranet to enable their members to remain permanently in contact. All these initiatives contribute to make LVMH a genuine « learning organization ».

Retaining the best

The Group monitors compensation developments in all of its markets to assure that employees are properly rewarded for their accomplishments. Participation in the LVMH share option program is an important incentive for executives and also contributes to retention of top talent. For example, the number of participants in the share program has doubled since 1999 and, based on performance and potential, reaches all executive categories.

In addition to the question of remuneration, all the Group's actions in favour of mobility, training and development of personnel will help LVMH to retain the best talent, guarantors of the Group's forecasted growth and success.

1. LVMH House in London.
2. Presentation of LVMH on the INSEAD campus in September 2000.
3. Group executives came to meet CEIBS students near Shanghai in August 2000.
4. In the LVMH booth at the ESCP forum.

A CLEAR CIVIC COMMITMENT

« OUR CORPORATE SPONSORSHIP PROGRAM IS BROADLY BASED SO THAT EVERYONE MAY BENEFIT FROM OUR ECONOMIC SUCCESS. »



Sponsoring cultural, youth and humanitarian initiatives

While LVMH is universally recognized as a prime economic player, its role as a full-fledged cultural and social institution is also well known. LVMH's huge economic success has enabled it to develop an innovative and ambitious corporate sponsorship program. Over the past ten years, the Group has focused on a wide array of public interest initiatives that underscore and nurture the core values that have fueled the success of our houses for generations. The Group's creative passion and deep respect for humanitarian values are the driving forces behind LVMH's corporate sponsorship initiatives.

A vibrant approach to cultural heritage

The first facet of the Group's sponsorship initiatives is cultural and centers on our artistic heritage. We have a vibrant, contemporary approach to this heritage that entails restoring major cultural sites, and helping people to know and rediscover key periods in the history of art. For example, we helped to restore seven rooms in the north wing of the Château de Versailles palace and have been sponsoring leading exhibitions and artistic retrospectives since 1991. In 1999, LVMH helped to organize Paris-based exhibitions such as *Chardin* at the Grand Palais, *Le fauvisme ou l'épreuve du feu* at the Musée d'Art Moderne in Paris, and in 2000, the *Méditerranée – de Courbet à Matisse* exhibition at the Grand Palais, which attracted nearly 450,000 visitors.

A social or humanitarian initiative to accompany each cultural initiative

The second facet is education where we are committed to giving young people access to the best of culture, particularly in the field of fine arts and music. The LVMH « Young Artists Award »

was created in 1994, and is given during exhibitions we sponsor. Since its inception, the program has awarded 45 scholarships to art schools in France and throughout the world. An educational program known as the LVMH « *Discovery and Education* » classes was especially created in 1997 for primary school children. The program has already involved 8,000 children in the discovery of art and masters in painting.

The « *1,000 seats for young people* » program has offered more than 20,000 concert tickets over the last nine years to young musicians aged between 10 and 18 who are attending classes in Paris Municipal conservatories. LVMH also supports young virtuosos by lending them Stradivarius violins from its collection and organizing concerts to promote budding talents.

LVMH's sponsorships also have a humanitarian dimension focused on public health, the environment and research. The Group has chosen to support several foundations and scientific teams and to include a social or humanitarian initiative in each of its cultural actions

« ENVIRONMENTAL PROTECTION IS AN INTEGRAL PART OF OUR CORPORATE CULTURE WHICH DEMANDS CONTINUOUS IMPROVEMENT ON EVERYONE'S BEHALF. »

LVMH emphasizes its commitment to the environment

Since our core competencies are closely linked to nature, respect for the environment has always been central to Group concerns and underlying values. For us, environmental protection is not only a duty but also a strategic stake for the future of our



businesses, a competitive factor and a key aspect of the Group's permanent quest for innovation and excellence. Hennessy and Pommery, the first Wines and Spirits sites in the world to be certified for their environmental management, must become pace-setters and an example for all Group companies. LVMH would like all its companies to place environmental protection high on their agenda and commit themselves to an effective environmental management approach.

We are aware that effective environmental protection depends on more than a handful of specialists, and that we could not have won any environmental battle without the Group-wide commitment of all associates. That is why we are totally committed to raising awareness and training our employees.

The individual efforts of all LVMH employees are coordinated and monitored at the central level, spearheaded by an inter-company environmental commission that meets on a quarterly basis. LVMH is also involved in several French and European environmental think-tanks and participates actively in actions aimed at protecting the environment.

Adhering to global best practices

The Group draws on a wide spectrum of resources in its attempts to adhere to the best practices worldwide as befits its world-class status. These include close attention to changes in regulations, development of databases, training modules for all levels of the organization and dissemination of a technical environmental guide to all site managers.

Task forces meet on a regular basis to analyze environmental impacts, set improvement goals and design appropriate action plans. Crisis management groups have been set up on all industrial sites as part of overall risk management.

A special packaging reduction project initiated two years ago and

including representatives from purchasing, marketing, environmental protection and new product functions resulted in a guide for all LVMH companies. The guide will soon be accessible on the Intranet.

LVMH is also focused on reducing the environmental impact of transportation and logistics which are major issues for the coming years.

A major and never-ending challenge

In 2000, LVMH set out an environmental charter with the aim of better rallying all of its employees to the environmental cause. The charter outlines the principles that underlie and guide its corporate policy, namely seeking a high level of environmental performance, fostering collective commitment, organizing risk prevention, closely monitoring products throughout their life cycle and making commitments to surrounding communities. The Group is also preparing its first environmental report to emphasize this commitment.

Far from resting on our achievements to date, we consider environmental protection as a major and never-ending challenge. A demanding process that is built and nurtured over the years, environmental protection is an integral part of our corporate culture which expects each one to work towards continuous improvement.

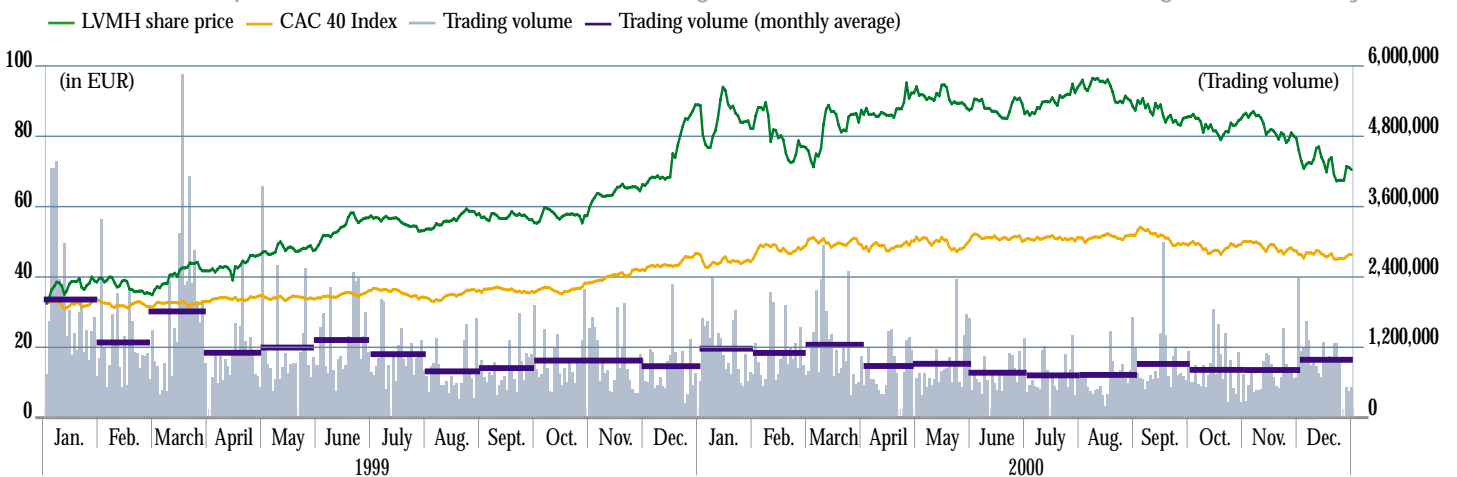
1. Aristide Maillol – Woman with sunshade (« La femme à l'ombrelle ») – © RMN.

2. Vineyard in autumn.

3. Pierre Bonnard – Playing with water or the travel (« Jeux d'eaux ou le voyage ») – © RMN.

THE LVMH SHARE

The LVMH share price and the Paris CAC 40 - Trading volume on the Paris Stock Exchange from January 1999



Share performance

After its strong performance in 1999, the LVMH share continued to climb over the first eight months of the year to a record high of EUR 98.70 on August 3, 2000. The stock then was impacted by investor concerns about a possible economic downturn in the United States and its repercussions on the exchange rate for the dollar, to finish the year at EUR 70.50. However, the LVMH share posted a 130% increase over the two-year period since January 1, 1999.

LVMH market capitalization reached EUR 34.5 billion, making the Group the 13th largest company listed on the Paris Bourse.

LVMH is included in the major French and European indices tracked by money managers – the CAC 40, DJ EuroStoxx 50 and the MSCI European and Pan-European Index.

Principal listing markets

- The *Premier Marché* of the Paris Bourse (Reuters code: LVMH.PA, Bloomberg code: MC FR).
- The New York Nasdaq market as American Depository Shares, with one ADS representing one-fifth of a LVMH share (Reuters code: LVMHY.O, Bloomberg code: LVMHY US).
- LVMH stock options are traded on the Paris Monep options market.



Dividend and payout ratio ⁽¹⁾

In EUR	2000	1999	1998	1997	1996
Net dividend	0.75	0.68	0.62	0.62	0.60
Gross dividend (incl. « avoir fiscal » tax credit)	1.13	1.02	0.93	0.93	0.85
Payout ratio as a % of net income before goodwill amortization and unusual items	43%	46%	58%	40%	40%

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

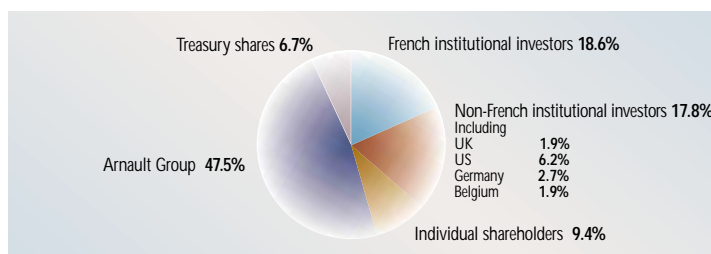
A five-for-one stock split took effect on July, 3 2000 to increase the liquidity of the stock.

Total shareholder return

A EUR 1,000 investment in LVMH shares made on January 1, 1998 would have grown to EUR 2,655 by December 31, 2000, assuming dividend reinvestment and after the allotment of one bonus share for every 10 existing shares in June 1999. Therefore, the original investment would have yielded an average profit of 38% per year.

Capital structure

(Euroclear France survey, December 31, 2000)



Major shareholders and voting rights as of December 31, 2000

Shareholders	Number of shares	Number of voting rights	% share capital	% voting rights
Financière Jean Goujon ¹	199,482,250	398,964,500	40.72%	59.23%
Other ²	290,376,095	274,594,736	59.28%	40.77%
Total	489,858,345	673,559,236	100.00%	100.00%

(1) At December 31, 2000, the Arnault Group held 47.52% of the share capital, including the 40.72% stake held by Financière Jean Goujon.

(2) At December 31, 2000 there were 32,661,790 treasury shares without voting rights.

As of December 31, 2000, LVMH had 168,660 shareholders which included 161,400 individual shareholders.

Stock buy-back program

From January 1 to December 31, 2000, LVMH SA bought back 5,795,825 of its own shares net of sales. The current buy-back program was approved by the French Commission des Opérations de Bourse, Number 00-636 dated April 26, 2000.

Share data

In EUR	2000	1999	1998	1997	1996
Number of shares outstanding	489,858,345	97,957,650	88,983,072	87,596,460	87,389,712
Market capitalization (EUR million)	34,535	43,562	15,003	13,341	19,304
Closing share price ⁽¹⁾					
- High	98.70	91.48	38.22	46.01	40.94
- Low	66.50	30.86	18.88	24.23	28.27
- Last	70.50	88.94	30.66	27.69	40.16
Average daily trading volume	981,926	257,027	255,321	273,572	198,354
Average daily trading value (EUR million)	82.6	65.0	39.5	49.2	33.1

(1) Adjusted to reflect the bonus share distribution (one for ten) of June 21, 1999 and the five-for-one stock split of July 3, 2000.

SHAREHOLDER RELATIONS

SHAREHOLDER RELATIONS ARE A TOP PRIORITY FOR LVMH BECAUSE THEIR CONFIDENCE IN AND LOYALTY TO THE COMPANY ARE VITAL TO ITS LONG-TERM GROWTH.



Shareholder information

LVMH makes available a wide variety of information resources for individual shareholders so that they receive regular, clear and transparent information.

- The annual report is available to everyone on request. The 2000 LVMH report was named the best reference document of the year by the French Association of Financial Analysts (SFAF) and the *Journal des Finances*.

- The annual report summary, published in March, and the six-month report presenting earnings at June 30 are widely distributed (since 1999, these reports, offering even more information, have replaced the Letter to Shareholders that LVMH previously published).

- The financial information page of the LVMH website (www.lvmh.fr) includes a section designed specifically for shareholders. They can access all the financial information from the Group: real-time share prices, agendas for the major meetings and events (presentation of results, Shareholders' Meetings, dividend payments), press releases and publications, FAQs.

Results presentations and Shareholders' Meetings are now systematically retransmitted on the Internet.

LVMH also organizes meetings for its shareholders. In 2000, meetings in Brussels, Marseille, and Paris attracted approximately 1,000 shareholders to each meeting. The 2000 Annual Shareholders' Meeting was transmitted live in Lille.

The Shareholders' Club

The Group has also organized a Shareholders Club for individual shareholders who are particularly interested in LVMH. The LVMH Shareholders Club is an opportunity for members to learn more about the Group, its businesses and its brands. Members also receive special offers on certain products.

Members of the Club receive their own personal identification card with an individual authentication number which is valid for two years.

- Members can call a special telephone service to assist them in managing membership procedures and responding to the special offers.

- Club members receive the club magazine « *Apartés* » twice a year. This magazine contains articles and interviews with information about the Group, its businesses, and the latest events.

It also gives members the opportunity to order products from the Group, some of which are designed exclusively for the club (reserved cuvées), and to obtain subscriptions at special rates to *La Tribune*, *Investir* and *Connaissance des Arts*, special tours on certain sites that allow visitors (cellars and warehouses), and passes to exhibitions for which LVMH is a corporate sponsor (*Méditerranée – de Courbet à Matisse* in 2000).

To contact the Shareholders Club

by mail: LVMH - Club des Actionnaires,
30, avenue Hoche, 75008 Paris

by phone: 01 44 13 21 50

by fax: 01 44 13 21 19

To join:

Shareholders can join the Club by filling out a form available on request. This document comes with a certificate attesting to ownership of LVMH shares that needs to be countersigned by a financial intermediary.

There is no cost for membership in the Shareholders Club.

Agenda

Wednesday, March 7, 2001: Publication of the 2000 annual results

Monday, May 14, 2001: Annual Shareholders' Meeting

Thursday, September 13, 2001: Publication of the 2001 six-month results

Board of Directors

The Board of Directors of LVMH held six meetings in 2000. The Board approved the annual and interim financial statements, and reviewed the Group's broad strategic orientations, and in particular major acquisitions under consideration.

LVMH paid a total of EUR 640,000 in directors' fees to members of the Board and Council of Advisors.

The Charter for the Board of Directors specifies that Directors and Advisors must personally hold at least five hundred LVMH shares in registered form.

The Charter for the Board of Directors specifies that at least three of its members must be outside directors with no business ties to the Group and that no more than three Directors or permanent representatives of legal entities may be drawn from non-Group companies on whose board an executive officer of LVMH sits.

Six out of the fourteen members of the Board are outside Directors.

Each Director is committed to attend Board meetings and shareholders' meetings on a regular basis. Repeated absenteeism without cause may, upon proposal by the Nominating Committee, lead to the termination of a Director's mandate. All Directors must inform the Chairman of the Board of any potential conflict of interest, and must abstain from voting on any matter in which they directly or indirectly have a personal interest.

(1) *Independent Director or Advisor.*

Audit Committee

Michel FRANÇOIS-PONCET⁽¹⁾, *Chairman*

Nicholas CLIVE WORMS⁽¹⁾

Gilles HENNESSY

In compliance with company rules, no executive officer of LVMH may be a member of the Audit Committee. No Director may be appointed to the Audit Committee if any other Director and/or executive officer of LVMH is a member of a comparable committee in a company in which that Director is an executive officer.

The duties of the Audit Committee are:

- to ensure the consistency and appropriateness of the accounting principles applied by the Group,
- to supervise the existence, adequacy and implementation of all internal procedures, as well as the Group's internal audit function,
- to review the LVMH parent company and consolidated financial statements before they are submitted to the Board, and
- to ensure the quality of the information provided to the Group's shareholders.

The Audit Committee must meet at least twice each year, without any executive officer of the Group present, eight days prior to the Board of Directors meeting called to review the Group's annual and interim parent company and consolidated financial statements.

The Audit Committee has access to any financial or accounting documents it deems necessary to fulfill its mission. It may meet with any Group manager responsible for internal controls or the preparation of the consolidated financial statements, as well as with the Group's statutory auditors, in either case without any executive officer of the Group present.

The Audit Committee held four meetings in 2000.

The committee mainly analyzed changes in the Group's scope of consolidation (investments and disposals), its indebtedness and its foreign-exchange hedging policy.

Compensation Committee

Antoine BERNHEIM⁽¹⁾, *Chairman*

Albert FRÈRE

Kilian HENNESSY⁽¹⁾

No Director or executive officer of LVMH or employee of an LVMH subsidiary may be appointed to the Compensation Committee. No Director may be appointed to the Compensation Committee if any other Director and/or executive officer of LVMH is a member of a comparable committee in a company in which that Director is an executive officer.

The Compensation Committee is responsible for issuing proposals regarding:

- the allocation of Directors fees paid by the Group, and
- compensation, fringe benefits and stock options granted to the Group's executive officers.

The Compensation Committee may also be consulted regarding:

- compensation, fringe benefits and stock options granted to the Group's Directors and members of the Council of Advisors by LVMH subsidiaries, and
- the compensation and incentive systems established for LVMH managers.

Nominating Committee

Cornelis H. VAN DER HOEVEN⁽¹⁾, *Chairman*

Jean ARNAULT

Nicholas CLIVE WORMS⁽¹⁾

No Director or Advisor may be appointed to the Nominating Committee if any other Director and/or executive officer of LVMH is a member of a comparable committee in a company in which that Director is an executive officer.

The Nominating Committee, in coordination with the Chairman of the Board of Directors, is responsible for advising regarding openings on the Board of Directors, Council of Advisors, or for executive officer of the Company, while ensuring that independent outside Directors are represented on the Group's Board.

The Nominating Committee may also be asked by the Chairman of the Board to advise on openings for management positions

within the company and for key operating management positions in its major subsidiaries.

Council of Advisors

The General Meeting of Shareholders can elect a maximum of nine Advisors nominated by the Board of Directors. The Council of Advisors had three members at December 31, 2000.

The Advisors are drawn from shareholders based on individual merit and form a council.

Each Advisor is elected for a three-year term which ends immediately following approval of the previous year's accounts by the General Meeting of Shareholders in the relevant year.

The Advisors are invited to attend Board of Directors meetings and take part in deliberations in an advisory capacity, without their absence affecting the validity of these proceedings.

Compensation Policy

Compensation paid to the members of the Board of Directors and the Executive Committee, together with key operating executives – 18 persons in all, totaled EUR 275,000 and EUR 27 million, respectively.

Part of the compensation paid to members of the Executive Committee and key operating executives is based on the operating income and return on capital employed of the business groups and companies headed by the respective executives, as well as on their individual performance. The variable part accounts for between one-third and half of the total remuneration.

(1) Independent Director or Advisor.

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

Board of Directors

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim⁽¹⁾
Vice-Chairman

Myron Ullman III
Group Managing Director

Jean Arnault
Nicolas Bazire
Nicholas Clive Worms⁽¹⁾
Michel François-Poncet⁽¹⁾
Albert Frère
Pierre Godé
Gilles Hennessy
Cornelis H. van der Hoeven⁽¹⁾
Jean-Marie Messier⁽¹⁾
Jean Peyrelevede⁽¹⁾
Lord Powell of Bayswater

Felix G. Rohatyn⁽²⁾

Advisors

Brigitte Chandon-Moët⁽¹⁾
Kilian Hennessy⁽¹⁾
Ghislain de Vogüé

Audit Committee

Michel François-Poncet⁽¹⁾
President
Nicholas Clive Worms⁽¹⁾
Gilles Hennessy

(1) Independent director

(2) Nominated at the General Meeting of Shareholders of May 14, 2001

Nominating Committee

Cornelis H. van der Hoeven⁽¹⁾
President

Jean Arnault
Nicholas Clive Worms⁽¹⁾

Compensation Committee

Antoine Bernheim⁽¹⁾
President
Albert Frère
Kilian Hennessy⁽¹⁾

Executive Committee

Bernard Arnault
Chairman & Chief Executive Officer
Myron Ullman III
Group Managing Director
Nicolas Bazire
Development & Acquisitions
Ed Brennan
Travel Retail
Yves Carcelle
Fashion & Leather Goods
Patrick Choël
Perfumes & Cosmetics
Pierre Godé
Advisor to the Chairman
Patrick Houël
Finance
Concetta Lanciaux
Human Resources
Pierre Letzelter
Selective Retailing
Christophe Navarre
Wines & Spirits
Philippe Pascal
Watches & Jewelry
Daniel Piette
LV Capital
Bernard Rolley
Operations

Operating Management

Jean-Christophe Babin - *TAG Heuer*
Philippe de Beauvoir
Le Bon Marché / La Samaritaine
Patrick Choël - *Parfums Christian Dior*
Cécile Bonnefond - *Veuve Clicquot*
Guillaume Brochard - *Ebel*
Gianluca Brozzetti - *Louis Vuitton Malletier*
Serge Brunschwig - *Sephora Europe*
Ridgely Cinquegrana - *Loewe*
Alain Crevet - *Parfums Givenchy*
Jean-Pierre Debu - *Christian Lacroix*
Jacques Glon - *La Brosse et Dupont*
Pierre Haquet - *Chaumet*
Henri Krug - *Krug*
Jean-Marie Laborde - *Moët & Chandon*
Fabrice Larue - *D.I group*
Odile Lobadowsky - *Parfums Kenzo*
Jean-Marc Loubier - *Céline*
Alexandre de Lur-Saluces - *Château d'Yquem*
Gianluca Malaguti - *Omas*
François Manfredini - *Zenith*
Hervé Martin - *Kenzo Mode*
Christophe Navarre - *Hennessy*
Thibault Ponroy - *Guerlain*
Simon de Pury - *Phillips, de Pury & Luxembourg*
Patrick Récipon - *Fred*
Didier Suberbielle - *Pommery*
David Suliteanu - *Sephora America, Asia/Pacific*
Desmond Swan - *Thomas Pink*
Marianne Tesler - *Givenchy Couture*
Catherine Vautrin - *Emilio Pucci*

Statutory Auditors

ERNST & YOUNG Audit
*represented by Gabriel Galet
and François Hilly*
COGERCO-FLIPO
represented by Henri Lejetté

Wines and Spirits

LVMH's Wines and Spirits activities are grouped within Moët Hennessy. With a peerless heritage and a unique portfolio of brands, LVMH is the world leader in Champagne and Cognac. LVMH also develops premium sparkling and still wines in several regions of the world selected for the quality of their vineyards. The reputation of these wines is growing year after year. In late 2000, two outstanding estates in California and Australia joined the Group.



Philippe Pascal

Strategy and objectives

« Once again, the excellent complementary quality of Champagne and Cognac has been proven, enabling us to reach our target growth in a highly unstable post millennium climate. In 2000, we also geared our efforts towards increasing LVMH's worldwide market leadership of top-of-the-range wines and spirits. This growth confirms the significance of our value-building strategy.

We continued to focus on the key points of this strategy: development of superior quality products, systematic improvement of our product mix, creative communications and presentation of our products, a spirit of international conquest, retailing control, ability to anticipate, and rigorous management. These are our best assets, the hallmarks of our present and future performances as we strive to continuously develop the required skills and approach in all our associates.

New trade developments are in the pipeline, primarily in Asia with China soon to join the WTO, and in South America, to develop our already leading Champagne and sparkling wine brands on that continent. All the distribution joint ventures with Diageo recorded improved performances in France, the United States, Japan and Asia.

We are still setting up administrative synergies in different countries and at central level, in particular a single IT center designed to respond to the requirements of all the houses within our business group.

Our highly selective mergers and acquisitions policy targets superior quality brands with high growth potential. For example, we have just acquired two outstanding estates, Newton in California and MountAdam in Australia, which strengthen our portfolio of top-of-the-range still wines.

Our return on capital employed has now exceeded 20% and we still expect to meet our goal of income from operations in excess of 1 billion euros in 2004. »


MOËT & CHANDON
Fondé en 1743

Dom Pérignon

Veuve Clicquot Ponsardin

CHAMPAGNE
MERCIER
Maison Fondée en 1858

Ruinart

Canard-Duchêne

CHAMPAGNE
POMMERY
REIMS - FRANCE

K R U G

CHANDON

Château d'Yquem

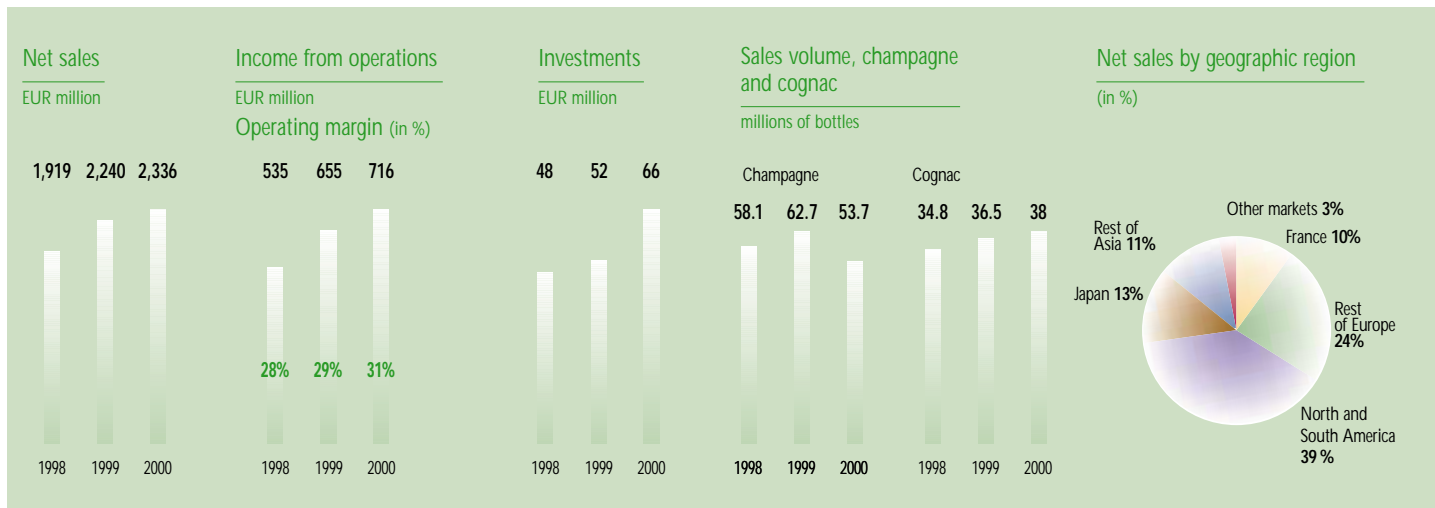


NEWTON

Hennessy



NET SALES OF THE WINES AND SPIRITS BUSINESS GROUP AMOUNTED TO EURO 2,336 MILLION, UP 4% COMPARED TO 1999.
INCOME FROM OPERATIONS ROSE BY 9% TO EURO 716 MILLION.



HIGHLIGHTS

LVMH RAISES ITS CHAMPAGNE MARKET SHARE FROM 19% TO 22%.

LVMH RAISES ITS GLOBAL COGNAC MARKET SHARE TO 37% (HENNESSY HAS A 36% MARKET SHARE).

ACQUISITION OF NEWTON (NAPA VALLEY, UNITED STATES) AND MOUNTADAM (EDEN VALLEY, AUSTRALIA).

INCORPORATION OF MOËT HENNESSY LATIN AMERICA.

LAUNCH OF M.H.I.S., A COMMON IT CENTER FOR THE WINES AND SPIRITS BUSINESS GROUP.

CHAMPAGNE AND WINES

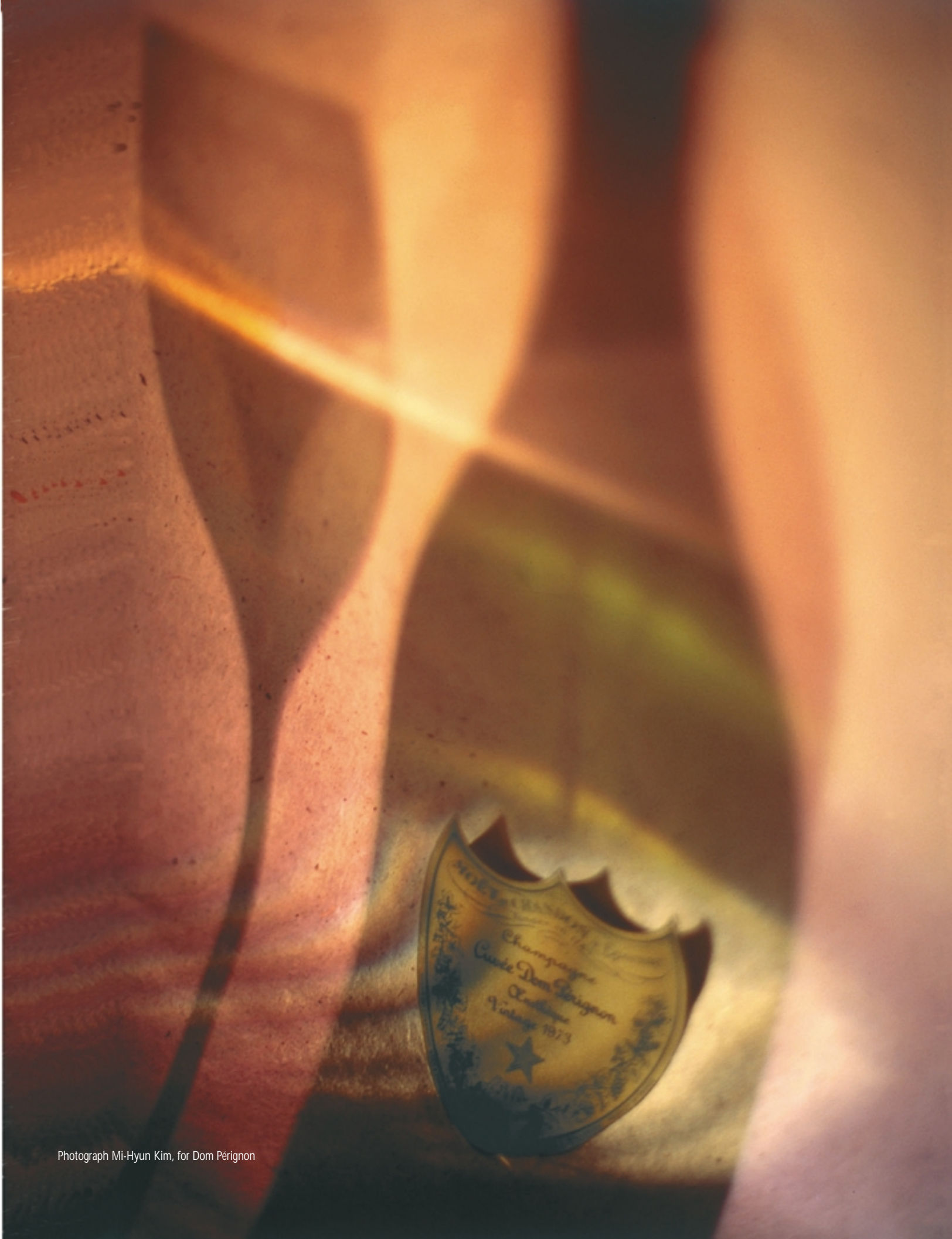
As anticipated, shipments from Champagne in 2000 dropped 23% compared to an atypical 1999. Rumors of a champagne shortage for the millennium celebrations led to many individual consumers and retailers building up huge stocks towards the end of 1999. The upward trend observed for champagne sales over several decades is expected to return to a normal pace in 2001.

A bountiful, excellent crop was harvested in 2000. The 2000 harvest will help to improve stocks, which will ensure excellent champagne vintages that will be marketed in coming years.

It was difficult to renew interprofessional grape agreements due to the unreasonably high prices demanded by some cooperatives.

LVMH brands managed the year 2000 quite well by limiting their sales during the last quarter of 1999 and avoiding any speculation. This strategy allowed them to weather the storm of plummeting shipments better than their competitors while maintaining a very cautious procurement policy. The Group's houses did not agree to contracts which included abusive clauses that could potentially have jeopardized future costs and ruined the balance of the entire industry. It will soon be possible to sign these contracts under better terms.

The foregoing strategies enabled LVMH Champagne business to increase its income from operations by 2% despite the



Photograph Mi-Hyun Kim, for Dom Pérignon

highly unstable climate. Income from operations has grown nearly 40% between 1998 and 2000.

The Group's Champagne houses are in a wonderful position to continue creating value and tackle the 21st Century in the best conditions.

Moët & Chandon

In 2000, Moët & Chandon leveraged its business with its fundamental assets: outstanding international image, geographically balanced sales distribution, and a powerful distribution network. These assets were associated with the deliberate limitation of 1999 sales to improve market shares and push results to exceed the record already set in the previous year.

Continuation of the value creation strategy

Unlike those champagne operators who were confused by the downtrend of certain markets, Moët & Chandon strove to preserve the status of its products in terms of position, image and quality and refused any temptation to reduce prices.

Sales growth on high potential markets was driven by investments made. *Nectar Impérial*, introduced in the United States in 1998, confirmed its success. The strong growth rate makes it the second best-selling product in the Moët & Chandon line. In addition, very significant growth figures exceeding 20% were recorded in Asia, Eastern Europe and in Spain.

The policy of harmonizing upscale sales prices in Europe was continued to prepare for the arrival of the euro. Average global sales prices climbed 10% in euros, also helped by the positive change in invoicing currencies.

The acquisition of Goulet SA enabled Moët & Chandon to acquire supply contracts and increase its leading Champagne vineyards by 7 hectares.

In 2001, Moët & Chandon is expected to return to rising volumes, primarily due to the continued improvement of product and market mixes and investments carried out in countries which will contribute to its future growth.

Confirmed leadership

Several image-enhancing communication programmes were designed for the brand. For example, *L'Esprit du Siècle*, a unique combination of eleven 20th-Century vintages, was prepared in a limited series of 323 magnums. The product generated exceptional media coverage, which underlined the house's winemaking expertise and rich history. The prestigious association of Moët & Chandon with the fashion world, particularly its partnerships with LVMH houses, placed the brand squarely in a young, feminine and cosmopolitan world. The completely overhauled web site moët.com now includes a module which allows visitors to browse the world to discover the best sites

worldwide and restaurants which propose the brand. A million visitors are expected in 2001.

Dom Pérignon

The legendary Dom Pérignon brand continued to shine unrivalled.

Significant events in 2000 included the further development of the wine library (*Oenothèque*) project, a program of five old vintages which glorify the diversity and wealth of Dom Pérignon. The highly exclusive new offer was a huge success.

Martin Szekely, one of France's most famous designers, created a range of cutting-edge accessories for serving the wine, designed to reflect the brand's vision and values of purity, timelessness and mystery.

Specific customer relationship schemes were implemented. For example relationships with opinion leaders were further strengthened by sending each of them the 4th volume of *Correspondances*, showcasing the brand through the camera of major photographers.

Mercier

Mercier, the leading French brand committed to a strategy of rebirth, continued its repositioning strategy and crossed the consumer sale price threshold of 15 euros into a new segment. The brand was affected by the consumer downturn in France but succeeded in improving its product mix due to stronger sales of *Brut Rosé* and the prestigious *Eugène Mercier* vintage.

Mercier entirely revamped its graphic identity, maintained its advertising efforts on the French market and gained a foothold in the hotel and catering industry through *Lieux de toujours*, a selection of a hundred traditional French restaurants.

Monique Charpentier became the first female Cellar Manager of a major Champagne house.

Ruinart

Ruinart, the oldest house in Champagne, is primarily targeted at a clientele of connoisseurs, individuals and businesses, through the selective circuits of cellar professionals, restaurateurs, and direct sales.

In 2000, Ruinart raised its market share in France and sharply developed its sales in the export markets. The *Dom Ruinart 1993* and *Dom Ruinart Rosé 1998* vintages were successfully marketed.

The brand was particularly innovative on the IT front, where it developed an extranet for its sales force aimed at improving customer service. The brand redesigned its communication and bottle labeling and sealing. For the seventh year running, the *Trophée Ruinart du meilleur sommelier d'Europe* brought



together the most brilliant professionals from 32 countries, thereby confirming the brand's prestigious standing with cellar professionals and restaurateurs.

In 2001, Ruinart will propose a new vintage to complete the recent success of *Ruinart Rosé* and *l'Exclusive*.

Veuve Clicquot

Veuve Clicquot bolstered its position as number two worldwide with stable net sales and a slight increase in its income from operations. This performance was leveraged by the house's quality vintages, constant communication and the fabulous image of *Brut Carte Jaune*, which is a more and more renowned international brand.

Veuve Clicquot recorded its best sales performances in the United States, Japan, Asia, Italy, the United Kingdom and France, particularly in the hotel-catering industry and with cellar professionals.

Building value

Veuve Clicquot's value building strategy is based, among other factors, on the quest to strike a balance in the geographical spread of its sales, and the improvement of the most profitable product/market relationships.

Another aspect of value creation entails the showcasing of Veuve Clicquot products via the design of eye-catching presentations. Other initiatives included the *Clicquot Box*, an extraordinary case that can be transformed into a champagne bucket. The *Clicquot Box* was an outstanding success at the end of 2000 and contributed to strengthen the sales of *Brut Carte Jaune*.

Consolidating its development, the *Grande Dame* conquered market share in the prestige segment. The 1995 vintage raises high expectations.

The superior quality of the year 2000 grape harvest will help to ensure the upward trend.

Better controlled distribution

Veuve Clicquot intensified its efforts in the development and control of its distribution. Clicquot Asia (Hong Kong, Japan, Taiwan, Singapore, Malaysia, India and Indonesia) restructured its organization to focus exclusively on champagne and wines. A new subsidiary, Veuve Clicquot Latin America, was set up to better serve the South American continent.

Canard-Duchêne

Canard-Duchêne continued to expand its European presence and move towards the position of a leading champagne brand as demonstrated by a consumer sale price of more than 15 euros.

In a particularly difficult competitive context in 2000, Canard-Duchêne continued to earn profits and confirmed the soundness of the implemented value creation policy despite a drop in sales volume.

New developments, such as redesigning the product packaging, have been scheduled for 2001 to emphasize the identity of Canard-Duchêne, a brand that slots perfectly into the Veuve Clicquot distribution network alongside Krug and Veuve Clicquot.

Krug

Krug, the flagship brand exclusively specialized in prestigious vintages, joined LVMH in 1999. The year 2000 was mainly devoted to its integration into the Veuve Clicquot commercial network.

The deliberate termination of some unprofitable sales segments naturally resulted in a drop in shipment volumes, yet thanks to this decision, all the ingredients for healthy growth in coming years are now present.

In 2000, the world-renowned Krug won numerous awards in most guidebooks and specialized magazines. Amateurs of major champagnes were particularly thrilled by the rollout of the 1988 vintage in the wake of the 1989 vintage.

Despite a difficult global market, Krug reported strong sales figures in Italy, France, Japan and in Asia. In the United Kingdom, Krug maintained its share of the prestige segment.

LVMH is devoting considerable resources to the development of this prestigious house, giving it an autonomous management that ensures that the specific style of Krug vintages will be maintained to the delight of the numerous Krug lovers. Thus, 2000 was marked by renewed investments aimed at improving the quality and the capacity of Krug cellars in Reims.

Pommery

In 2000, Pommery doggedly pursued its value-enhancing strategy. This resulted in price increases, mandatory in certain markets, and the development of higher value-added vintages, which enabled net sales to be stabilized at the 1998 level.

Pommery maintained its overseas net sales. The brand's conquest markets of the United Kingdom, the United States and Japan increased their weight.

Marketing investments focused on developing new market segments, with the most striking initiative being the introduction of *Pop*. The rollout of the little blue and silver bottle in more than a dozen countries has been extremely promising in terms of revamping the brand's image and boosting volumes: *Pop* is one year ahead of the originally defined operational plan. Other brand innovations such as the seasonal champagnes of *Summertime* and *Wintertime* were enthusiastically hailed by the press and retailers, as was Thierry Mugler's design of a sheath for Pommery.

In 2001, Pommery is expected to return to growth thanks to its new markets and consolidate its European presence.

The house will intensify its marketing investments focused on the development of the brand and *Louise*, its prestige product. *Pop* will be especially promoted in places frequented by young adults.

Chandon Estates

The sparkling wine business of Chandon Estates felt the impact of the general inventory drawdowns in the retail industry, a consequence of the post millennium effect and the economic downturn in Argentina. Nevertheless, its brands resisted better than their competitors and gained market shares, particularly in Argentina, Brazil and the United States.

New product rollouts, such as *Chandon Fresco* in the United States and *Chandon Rouge* in Brazil, *Chandon Brut* in Australia recorded encouraging results. The British market also gave a favorable welcome to the Chandon range.

Terrazas: a great Argentine wine is born

The still wine business enjoyed a more favorable climate. *Terrazas*, the high prestige Argentine wine launched in 1999, consolidated its domestic success and was introduced in the United Kingdom, the United States, Brazil and Asia. Critics praised the quality of these wines prepared from Malbec, Cabernet Sauvignon and Chardonnay grapes grown in the Andes foothills.

In 2001, Chandon Estates plans to focus on improving its positions and positioning Chandon Estates as an upscale brand in its priority markets in the United States, Latin America, the United Kingdom and Australia. *Terrazas* will be introduced into the leading fine wine markets.

Great wines from the New World

Cloudy Bay, Cape Mentelle, Pacific Echo, Newton and MountAdam

Cloudy Bay (New Zealand) and Cape Mentelle (Australia) continue to expand and increase their reputation as two of the best wines in the New World. More vineyards are being planted with selected grapes suitable for their superior quality soils: Sauvignon Blanc and Pinot Noir for Cloudy Bay, Cabernet Sauvignon for Cape Mentelle.

In northern California, in the Anderson Valley influenced by the cool Pacific currents, Pacific Echo, a sparkling wines specialist, has started making still wines from Pinot Noir grapes.

In late 2000, the Group acquired two exceptional estates, Newton and MountAdam.

Newton is one of the very rare Californian vineyards to be located on the slopes and terraces overlooking the Napa Valley. Created by Su Hua and Peter Newton, this estate produces exceptional wines from Cabernet, Merlot and Chardonnay grapes, highly valued in the American market.

In Eden Valley in Australia, in the north of the Barossa region, MountAdam produces Chardonnay and Syrah wines in a cooler climate. These wines are highly valued in Australia and Japan.

The Veuve Clicquot retailing network will develop these two estates in conjunction with their creators.

Château d'Yquem

The extraordinary international prestige of the Yquem vineyard and its Sauternes white wine is mainly based on the constant meticulous attention given all year round to the vines planted in outstanding soils. In 2000, Château d'Yquem marketed its 1995 vintage to positive acclaim from critics and connoisseurs.

The 2000 harvest was expected to be abundant and excellent in quality. Unfortunately, the expected abundance was reduced by unremitting rain, which gradually watered down the grapes. At the end of the picking season, the grapes were no longer picked but cut and left on the ground. The Yquem team had to utilize their legendary skills to the fullest to extract an excellent result from only a portion of the potential harvest. Yquem 2000 will therefore be a great wine, but limited in quantity to the first sorting made early in the grape picking season.

However, the abundant crops reaped from 1996 to 1999 should enable the house to maintain a steady supply to the world market and the cellars of wine lovers. The highly promising 1996 vintage will be sold in 2001.



COGNAC AND SPIRITS

The Cognac region

An abundant crop was harvested in 2000 and is expected to provide a distillation potential that exceeds trading requirements.

Despite the Cognac region vineyard restructuring plan decided in 1998, there were still no large-scale uprooting projects. The 80,000 hectares have been reduced to 75,820 hectares in three years. It would seem that the efforts of the wine-growers are not commensurate with the size of the region's problem.

Cognac producers are expected to rebalance their inventories since the distillation of 1998 and 1999 harvests was clearly lower than cognac shipments from those years.

The year 2000 harvest should result in higher distillation to meet the better sales prospects and the need for young distilled alcohol.

The Cognac market

Following the stabilization of cognac sales worldwide in 1999, the region recorded approximately 7% increase in its 2000 shipments. This growth was mainly spurred by a 15% increase in the American market and the economic upturn in Asia (+ 11%). Business in Europe was marked by the sound performance of Scandinavian and Irish markets and sustained growth in Eastern Europe (+ 52%). The Japanese market continued to decline, recording a 13% slide.

Hennessy

Hennessy further consolidated its global leadership in this generally positive climate. The brand's market share rose from 34% to 36%. The most significant gains were in the United States and in Asia. The brand maintained or improved its positions on its traditionally strong markets of Ireland, Eastern Europe, Latin America and Taiwan while pursuing the development of its high potential growth relay markets.

Hennessy's market share grew for all qualities sold, whether for V.S. in the United States, V.S.O.P in the United States and Eastern Europe, Asia and France, or old qualities in Asia.

Market activity

Hennessy gained two market share points in the **United States**, where sales climbed 8%. The more intensive advertising and promotional efforts were particularly fruitful for the V.S.O.P quality, which recorded more than 50% increase in sales. The policy centered on making traditional consumers feel secure while recruiting new consumers will be continued in 2001.

The Hennessy brand retained its leadership in the « premium » segment on a still sluggish **Japanese market**. The house expanded its advertising resources to sharpen its competitive edge. The development of Hennessy *Classique*, introduced in 1999, enabled the house to attract a younger public than the traditional cognac consumer.

The economic upturn observed in **Asia** in 1999 enabled Hennessy to raise its market share in that region again, particularly in China, Taiwan and Korea. The brand continued with the facelift project through advertising campaigns and promotions designed to create changes in consumer habits.

Hennessy's market share in **Europe** remained stable. The brand is highly appreciated in Ireland, the founder's native country, where more than 2.6 million bottles were sold in 2000. A strong upturn was also observed in Russia after the decline recorded in 1999.

Authentic, luxurious, modern and sensual

Hennessy remained loyal to the strategy that has been implemented for three years now. The house took advantage of a more conducive global climate (except in Japan) and significantly raised its communication investments to increase its penetration in the world of premium spirits. Authentic, luxurious, modern and sensual are the core values that Hennessy strives to communicate.

New advertising campaigns were developed in Asia for the V.S.O.P quality, in the United States, Germany and Ireland for the V.S., and in Russia for the X.O. In Japan, a new campaign is repositioning the brand in a world of contemporary luxury to attract new generations of consumers.

The in-depth work carried out to attract new consumers continued unabated. Considering the success of Hennessy *Pure White* in contemporary consumer locations in France, Germany, Spain and the United Kingdom, a new development phase for this highly innovative product seems to be a strong possibility. Very encouraging results were also recorded for its rollout in Asia, particularly in Taiwan and China. New countries will be tackled in 2001.

Hennessy *Classique*, a product designed for the Japanese clientele and rolled out in 1999, achieved its goals and continued growth at a fast pace.

In its constant quest for consumers with strong potential, who are image and profit-enhancing, Hennessy devotes significant efforts to improving the product mix. Special emphasis was placed on the V.S.O.P in the United States, X.O in Asia, the United States and Europe and *X.O Grande Champagne* in duty free shops. This strategy corresponds to a long-term policy for the brand. The brand's ambitions will be reaffirmed in 2001.



share accordingly

Outlook for 2001

Programs set up in 2000 will continue in 2001 and will be supported by additional investments.

China's membership of the WTO is expected to boost sales and enable the creation of a permanent Moët Hennessy import and distribution subsidiary in that market.

Hennessy will continue its investments in the promising Vietnamese and Korean markets.

In Europe, the company intends to focus on spurring the growth of *Pure White*, whose fruity taste is unanimously appreciated.

Hennessy will step up the development of its age qualities, which are central to its value-building policy.

Hine

2000 was an excellent year for Hine. It was marked by a return to growth of its sales activity and profits.

This excellent performance was driven by a sales and marketing policy implemented since 1998. This policy aimed at extending the audience of a brand renowned for the quality and finesse of its distilled alcohol.

Hine was able to re-conquer its positions in South-East Asia and Japan by re-designing the Hine range and joining the Veuve Clicquot Asia sales and marketing network.

The rollout of a new V.S.O.P quality in the United Kingdom generated considerable retailing profits which are expected to spread to the entire Hine range.

Hine organized several receptions and tasting events to introduce its products, particularly its vintage qualities, to the public. In 2001, the brand intends to continue with activities aimed at educating and transmitting the quality values cherished by consumers.

Fashion and Leather Goods

LVMH centralized all its fashion and leather goods houses under one management in autumn 1999. At year-end 2000, this new entity, which was christened LVMH Fashion Group during the course of the year, included Louis Vuitton Malletier, Loewe, Céline, Berluti, Stefanobi, Christian Lacroix, Givenchy, Kenzo, Marc Jacobs, Belle Jardinière, Fendi, Emilio Pucci, Thomas Pink and Gabrielle Studio, owner of the Donna Karan brand. The Fashion and Leather Goods group employs 10,000 people and has 17 plants and 566 boutiques worldwide. While respecting the individuality of each house, the LVMH Fashion Group provides them with a common infrastructure and resources. These include regional organization, back offices and shared services, rationalized production tools and logistics centers.



Yves Carcelle

Strategy and objectives

« The Fashion and Leather Goods group, created in 1999, was renamed the LVMH Fashion Group less than a year after its creation. The group's new name reflects its dual objective of coordinating several fashion houses, each with its own strongly defined identity, and overseeing their expansion abroad. Bringing these houses together under one roof helps them to focus on developing their brands by offering them technical and financial expertise. It also ensures a consistent acquisitions program centered on strong, suitable targets.

Every one of the LVMH Fashion Group's houses reported double digit sales growth in 2000, driven by a high degree of creativity and a favorable economy.

We were able to welcome and integrate the recently acquired Fendi and Emilio Pucci houses under ideal conditions. These companies have added a dash of Italian know-how in luxury and fashion to the group. In addition, we closed a deal to acquire Gabrielle Studio, which owns the American fashion label, Donna Karan. Hence, the year 2000 was one of expansion abroad for the LVMH Fashion Group. Although the division has always exported its products and employed designers from all over the world, its products were almost exclusively French made. In 2001, our businesses will continue to strive for rapid growth. We will raise our production capacities and implement a supply chain improvement project to meet this expansion. »

Louis Vuitton

C E L I N E

KENZO

EMILIO PUCCI

P I N K
Thomas Pink, Jermyn Street

Berluti

LOEWE

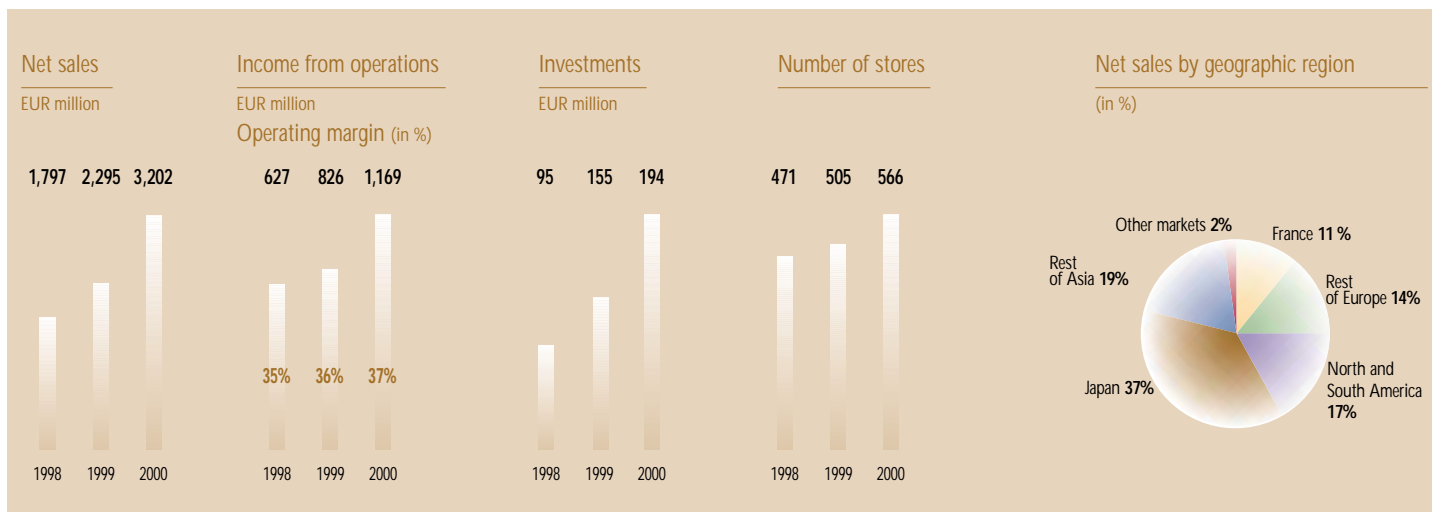
GIVENCHY

C H R I S T I A N
L A C R O I X


F E N D I



NET SALES OF THE FASHION AND LEATHER GOODS BUSINESS GROUP AMOUNTED TO EURO 3,202 MILLION, UP 40% COMPARED TO 1999. INCOME FROM OPERATIONS ROSE BY 41% TO EURO 1,169 MILLION.



HIGHLIGHTS

THE FASHION AND LEATHER GOODS BUSINESS GROUP BECOMES LVMH FASHION GROUP.

ACQUISITION OF GABRIELLE STUDIO, OWNER OF US LIFESTYLE BRAND DONNA KARAN.

STRATEGIC ALLIANCE WITH ROSSI MODA, AN ITALIAN SHOEMAKER.

ACQUISITION OF A MINORITY STAKE IN TOD'S, AN ITALIAN COMPANY.

FORMATION OF A JOINT VENTURE BETWEEN KENZO HOMME AND ITS LONG-TIME LICENSEE.

CHRISTIAN LACROIX TAKES DIRECT CONTROL OVER THE DEVELOPMENT OF ITS READY-TO-WEAR LINES.

Louis Vuitton Malletier

In 2000, Louis Vuitton Malletier sales rose sharply everywhere its products are sold in the world. The strongest increases in both sales volume and revenue occurred in North America and Europe. Asian customers also made a significant contribution as they bought Louis Vuitton products at home and while traveling abroad. Sales volumes, revenue and operating income all set new records in 2000.

Globalization continues while new products meet with success

Louis Vuitton successfully continued its global luxury brand strategy of offering its ready-to-wear apparel and footwear collections, first unveiled in 1998, to a growing clientele. The number of global stores offering the complete line of Louis Vuitton products climbed from 19 to 26 last year, while footwear collections are now available in 100 locations worldwide. Both ready-to-wear collections, managed by Marc Jacobs, have had great success, resulting in increased sales and media attention.



Louis Vuitton continued to develop its product ranges. For example, the *Cuir Epi* line was expanded to include new pastel colors, while two new versions – *Vernis and Sauvage* – were added to complete the *Damier* line. *Taïga* for men was also upgraded with *Ardoise*, a new shade. In addition to boosting volumes, the new additions attracted more customers who then bought from existing collections and models. New products alone accounted for 15% of Louis Vuitton Malletier's consolidated sales in 2000.

Targeted, ongoing publicity

Louis Vuitton continued to invest heavily in publicity. Its highly innovative advertising campaigns, mainly related to footwear, new color shades for the *Cuir Epi* line and ready-to-wear products, greatly helped to increase the brand's reputation. Louis Vuitton also continued to promote events consistent with its image and values, such as the *LV Cup* regatta and the *Louis Vuitton Classic*, an antique car show held in Paris, London and New York.

Finally, Louis Vuitton Malletier has bolstered its Internet presence. The brand has been present on the eLUXURY site since it was launched, and has added a Chinese language version to its own corporate site.

Expanded retail network

At the end of 2000, the Louis Vuitton worldwide distribution network comprised 284 owned stores and 10 corners in luxury department stores. The group added 23 new stores last year, significantly bolstering its presence in North and South America, with 13 stores. Louis Vuitton opened or converted a number of stores in key sites in order to present all of its collections. These included Seoul, Tokyo's Ginza strip, Hong Kong's Pacific Place, New York's 5th Avenue and Union Square in San Francisco. In all, 34 Louis Vuitton stores were renovated, extended or moved in 2000.

Industry and logistics: new challenges

The sharp rise in volumes sold in 1999 and 2000 placed Louis Vuitton Malletier's production capacities under considerable stress. However, a sustained recruitment effort and productivity gains increased production volume by 22% in 2000. To meet future demand, Louis Vuitton decided to start building new production facilities in France (Sainte-Florence in the Vendée region, Ducey in La Manche) and in Barcelona, Spain.

Lastly, the house has upgraded its logistics infrastructure and started implementing a supply chain management project. These initiatives should greatly improve the flow of goods from

suppliers as well as the delivery of finished products throughout the worldwide store network.

Outlook

In 2001, Louis Vuitton Malletier will continue to expand by investing in new product territories and consolidating its geographical presence in traditional markets and in new countries. The company will continue to beef up its management teams and organization. New manufacturing facilities now under construction will help to satisfy the growing demand for Louis Vuitton products.

Céline

In 2000, Céline continued its strategy of bolstering its brand image through stricter control and more selective retailing. This resulted in a significant upsurge in sales following a downturn in 1999 in the wake of Céline's early efforts to overhaul its retailing operations.

Céline continued to rationalize its distribution network. By year-end 2000, the brand had regrouped around 86 owned boutiques, more than half of which had been modified consistent with the house's new store concept.

Céline applied the synergies gained through using the business group's logistics system to improve its procurement operations.

The new collections designed by Michael Kors were enthusiastically received in the United States, Europe and Asia. This success led to a three-fold rise in the brand's sales in American department stores.

Céline is now prepared for sustained growth in ready-to-wear apparel sales, as well as for product territories where the brand – especially its bags and shoes – enjoys a solid reputation.

Loewe

In 2000, the Spanish house Loewe once again reported considerable sales growth in all geographic areas, particularly in Japan. The brand's success has been fueled by restructuring and development initiatives carried out in recent years regarding collections and retailing.

Ready-to-wear collections continued to be popular. Along with ongoing investment in publicity, they contributed to the house's reputation abroad. The new fragrance line *Agua de Loewe* was also well received.

Loewe also continued to renovate and expand its retailing network. At the end of 2000, nearly two-thirds of Loewe stores had been entirely renovated, while six new stores were opened



during the year in Japan, Korea and Spain. At December 31, 2000, Loewe had 94 owned stores worldwide.

Looking forward to 2001, Loewe will focus on improving and expanding its industrial plant so as to meet expected growth in sales and maintain the impeccable quality level of its collections.

Kenzo

Kenzo had an excellent year with many significant events. Kenzo Takada's succession was carefully planned and went smoothly. Mr. Takada left Kenzo in 1999 after 30 years with the company he founded. The new design team established to succeed him is gradually introducing the brand's new image, led by Gilles Rosier and Roy Krejberg, who are in charge of the women's and men's ready-to-wear collections respectively.

Other events in 2000 included taking direct control over a certain number of strategic activities. For example, a new company, Kenzo Hommes SA, was created. Kenzo will take advantage of this joint venture with the brand's traditional licensee to boost its men's fashion business. Similarly, Kenzo became a majority shareholder in a venture with its Japanese partner to develop its business in Japan, a symbolic territory for the brand. Kenzo also continued expanding its exclusive retailing network, composed of 30 owned stores at year end.

Lastly, Kenzo continued in 2000 to transform and upgrade Kami, its manufacturing and logistics hub based at Montbazou, France, to transform it into a genuine platform shared by all the business group's fashion brands. Céline and Christian Lacroix have benefitted significantly from this.

Kenzo continued to develop its collections against a brisk economic backdrop. Sales growth of the house's traditional lines was more than satisfactory.

In 2001, Kenzo intends to continue its organizational projects begun in 2000, in addition to developing and adapting its retailing network with a new store format entirely in keeping with the house's style.

Givenchy Couture

Business continued to be brisk at Givenchy Couture in 2000.

The haute couture segment exceeded its objectives, mainly thanks to strong demand from its North American clientele. Men's ready-to-wear, accessories and license fees all recorded excellent results.

Givenchy increased its penetration of Asian markets in line with its goals. For example, two sales outlets were opened in

Japanese department stores in order to develop a direct business in this flagship market.

In New York, the new Madison Avenue boutique was redesigned and reopened in August to provide a prestigious showcase for the brand's new format.

In 2001, Givenchy Couture will reap the full benefits of its recent initiatives to bolster its three major product lines: men's and women's ready-to-wear and accessories.

Christian Lacroix

Christian Lacroix reported spectacular sales growth last year, driven by the in-depth efforts made starting in 1999 to concentrate its business and investment in those geographical areas where it enjoys undisputed success.

Christian Lacroix took direct control over the development of its ready-to-wear brands, relying on Kami, the Fashion Group's industrial and logistics center. Furthermore, the house boosted its accessories sales potential by signing license agreements with quality partners, notably Rossi Moda for footwear, and by fine tuning its sales organization.

Christian Lacroix will continue making important changes in 2001, which are expected to substantially increase its sales and earnings. The house will also expand its worldwide ready-to-wear presence and extend its line of accessories.

Marc Jacobs

Since it joined LVMH, Marc Jacobs has continued to build on its potential. Three Marc Jacobs stores – two located in New York, in Soho and Bleeker Street, and the third in San Francisco – are behind the brand's strong sales growth.

Marc Jacobs introduced its second line, *Marc by Marc Jacobs*, in September 2000. The line was very well received by department stores and customers. The fashion house also added new products to the ranges sold under its label during the year.

Lastly, Marc Jacobs invested more heavily in advertising with the launching of a national campaign in the United States, while hiring additional designers.

These efforts will continue in 2001 and are expected to translate into another significant rise in sales.

Berluti

Berluti reported an excellent year 2000, marked by sales growth in its existing stores in Paris and London and very good results from stores opened during the year in Tokyo and



Milan. Berluti has succeeded in establishing itself as a leading luxury footwear house thanks to its growing international presence.

Stefanobi also reported strong growth in Italy, Japan and France.

Berluti expects another good year in 2001 as a result of the new stores it has opened.

Fendi

Fendi joined LVMH in July 2000 in partnership with Prada of Italy. LVMH intends to provide the appropriate resources to best realize the potential of Fendi's strong image and design heritage.

Fendi's primary objective is to gain control over its retailing through a particularly ambitious program which entails opening stores under the Fendi name. At the time of its acquisition, Fendi operated four owned stores. By year-end 2000 its network of boutiques had grown to 17, and this figure is expected to rise to nearly 80 by year-end 2001.

To reach these goals, the company must rapidly adapt its infrastructure. Plans call for overhauling its production plant, logistics chain, financial organization and design and communications processes with the support of the LVMH Fashion Group. Fendi expects a significant increase in its international visibility and sales starting with its first year in the Group.

Thomas Pink

The famous British house, which specializes in men's shirts and accessories, continues to innovate while remaining true to the traditional values that have nourished its reputation.

At year-end 2000, Thomas Pink had 32 stores, most of which were in the United Kingdom. The company hopes to step up its international expansion through LVMH. It has already opened eight new shops in the second half of 2000, of which three are in America and one in Paris.

In 2001, the company will continue developing its business in its three main markets, the United Kingdom, France and the United States, by adding to its network of owned stores.

Emilio Pucci

This legendary brand, nurtured by the artistic currents of the 1960's and strongly associated with the personality of its founder Emilio Pucci, an Italian nobleman, is a symbol of luxury synonymous with escape and elegant leisure.

LVMH acquired a majority stake in Pucci last year, with the intention of boosting the company's strong growth potential. This resulted in the appointment in October of a new artistic director, Julio Espada. Pucci worked on brand and product development and three new boutiques in Milan, Palm Beach and St. Moritz. About a dozen new locations are scheduled to be opened in the next two years.



Perfumes & Cosmetics

LVMH is active in the field of perfumes and cosmetics through Christian Dior, Guerlain, Givenchy and Kenzo, four great houses with French roots. Alongside these well established brands with proven international track records, the Perfumes and Cosmetics business group has recently acquired several innovative start-ups targeting a new clientele. Five from these fast growing companies are US based. They also include Make Up For Ever, a French maker of professional makeup.



Patrick Choël

Strategy and objectives

« Our business segments recorded spectacular growth in 2000 with consolidated sales climbing 22% compared to 1999. We considerably outperformed the world market which grew at an estimated 4.5%. Sound strategic decisions were behind our superior performance.

The strong focus on product creativity resulted in numerous successes and a rate of innovation of more than 20% during the year. Dior's *J'Adore* and *Kenzo's Flower* had particularly strong results in 2000, while all of our skincare brands sold well.

Sales of Christian Dior and Givenchy perfumes were boosted by our expansion into the U.S. market, which represents a third of worldwide fragrance and cosmetics sales. The American start-ups, Bliss, Hard Candy, Urban Decay, BeneFit, and most recently Fresh, totaled more than EUR 100 million of sales. These highly innovative companies recorded a growth of more than 80% and helped to improve our results. In all, the Perfumes and Cosmetics group reported more than USD 400 million in revenues from the United States.

We continued to glean synergies in research and development, procurement, the supply chain and foreign back offices. The synergies helped to improve margins and increase advertising investment. Thus, operating income rose more rapidly than sales for the third year running, in keeping with our forecast.

Our strategy for 2001 is to maintain double-digit growth and boost operating margin.»

Christian Dior
PARFUMS


PARFUMS
GIVENCHY

GUERLAIN
PARIS

KENZO
PARFUMS
PARIS

HARD
CANDY


*fresh*TM

bliss

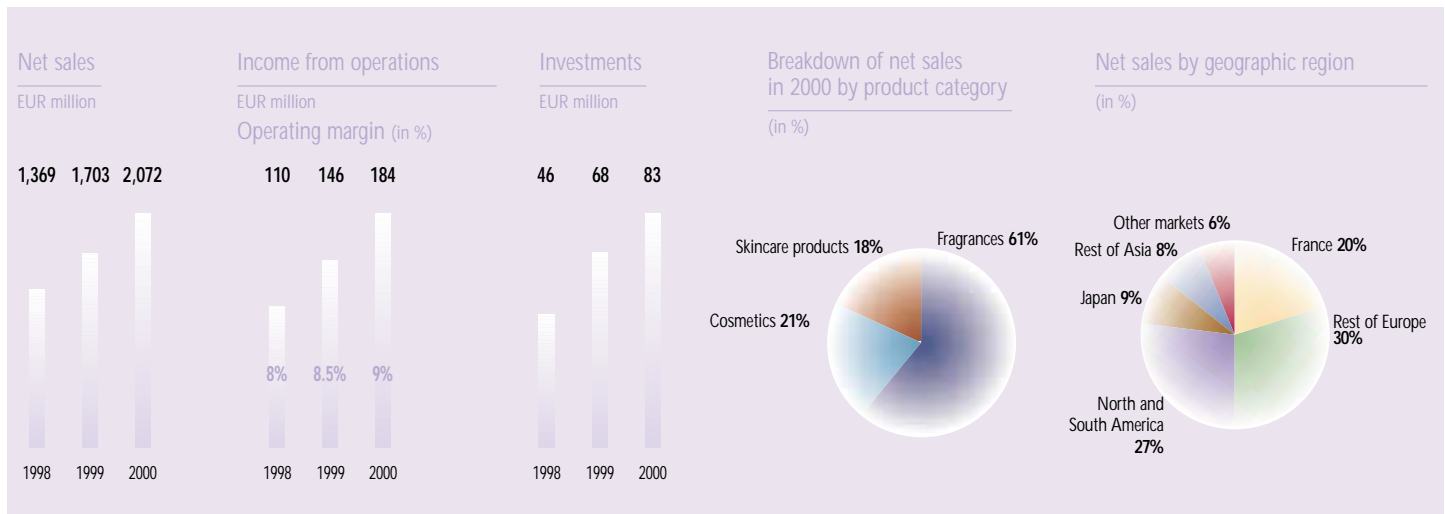
URBAN DECAY

MAKE UP FOR EVER
PROFESSIONAL PARIS

BeneFit
COSMETICS



NET SALES OF THE PERFUMES AND COSMETICS BUSINESS GROUP AMOUNTED TO EURO 2,072 MILLION, UP 22% COMPARED TO 1999. INCOME FROM OPERATIONS ROSE BY 26% TO EURO 184 MILLION.



HIGHLIGHTS

ACQUISITION OF URBAN DECAY AND FRESH, TWO AMERICAN COSMETICS COMPANIES.

CHRISTIAN DIOR AND GUERLAIN DEVELOPED NEW CONCEPTS FOR THEIR SALES OUTLETS IN DEPARTMENT STORES.

ROLLOUTS OF GUERLAIN'S MAHORA, GIVENCHY'S HOT COUTURE AND KENZO'S FLOWER FRAGRANCES.

EXTENSION OF CHRISTIAN DIOR'S J'ADORE PRODUCT RANGE WITH A LUXURIOUS RANGE OF BATH PRODUCTS.

VERY PROMISING START IN THE UNITED STATES FOR MICHAEL, MICHAEL KORS' NEW FRAGRANCE, WHOSE LICENSE HAS BEEN GRANTED TO PARFUMS GIVENCHY'S AMERICAN SUBSIDIARY.

Parfums Christian Dior

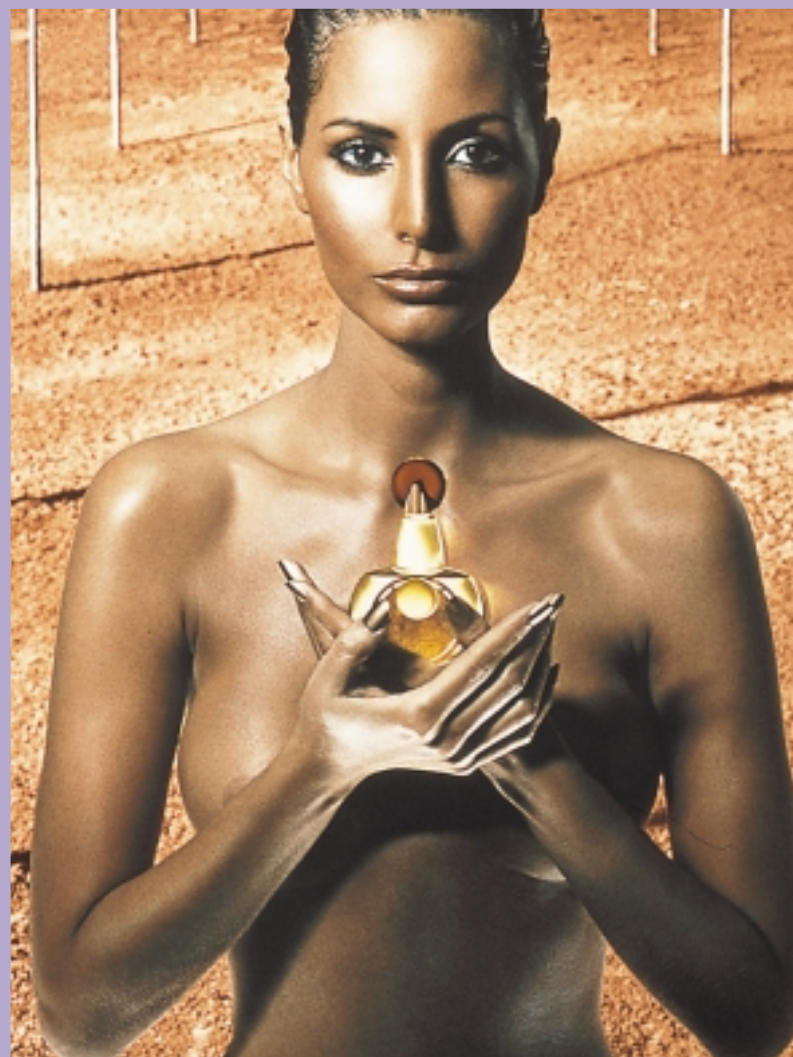
Parfums Christian Dior recorded a hefty rise in sales and operating income. *J'Adore* perfume, which was by far the most widely sold fragrance worldwide in 2000, recorded sales in excess of EUR 140 million, a new record in this sector. It already ranks among the Top 5 fragrances in America, despite the market's dominance by local fragrances. *J'Adore* has the potential to become one of the great classics of the new century. The *J'Adore* range was extended in 2000 to include luxury bath products.

Fahrenheit staged a successful comeback, riding on a new advertising campaign that bolstered its rank as a leading world-class male fragrance.

Cosmetic products also did very well, mainly underscored by the international success of the *Dior Prestige* skincare products.

Numerous innovations to makeup lines, designed in harmony with Christian Dior's haute couture collections, were very successful. Sales in Asia were particularly strong.

Parfums Christian Dior's growth was brisk worldwide, particularly strong in the United States, up 62%, South-East Asia, up 32%, and in the travel retail business, up 20%. The economic recovery in Asia largely made up for the negative impact of the end of duty-free shopping in Europe.



Parfums Christian Dior's new merchandising concept, heralding a new design, was successfully introduced in nearly a third of flagship outlets worldwide and is expected to continue in 2001.

In 2001, Parfums Christian Dior plans to keep up the pace of innovation, and mainly focus on improving its logistics systems. The numerous rollouts scheduled throughout the year for skin-care products, makeup and fragrances should help it to match the excellent results achieved in 2000.

Guerlain

Guerlain recorded a hefty rise in consolidated sales and considerably higher income from operations in 2000. The excellent performance was fueled by sharply higher international sales, particularly driven by the *Issima* skincare range, whose growth exceeded 38%. Guerlain promoted its classics like *Shalimar* and *Samsara* and sharply expanded those of the *Météorites* and *Mozais* makeup lines. It rolled out *Divinora*, a new and original luxury line, in 2000.

In autumn 2000, Guerlain launched *Mahora*, a new upscale women's fragrance, that has all the traits that have underscored Guerlain's traditional successes. Sales of the new fragrance, which is expected to be a growth engine for coming years, will be gradually extended internationally in 2001. Guerlain has also added to its *Aqua Allegoria* product range to include a new scent as well as bath and body products.

Guerlain's new concept was successfully tested at Galeries Lafayette and Le Bon Marché and is now being extended to key international department stores.

Guerlain will be making some significant changes to its skin-care and makeup products in 2001.

Parfums Givenchy

For four years in a row, Parfums Givenchy has recorded sharply rising sales and operating income. The year 2000 was very good for the fragrance business. Organza's *Indécence* and *Oblique*, a line of three upbeat fragrances for young people, stood out, as did Givenchy's new women's fragrance, *Hot Couture*, at year end. This bold, highly promising fragrance, will be gradually introduced internationally in 2001.

The new makeup line, *Rouge Miroir*, was extended to include two mascaras, an eyeliner, an eye pencil and a foundation

cream. *Rouge Miroir* confirmed its success by recording growth in excess of 250% compared to 1999.

The twelve subsidiaries opened in 1999 had a very positive impact on sales growth. A few, such as in Korea, were outstanding.

Parfums Givenchy now does 30% of its sales in the United States and Canada. North America has become a major market and the outlook there is excellent.

Parfums Kenzo

Parfums Kenzo had an exceptional year 2000, recording outstanding growth in sales and operating income.

Kenzo's excellent performance was mainly driven by the immediate success of its new fragrance, *Flower*, rolled out in September 2000. Inspired by the poppy, *Flower* is a feminine, powdery and sensual fragrance. *Flower* is at the same time poetic and very current, a combination that perfectly embodies all the essential values of the Kenzo brand.

Flower's impact on Kenzo's growth is expected to be even greater in 2001, when the new fragrance and beautifully designed line of other products in the line are rolled out in Asia. Parfums Kenzo will take advantage of this strong momentum to step up the development of new subsidiaries abroad.

American and French start-ups

The start-up business segment comprises five recently acquired American companies: Bliss, Hard Candy, Urban Decay, BeneFit and Fresh, the only one not being consolidated in 2000. It also includes Make Up For Ever, a French brand. These companies have proved to be very sound investments, as they are now recording growth in excess of 80% and their income from operations is already higher than the average of the Perfumes and Cosmetics group.

The highly selective acquisitions program owes its success to maintaining creative autonomy within these highly innovative companies. The Perfumes and Cosmetics group also lends support in financing, research and development and developing international networks.

Bliss successfully launched a new spa in the LVMH Tower located at Madison Avznuue and 57th Street in New York. It also greatly expanded its mail-order business and is working on the rollout of a new line of *Remede* bodycare products leveraged by the most advanced cosmetics technologies.

BeneFit recorded spectacular growth driven by its innovative policy in the creation of serious but fun products such as the *Kitten* range. BeneFit is very popular in English-speaking countries and in Japan where the brand was recently introduced after its integration into the LVMH Group.

Hard Candy and **Urban Decay**, the brands that symbolize teenage and urban youth makeup trends, also recorded significant growth on both U.S. and international markets.

Make Up for Ever has taken over its U.S. and Canadian retail chains. The company has just opened a new shop in London and continues to record outstanding growth in Korea, thus paving the way for even faster growth in 2001.

Laflachère

Laflachère group confirmed its leadership on the French market for consumer hygiene and beauty products.

However, the group's sales dropped in 2000, due to the scheduled sale of two non-core divisions. In addition, a promising Polish business, Inte-Vion, also a leader in its area, was integrated at the end of the year.



Selective Retailing

LVMH's Selective Retailing business group, active in Europe, the United States and Asia, is focused on two market segments: travel retail and selective specialty concepts. The group is the global leader in travel retail with DFS and Miami Cruiseline; selective specialty concepts are represented by Sephora, Le Bon Marché, a Paris department store, and Solstice, a new retail concept launched recently in the United States. These businesses contribute to develop the right global retailing environment for major prestige brands by providing products and services of the utmost quality.



Pierre Letzelter

Strategy and objectives

« Our mission is to create, in carefully targeted markets, a commercial environment for luxury brands that reflects their status and image. We have entered into partnership with a large number of these luxury brands because our businesses are able to guarantee superior presentation, attention to service and stable pricing throughout the world. Thanks to the contribution we are making, LVMH plays an active role in the future expansion and development of luxury markets. The Group's Selective Retailing portfolio is driven by compelling and innovative concepts throughout the world. Their success is based on a number of unique competitive advantages: a global presence, strategic synergies group-wide, and, above all, the remarkable quality of our staff with their varied and complementary talents and experiences.

In 2000, a year of fast sales growth, all our businesses in Travel Retail and Selective Specialty Concepts contributed to strengthening our worldwide leadership. In addition, with the acquisition of Miami Cruiseline, we have gained a leading position in the cruise market. The development of this high-potential company, the leader in a fast-growth sector, will be strengthened by the synergies generated with DFS.

For all our businesses, the growth prospects made possible by our strong organization remain favorable in 2001. The year will, in addition, be marked by the successful integration of the legendary department store, La Samaritaine, with its prime location in the center of Paris.

Our main objective is to achieve faster growth in profits than in sales and to increase the return on invested capital. »

DFS
GALLERIA



LE
BON
MARCHÉ
RIVE GAUCHE

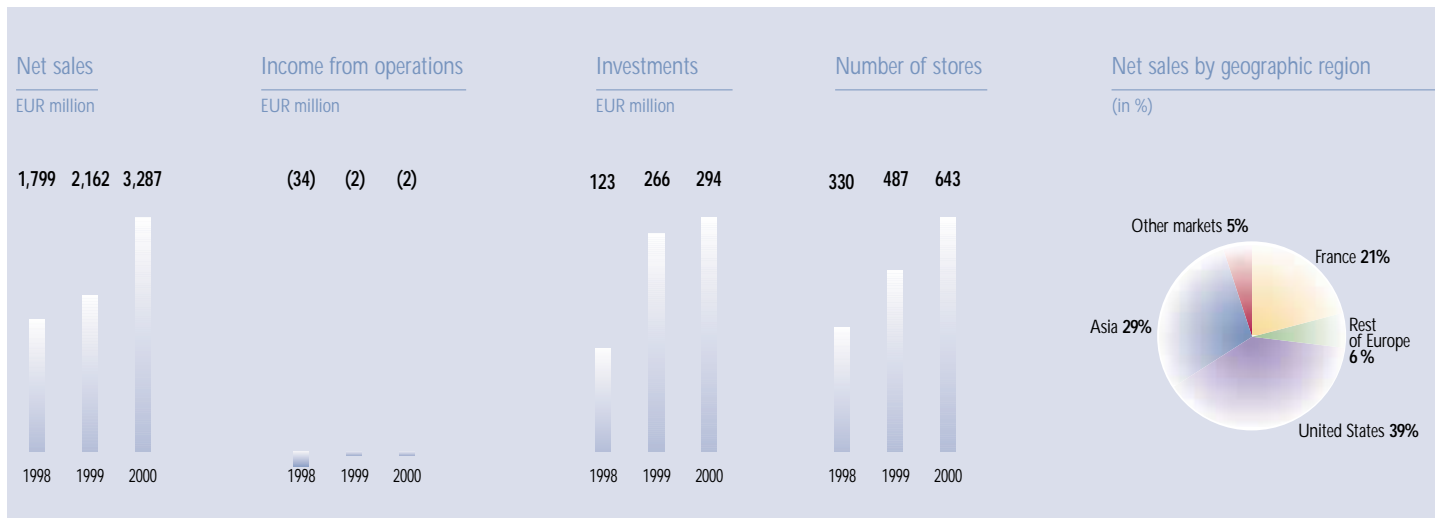
SOLSTICE

SAMARITAINE

MIAMI CRUISELINE
SERVICES



NET SALES OF THE SELECTIVE RETAILING BUSINESS GROUP AMOUNTED TO EURO 3,287 MILLION, UP 52% COMPARED TO 1999. INCOME FROM OPERATIONS IS CLOSE TO BREAK-EVEN AND REMAINS STABLE COMPARED TO 1999.



HIGHLIGHTS

ACQUISITION OF MIAMI CRUISELINE (232 RETAIL SHOPS ON CRUISE SHIPS, 21 IN AIRPORTS) AND ONBOARD MEDIA GROUP.

DFS OPENS THREE GALLERIAS: IN SYDNEY AND CAIRNS, AUSTRALIA, AND IN SAN FRANCISCO.

DFS IS AWARDED CONCESSIONS IN JFK AIRPORT IN NEW YORK AND INCHON AIRPORT IN KOREA.

AS OF DECEMBER 31, 2000, SEPHORA HAD A TOTAL OF 461 SHOPS WORLDWIDE (388 IN EUROPE, 67 IN THE UNITED STATES AND 6 IN JAPAN).

INAUGURATION OF THE FIRST SEPHORA BLANC, DEVOTED TO WELL-BEING AND INNER BEAUTY, IN PARIS IN DECEMBER 2000.

ACQUISITION OF THE PARIS DEPARTMENT STORE LA SAMARITAINE, AT THE BEGINNING OF 2001.

TRAVEL RETAIL

DFS

In 2000, LVMH's Selective Retailing group delivered sales growth of more than 52%, and would have increased by 33 % even without the recent addition of Miami Cruiseline. Each business contributed to this performance. Even after significant investment in infrastructure and new stores in 1999 and further investment in 2000, the business group was able to break even for the year.

The global leader in travel retail, DFS achieved strong sales growth in 2000, helped in part by a stabilized economic climate in Asia and further boosted by its efficient merchandising organization, precisely targeting each category of clientele. In particular, DFS took advantage of the year 2000 to reinforce its strong position in the Pacific Rim, a strategic region where selective luxury goods are most popular with international travelers.



DFS, which reported positive profit trends in 2000, is poised for additional profitable growth going forward.

The development of Gallerias, a strategic priority

The growth of DFS is centered on its specialty store *Galleria* concept, which now accounts for 62 % of its sales.

DFS Gallerias occupy from 3,000 to 17,000 square meters in high-traffic downtown locations in major international gateways in the Asia-Pacific region and the United States, and provide a successful combination of three different components: general luxury merchandise, including perfumes and cosmetics, fashion and accessories; galleries of boutiques of leading luxury brands such as Louis Vuitton, Hermès, Bulgari, Tiffany, Christian Dior, Chanel, Prada, Fendi and Céline; and entertainment and destination centers. The unique combination of spectacular shopping environments and prestigious locations constitutes a compelling attraction for international travelers and an incomparable springboard for leading luxury brands.

DFS Gallerias are supported by a centralized merchandising organization based in San Francisco, which has a strong track record in anticipating the evolution of consumer behavior. DFS is able to distribute optimal product assortments quickly and accurately. This know-how is a key to success in its highly competitive markets. In 2000, new initiatives targeting changing young Japanese travelers were particularly successful.

In 2000, DFS opened three major Galleria stores: in Sydney (home of the Summer Olympics) and Cairns, Australia, and Union Square in San Francisco. Six other equally important projects are already planned for the coming years: Tumon Bay in Guam, Scotts Walk in Singapore, Sun Plaza in Hong Kong, Waikiki in Hawaii, and Las Vegas and Hollywood Highlands in the United States.

New airport concessions

Although its growth will be largely driven by its DFS Galleria stores, DFS remains interested in airport concession opportunities that meet its financial objectives. During the year 2000, DFS won important new concessions at JFK Airport in New York and Incheon in Korea. Important concessions in San Francisco, Los Angeles, Singapore and Hawaii were also renewed.

Thanks in part to an effective program implemented during the late 1990's when the Asian economy was in its downturn, DFS is on track with its plan for operating profit improvement. Over the next few years, DFS anticipates double-digit

growth in sales and for income from operations to exceed this sales growth.

Miami Cruiseline

LVMH's travel retail business is now being fueled by the continued integration of Miami Cruiseline, a company that has great potential for profitable growth.

The company controls 76% of duty-free and general merchandise shops on cruise ships. The cruise market has been growing at a consistent rate of 8% annually over each of the past 20 years. Cruises, however, account only for 2% of the U.S. tourist market, a figure that clearly underlines the major potential for growth this sector still offers.

The acquisition of Miami Cruiseline has allowed Travel Retail to diversify its geographic presence and achieve a better balance in its heavily Asian client base, by the addition of predominantly American and Western European cruise clients. Miami Cruiseline also benefits from the excellent synergies between its business and DFS, including merchandising and management expertise.

Miami Cruiseline plans to greatly boost average passenger spending by improving the quality of on-board shops and applying a more segmented approach to cruises. As the market evolves towards larger cruise ships, more innovative, high quality shops will be possible, offering a larger selection of products better tailored to match the guest profile on each ship.

SEPHORA

The original Sephora concept has earned significant consumer acclaim worldwide as demonstrated by its successful global expansion.

In just three years since its acquisition by LVMH, the network of Sephora shops has increased eightfold: from 57 to 461. Sephora, which was only present in France and Luxembourg in 1997, is now located in 12 countries, including the largest cosmetics markets of the world: Europe, the United States and Japan.

Sephora's development in the United States is particularly noteworthy. In less than two years, a critical mass of 67 stores has been opened. Store openings have been focused on three main regions: the New York metropolitan area, south Florida and the Sun Belt (Southern California, Texas and Nevada). As a result of this selective strategy, Sephora already has strong regional positions across the country. For example, Sephora is the

market leader in Manhattan, a key location for the cosmetics market in the United States both in term of size and image building.

Sephora offers the largest product assortment in the market, combining new, trendy and fast-growing brands with Sephora's private label products and traditional brands. For its brand partners, Sephora represents an excellent opportunity to broaden their exposure by reaching customers who may choose not to shop in traditional retail channels.

In 2000, Sephora integrated 208 new stores into its network and entered the United Kingdom where it opened five shops.

Strong organic growth, acquisitions and selective partnerships

Sephora supplemented its strong organic growth by carefully selected acquisitions and joint ventures with existing retail chains in Southern Europe, including Laguna, Boïdi and Carmen in Italy, and Marinopoulos in Greece.

Thanks to new marketing initiatives, Sephora's comparable stores outperformed the market both in Europe and the United States. Sephora's sales were particularly buoyant for the holiday season in the United States where, unlike most of the retail market, comparable stores showed strong growth.

Although Sephora's core values – wide product assortment, consumer freedom and excellent value – are here to stay, Sephora's concept continues to evolve. New concepts like Sephora Color (with two new stores in Créteil near Paris and in Lisbon, Portugal), and White Sephora (with its first store inaugurated in Paris) are prototypes for the next generation of stores. In addition, Sephora's concept is continually being refined, not only based on preferences of local markets, but also on regular customer feedback.

Sephora is targeting double-digit growth with a faster increase of its income from operations.

OTHER SELECTIVE SPECIALTY CONCEPTS

Le Bon Marché

Le Bon Marché includes Le Bon Marché Rive Gauche and Franck et Fils on the Right Bank of Paris.

As a result of its demanding strategy of carefully selected product offerings, meticulous attention to service and high-impact communication initiatives, Le Bon Marché has established itself as the most exclusive department store in Paris.

The year 2000 brought confirmation of the effectiveness of focused floor renovations carried out over the last few years. Areas that have been recently transformed such as « La Grande Epicerie de Paris » (Le Bon Marché food's hall) and the fashion and accessories department on the ground floor now are exhibiting significant increases in sales per-square-foot.

The productivity gains have led to a double-digit increase in sales and an even faster increase in income from operations. Demonstrating the effectiveness of its policy of setting itself apart, Le Bon Marché continues to grow faster than its competitors.

Solstice

Solstice is a new retail concept that offers an outstanding selection of high-quality fashion and performance sunglasses. In a carefully designed environment, it brings together freedom of choice with advice from specialized staff with extensive knowledgeable in all aspects of sunglasses.

Since November 1999, three Solstice stores have been opened in Orlando (Florida), Garden State Mall (New Jersey) and Charlotte (North Carolina). This new initiative was well received by both consumers and vendors, and resulted in promising profitability.

Three additional stores will open over the first half of 2001, to highlight the Solstice brand and allow further opportunities to evaluate the store's growth potential.

Watches and Jewelry

The Watches and Jewelry business group, created in 1999, consists of three of Switzerland's most reputable traditional watchmakers, TAG Heuer, Ebel and Zenith, two highly prestigious Paris jewelers, Chaumet and Fred, and Christian Dior Watches. In May 2000, the group extended its activities with the acquisition of the famous Italian pen manufacturer Omas, created in 1925.

The various houses of the Watches and Jewelry group are positioned in different market segments, with complementary activities enabling them to preserve their independence, while leveraging their performance with efficient development, production and distribution synergies.



Christian Viros

Strategy and objectives

« The Watches and Jewelry group devoted its first year in LVMH to establishing the conditions required for its development, particularly harnessing the substantial synergies resulting from joining the resources of its constituent houses.

We bolstered our management structures by hiring high caliber professionals at group level and at the head of the largest regional subsidiaries. We carefully examined the positioning of the various brands so as to draw up an ambitious development program for each of them. Last but not least, we were able to control directly 86% of our sales to retailers and place ourselves in an ideal position to improve our margins and tailor our global strategies to the specific features of local markets, thanks to the gradual integration of all our brands within our international distribution network, consisting of 15 group subsidiaries.

LVMH also extended its product categories by acquiring Omas, the Italian manufacturer of luxury pens.

Our current ambition is to attain sales in excess of one billion euros, generate an operating margin of around 20% and a return on capital of around 30% by 2005.

We will focus our strategy on a combination of organic growth and mergers and acquisitions to reach these ambitious goals. We will provide each brand with the resources required for consolidating its leadership and image in its segment, increasing the ability to win market shares, while maintaining brand autonomy. Furthermore, we intend to continue a selective acquisitions policy, centered on strong brands with market positions that are clearly complementary to those of our existing houses. »



CHAUMET

ZENITH
Swiss watchmakers since 1865

EBEL

FRED

OMAS


TAGHeuer
SWISS MADE SINCE 1860

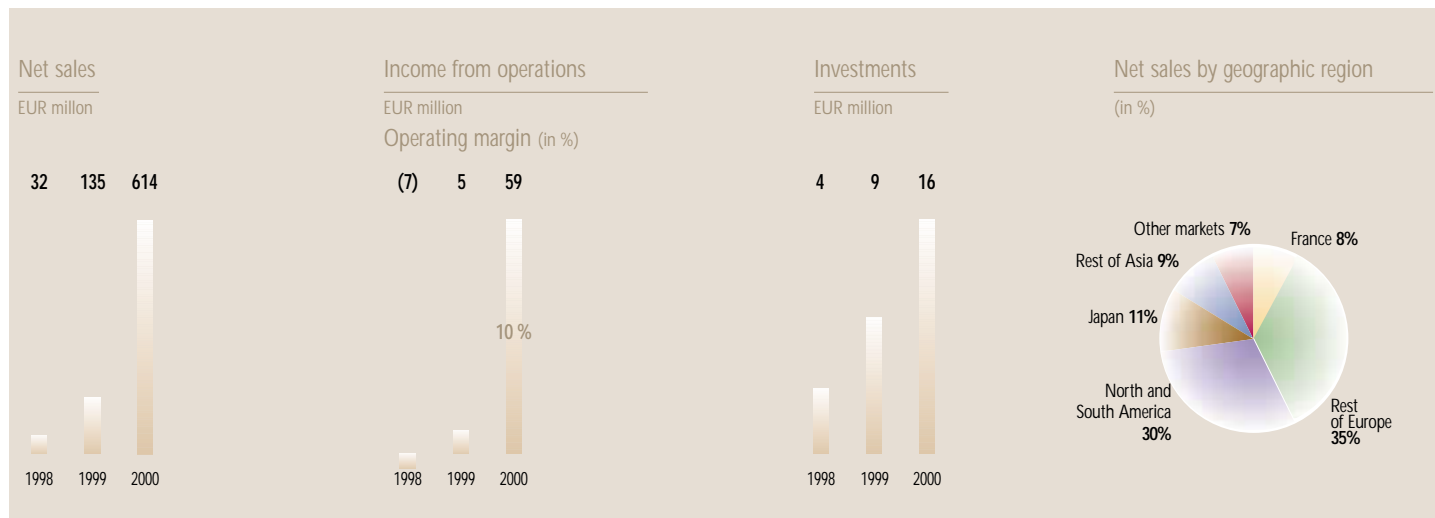


2000 Exclusive
Ladies' Collection - Steel & 18k Gold

.....**BEYOND MEASURE**
WHEN PRECISION IS A SYNONYM OF BEAUTY



NET SALES OF THE WATCHES AND JEWELRY BUSINESS GROUP AMOUNTED TO EURO 614 MILLION. INCOME FROM OPERATIONS AMOUNTED TO EURO 59 MILLION.



HIGHLIGHTS

FIRST FULL YEAR CONSOLIDATION OF ALL WATCHES AND JEWELRY BRANDS OF THE BUSINESS GROUP.

ACQUISITION OF OMAS, THE FAMOUS ITALIAN MANUFACTURER OF LUXURY PENS.

ESTABLISHMENT OF FIFTEEN DISTRIBUTION SUBSIDIARIES COMMON TO GROUP BRANDS IN MAIN MARKETS.

IN JANUARY 2001, LVMH AND DE BEERS CREATED A COMPANY TO SELL DIAMOND JEWELRY UNDER THE DE BEERS NAME.

In 2000, the Watches and Jewelry group exceeded its targets. The business group reported sales of 614 million euros, up by nearly 10% as compared to the 1999 reconstituted figure. This new business group has already harnessed the synergies inherent in the concentration of strong brands within the world's leading luxury goods group. The TAG Heuer, Chaumet and Zenith houses recorded particularly high growth rates.

TAG Heuer

TAG Heuer, the largest of LVMH group's watch houses, is the international reference for the quality and precision of its

prestige sport watches. The Swiss manufactured TAG Heuer watches are easily recognizable and are particularly well-adapted to contemporary lifestyles.

After reporting an excellent 1999, TAG Heuer confirmed its dynamism in 2000 with a 10% rise in sales driven by the growing success of its product lines, successful new product rollouts, and the strong US dollar.

More seductive and upscale products

In the past years, the company has been committed to rationalizing its range around strong value-added series and developing

EBEL



BELUGA
*Acier serti diamants,
cadran nacre, étanche à 30 m.*



new products for conquering new customer categories, including women. These efforts began bearing fruit in 2000. TAG Heuer's overall growth was boosted by the instant success of *Alter Ego*, the company's first series of products exclusively designed for women, which was gradually rolled out in the second half of 1999 and completed in early 2000. The excellent reception given to *Alter Ego* fully confirmed the brand's potential beyond its core target of athletic males, thus opening up new development horizons. The brand rapidly introduced high value-added models, including watches with embedded diamonds, to capitalize on this success.

The year 2000 also confirmed the house's classic models as all-time favorites, with the surge in demand for the *Carrera* models, introduced in 1996, and *Monaco*, rolled out in 1998. The re-edition of these two historic Heuer models was followed at the end of 2000 by the rollout of a modernized version of the *Monza* automatic chronograph, which was first designed in the 1930's.

Finally, the *Link* series, introduced in 1999 to replace the historic S/El series, succeeded in establishing itself in most markets, particularly in the automatic chronograph sector. *Link*, the TAG Heuer line that best combines sport with elegance, has excellent medium-term growth prospects.

Vast array of innovations

TAG Heuer continues to build its growth on an unprecedented communications and distribution strategy in the luxury watch sector. In 2000, « Beyond Measure », a new advertising campaign, provided spectacular images in line with the brand's innovative reputation, to emphasize the unique, highly prestigious nature of TAG Heuer watches. The communications strategy also emphasized TAG Heuer's expertise in providing the precision time keeping required by the most demanding sports, where time is measured to within one thousandth of a second. In 2001, TAG Heuer is confirmed as the official timekeeper for two of the most prestigious championships in the sports world, the Formula 1 motor-racing world championship and the world ski championships. TAG Heuer also continues to partner the McLaren-Mercedes Formula 1 team and its drivers, Mika Hakkinen and David Coulthard.

On the distribution side, in early 2000, TAG Heuer opened its fourth exclusive store in Sydney, after the ones in Tokyo, Singapore and Kuala Lumpur. Openings of two other « Espaces TAG Heuer » are scheduled in London and New York. These new showcases will support and complete the efforts of some 6,000 official TAG Heuer sales locations, mainly serviced by

the 15 LVMH Watches and Jewelry distribution subsidiaries, which control more than 90% of sales.

Ebel

Ebel, a Swiss company founded in 1911, was acquired by LVMH in October 1999. Activities in 2000 mainly entailed restructuring the company and preparing to renew the brand's image. Although no new products were rolled out, Ebel recorded a slight rise in sales compared to 1999.

2000 : a transitional year

The company's restructuring mainly entailed hiring new talent and regaining control over its retail network: with the creation of seven new international subsidiaries in 2000, 75% of sales to retailers are now directly controlled by the company. Ebel also restructured its official points of sale to establish a genuine partnership with each of its 2,000 selected retailers.

The rationalization of the house's product line also made a significant difference. The house has now concentrated its business on 200 references that symbolize the brand's values, compared to 3,000 barely a year ago.

Finally, in autumn 2000, the company launched a new advertising campaign exclusively focused on the product. The advertisement uses a panoramic visual of an Ebel watch to reveal the product details and highlight the watchmaking expertise and refined quality of Ebel watches.

2001 : the year of revival

Ebel is determined to take advantage of the Basle watch show in 2001 to mark its comeback among the world's foremost watchmakers. Ebel will draw strength and inspiration from the brand's time-honored watchmaking traditions to revive its image and stand above the competition through a paradoxically, bold yet timeless, creative yet eternally fashionable design. The *Sport Classic* line, the most perfect embodiment of Ebel design tradition, introduced 23 years ago, will be given a complete facelift with the rollout of *Classic Wave*, a superior quality timepiece that plays on the concept of the circle to underscore fluid shapes, reflected light and ease of wear. The other Ebel flagship lines, *Beluga* and *1911*, will also be re-edited to boost and modernise them.

Lastly, the revival of the house also entails a redefinition of all communication tools, including point of sale advertising and strategy, which will be gradually unveiled throughout the year.

Zenith

Zenith, founded in 1865, joined LVMH in 1999. This Swiss company is known worldwide by lovers of precise mechanical movements, used in products marketed by other groups or sold under the Zenith brand.

In 2000, Zenith continued to re-center its development and sales around the manufacture of watches equipped with its prestigious mechanical movements, *El Primero*, the automatic chronograph and *Elite*, the ultra-thin automatic movement. Sales of watches equipped with these exclusive movements increased by more than 30% in 2000.

To increase its control over the distribution of its products, Zenith continued its integration within subsidiaries of the Watches and Jewelry group. This policy enabled Zenith to strengthen its ties with a more selective network of retailers and thus implement a more consistent commercial policy worldwide.

Zenith also successfully negotiated terms for enhancing its brand in the North American market and will organize its U.S. rollout in spring 2001.

Zenith's commercial and marketing teams have been strengthened and preparations have been made for the long term expansion of its research and development capacities, to raise the brand's international visibility and boost sales.

Chaumet

The exceptional Chaumet house, at the cutting edge of the most exclusive Parisian jewelers for more than two centuries now, has been part of LVMH since late 1999.

In its first year in the Group, Chaumet recorded a remarkable rise in sales, up by about 35%, despite difficulties in meeting demand for some of its best-sellers at the end of the year.

The company's existing product collections were bolstered by the rollout of *Mihewi*, a new line of watches, and several jewelry lines, such as *Plume*, and *Tôi, je t'aime*, which were all very well received by customers in the various Chaumet markets.

Its integration as a subsidiary of the Watches and Jewelry group enabled Chaumet to extend its distribution network considerably, right from early 2000, to the North and South American markets, the Caribbean and Hong Kong. In Japan, Chaumet significantly reinforced its subsidiary, regained direct control of its « shop-in-shops » concept within the prestigious Mitsukoshi department stores, opened a new shop in Osaka and developed a retail jewel business in some thirty locations.

In 2001, Chaumet intends to intensify its communications, already vigorous in 2000, with the introduction of a new advertising campaign in the autumn, more adapted to its new international image. The company's visual identity elements will also be redesigned. Chaumet will launch new jewelry lines and continue to bolster its distribution network, particularly in the Asia-Pacific region. The company expects these substantial investments to fuel sustained sales growth.

Fred Paris

Fred Paris designs and sells prestigious jewelry and watches that combine modern shapes with an impeccable tradition of fine jewelry. These collections are distributed by its owned stores in the United States and in France, as well as by carefully selected retailers throughout the world.

In 2000, Fred Paris sales significantly increased, fueled by the rollout of new products, particularly the *Ruban* and *Success* collections, as well as by a considerable volume of exclusive pieces. The merchandising concept, introduced in the new Place Vendôme store in Paris in 1999, was extended to the company's French and American shops, to better highlight the original design of the house's productions.

In 2001, Fred Paris will continue an ambitious product rollout program for jewels and fine jewelry. A new campaign designed to emphasize the creative, contemporary and sensual positioning of Fred Paris products is on the drawing board. It will help to bolster the brand and boost sales.

Benedom – Christian Dior Watches

Benedom has been part of LVMH since 1999 and is now concentrating its business on the exclusive development of Christian Dior watches. Benedom has repositioned itself as an important force in the upscale segment of fashion watches through a revamped style in perfect harmony with the unrivalled creative force of Christian Dior Couture.

The success of collections designed with the Christian Dior Couture design studio, and especially the *Malice* and *Diorific* watches launched last quarter, is very promising.

The ambitious expansion program for Christian Dior watches will be further fueled in 2001 with the rollout of new models in innovative styles, and advertising efforts closely linked with those of the Christian Dior house. Benedom's integration into the LVMH Watches and Jewelry group will bolster the success of these collections in Europe and in Asia and speed up their development in the United States.

Omas

Omas, a leading designer and manufacturer of luxury pens, joined LVMH in May 2000 through the acquisition of a majority stake sold by the heirs of the founder, who remain at the helm of this prestigious Italian company.

In its 75 years of existence, the Omas house, which started life in a small workshop in Bologna, has raised itself to the forefront of the luxury pen industry through the use of refined materials and the unrivaled design of its products that perfectly combine exceptional user-friendliness with cutting-edge technology.

Treasured by collectors and fine writing enthusiasts throughout the world, Omas has given birth to a brand of pens with a unique personality. This acquisition has given LVMH an exceptional platform in a particularly dynamic segment of the luxury industry, that perfectly complements its entry into the watchmaking industry in 1999.

Omas also manufactures models sold under other prestigious brand names. This activity will be maintained and extended, both on behalf of other LVMH houses and for third parties.

In 2001, the Omas executive team will focus on strengthening its structures and defining an ambitious brand development strategy. Ultimately, the selective increase in the number of sales outlets should include the creation of the brand's own « corners » in certain department stores and the creation of exclusive shops in a few carefully-selected markets. Europe and North America remain the priority markets. The brand's potential can also be used in Asia and Latin America.

Sales will be boosted by the introduction of new models and special editions that will be added to Omas' main lines, *Arte Italiana*, with its timeless style, *360*, with its particularly unusual triangular design, and *Ogiva*.



12
Christian Dior
PARIS

Other Businesses

LVMH is present in the art world with Phillips, de Pury & Luxembourg, and through specialized magazines such as *Connaissance des Arts* and *Art & Auction*. It is present in the media with D.I group, and in the Internet field with the websites sephora.com and eLUXURY.

Phillips, de Pury & Luxembourg

Acquired at the end of 1999, Phillips, the third largest art auction house worldwide is, with LVMH's assistance, undergoing internal restructuring, which marks a significant stage in its development.

Founded in 1796, Phillips has built up an international reputation with buyers and art press, acquired thanks to the high professionalism of its sales and valuation services.

In 2000, the firm's first year within the LVMH Group, Phillips strengthened its management and built up its team of experts and recognized art specialists.

The firm has organized 800 sales throughout the world, in fields as varied as painting, furniture or sports memorabilia. Phillips has, in particular, strengthened its position in impressionist, modern and contemporary art auctions during the New York spring and autumn sales, the most important of the year. The autumn session enabled some record bids to be made. *In love – Out of love*, a diptych by Damien Hirst, for example, reached 750,500 dollars on December 13th, a record for this contemporary British artist.

Cézanne's painting, *La Côte du Galet à Pontoise*, was sold for

8,527,500 dollars. The extensive media spin-off resulting from these sales has helped strengthen Phillips' international image considerably.

After its partnership at the beginning of 2000 with Etude Tajan, France's leading auction house, in February 2001, Phillips merged with the private art sales firm de Pury & Luxembourg Art. The new company, which has been renamed Phillips, de Pury & Luxembourg, has the ambition of becoming the leader in art sales, in terms of quality, expertise and service, in the auction and private sales market.

D.I group

Continuing its growth strategy in the media sector, the D.I group has had a particularly buoyant year, with strong sales and operating income growth.

To highlight its new positioning in multimedia, Desfossés International decided to adopt the name of D.I group in 2000 and launched its first advertising campaign with the phrase: « D.I group. If it is of value to you, it interests us. »

The year 2000 was marked by a number of acquisitions (*Jazzman*, *Le Monde de la Musique* and the audio-visual press agency System TV), by investments in the radio and Internet sectors (LV&Co and Yacast) and by the creation of two companies: D.I Régie and D2I. The first is an entity specialized in the advertising market, the sole multimedia organization in this market, with specific expertise in the financial, economic and stock market areas. The second entity is specialized in developing new group businesses.



Par la galerie « Nestlé » de Jean-Louis Baillet-Latour, 1900, après un séjour en Italie de 1900 et 1901, et l'achat de la collection de la galerie de la rue de la Harpe à Paris.

LE RETOUR DE LA TERRE

Fondateur de la galerie Nestlé où il présente la création française actuelle en matière de meubles et d'objets, commissaire de nombreuses expositions, Pierre Staudenmeyer est également amateur de design de l'après-guerre. Sa passion pour la céramique française des années 50 l'a conduit à lui consacrer un ouvrage qui fera date. Il nous présente ici sa collection personnelle. Photographes Arnaud Carpentier.

Par Jean-Louis Baillet-Latour

COLLECTION



D.I group now has expertise in every aspect of the media, press, audiovisual and Internet sectors. It not only provides information on financial and economic subjects (with publications such as *La Tribune*, *Investir*, *Défis* and a variety of professional newsletters), but also on music, art and culture with Radio Classique, broadcasting to more than 80 French towns, *Jazzman* and *Le Monde de la Musique*.

Print media, particularly *Investir*, *La Tribune* and *Défis*, posted further growth in paid circulation. Radio Classique, which has one million daily listeners, has entered in a number of partnerships, including the French « Victoires de la Musique Classique » and the « Concert Paris 2000 » which took place on the Champ de Mars in Paris.

D.I group also organizes special events, in particular the « Salon des Entrepreneurs », the leading French conference on the creation, takeover and transfer of companies, as well as more than 150 conferences and debates throughout France.

In 2000, D.I group has confirmed the consolidation and development of each of its brands and its objective of exploring new growth avenues.

[sephora.com and eLUXURY](#)

In the space of only a few months, the websites [sephora.com](#) and [eLUXURY](#), launched in the United States in October 1999 and June 2000, respectively, have managed to build powerful images in their particular fields of activity. The performance of each of them during the 2000 holiday season was extremely encouraging. The former, with the most extensive on-line offering of selective products, has emerged as the leader in the US internet beauty market; the latter, in partnership with leading brands and with its unique editorial content, is already identified as a major player among luxury websites.

While many of their more fragile and less experienced competitors are disappearing, these two businesses are rapidly increasing their audiences and sales in the United States. They also have considerable potential for international development.

The backing of LVMH, its unrivalled expertise in selective retailing, the reach of its brands and the brick-and-mortar stores to which they are linked, provide [sephora.com](#) and [eLUXURY](#) with unique strengths and a solid basis for long-term growth.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED KEY FIGURES

<i>(amounts in millions)</i>	2000		1999		1998		1997		1996	
	FRF	EUR	FRF	EUR	FRF	EUR	FRF	EUR	FRF	EUR
Net sales	75,965	11,581	56,066	8,547	45,497	6,936	48,035	7,323	31,142	4,748
Income from operations	12,841	1,959	10,145	1,547	7,764	1,184	8,322	1,269	7,022	1,070
Income before income taxes	11,103	1,692	9,411	1,435	6,641	1,013	7,776	1,185	6,659	1,015
Net income before amortization of goodwill and unusual items	5,550	846	4,839	738	3,445	525	4,869	742	4,457	679
Net income	4,736	722	4,543	693	1,754	267	4,528	690	3,683	561
<i>(amounts in currency units)</i>										
Earnings per share before amortization of goodwill and unusual items ⁽¹⁾	11.45	1.75	10.02	1.53	7.13	1.09	10.18	1.55	9.36	1.43
Earnings per share ⁽¹⁾	9.77	1.49	9.40	1.43	3.63	0.55	9.46	1.44	7.73	1.18
<i>(amounts in millions)</i>										
Total assets	152,131	23,192	136,005	20,734	106,876	16,294	99,787	15,212	79,993	12,195
Stockholders' equity	46,121	7,031	43,976	6,704	41,431	6,316	40,530	6,179	35,984	5,486
Net cash provided by operating activities before changes in current assets and liabilities	7,846	1,196	6,966	1,062	3,155	481	7,630	1,163	5,583	851

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

CONSOLIDATED BALANCE SHEET

ASSETS <i>(amounts in millions)</i>	2000 FRF	2000 EUR	1999 EUR	1998 EUR
CURRENT ASSETS				
Cash and cash equivalents	4,561	695	546	588
Short-term investments	8,696	1,326	183	217
Treasury shares	8,457	1,289	853	208
Trade accounts receivable	10,747	1,638	1,442	1,126
Deferred income taxes	1,742	266	273	205
Inventories	22,187	3,382	2,943	2,571
Prepaid expenses and other current assets	10,466	1,596	1,500	707
	66,856	10,192	7,740	5,622
INVESTMENTS AND OTHER ASSETS				
Investments accounted for using the equity method	135	21	10	7
Unconsolidated investments and other investments	12,411	1,892	3,959	3,616
Treasury shares	1,025	156	210	77
Other non-current assets	2,013	307	251	191
Property, plant and equipment, net	22,090	3,367	2,856	2,357
Brands & other intangible assets, net	22,403	3,415	2,527	1,451
Goodwill, net	25,198	3,842	3,181	2,973
	85,275	13,000	12,994	10,672
TOTAL	152,131	23,192	20,734	16,294

LIABILITIES AND STOCKHOLDERS' EQUITY <i>(amounts in millions)</i>	2000 FRF	2000 EUR	1999 EUR	1998 EUR
CURRENT LIABILITIES				
Short-term borrowings	34,983	5,333	4,439	3,192
Accounts payable	8,560	1,305	1,087	913
Accrued expenses and other current liabilities	15,553	2,371	2,548	1,773
Income taxes	2,086	318	139	25
Current portion of long-term debt	1,541	235	161	130
	62,723	9,562	8,374	6,033
NET DEFERRED INCOME TAXES	723	110	167	184
LONG-TERM LIABILITIES				
Long-term debt, less current portion	22,949	3,498	3,085	1,425
Other long-term liabilities	7,634	1,164	921	1,007
Repackaged notes	2,268	346	406	465
	32,851	5,008	4,412	2,897
MINORITY INTERESTS IN SUBSIDIARIES	9,713	1,481	1,077	864
STOCKHOLDERS' EQUITY				
Common stock	964	147	147	136
Additional paid-in capital and retained earnings	46,027	7,017	6,679	6,330
Cumulative translation adjustment	(870)	(133)	(122)	(150)
	46,121	7,031	6,704	6,316
TOTAL	152,131	23,192	20,734	16,294

LVMH's total consolidated assets were EUR 23.2 billion at December 31, 2000, a 12% increase over EUR 20.7 billion the year before.

Investments and other assets totaled EUR 13.0 billion, unchanged from year-end 1999 total. They represent 56% of total assets as against 63% the year before.

Tangible and intangible assets increased significantly to EUR 10.6 billion from 8.6 billion at the end of 1999. This increase was due to the following factors: the operating investments made during the year, particularly in Louis Vuitton, DFS and Sephora retail stores; the consolidation of the acquisition made during the second half of 1999 in Ebel, Chaumet, Zenith, BeneFit Cosmetics, Hard Candy, Make Up For Ever and Phillips ; and, finally, the consolidation of Miami Cruiseline Services, Fendi, Urban Decay and the fragrance retail chains acquired by Sephora.

The sharp reduction in unconsolidated investments and other investments –from EUR 4.0 billion to EUR 1.9 billion– primarily reflects the Group's gradual disposal of its equity stake in Diageo (including the May sale of a block of shares representing approximately 4% of the capital of Diageo), and the reclassification of the balance of the stake as short-term investments.

Inventories totaled EUR 3.4 billion versus 2.9 billion at the end of 1999 due to the consolidation of the companies acquired, the expanded retail network, and rapid sales growth. In this respect, the increase in consolidated inventories was lower than sales growth, indicating good inventory controls.

Stockholders' equity before allocation of earnings rose to EUR 7.0 billion, up from 6.7 billion at December 31, 1999. Minority interests amounted to EUR 1.5 billion compared with 1.1 billion the year before.

Stockholders' equity and minority interests together totaled EUR 8.5 billion, or 37% of total assets.

Medium and long-term liabilities totaled EUR 5.1 billion, which includes EUR 3.8 billion in financial debt. The increase in these liabilities is in line with the increase in total assets; therefore they account for 22% of the balance sheet total.

Thus, long-term resources rose to EUR 13.6 billion, exceeding investments and other assets.

Current liabilities totaled EUR 9.6 billion at December 31, 2000 versus 8.4 billion at the end of 1999. It remained stable at 41% of the balance sheet total.

Cash and short-term investments increased significantly to EUR 2.0 billion from 0.7 billion at December 31, 1999. Including the LVMH treasury shares held for short-term purposes, this item has a book value of EUR 3.3 billion.

Short-term and long-term financial debt net of cash and short-term investments totaled EUR 7.4 billion at December 31, 2000, unchanged from the previous year. This represents 87% of shareholders' equity and minority interests. After deducting the book value of the stake in Gucci and of the treasury shares not allocated to the stock option purchase plans, net financial debt equaled 58% of stockholders' equity and minority interests.

The portion of long-term financial debt (over one year) rose to 52% of total net debt. Confirmed lines of credit increased to approximately EUR 5.3 billion. Only small portions of these lines have been drawn down: they are more than backing up the commercial paper program, as their maximum outstanding amount was raised to EUR 4.0 billion.

CONSOLIDATED STATEMENT OF INCOME

<i>(amounts in millions except EPS)</i>	2000 FRF	2000 EUR	1999 EUR	1998 EUR
NET SALES	75,965	11,581	8,547	6 936
Cost of sales	(27,690)	(4,221)	(3,132)	(2,540)
GROSS MARGIN	48,275	7,360	5,415	4 396
Marketing and selling expenses	(27,593)	(4,206)	(2,964)	(2,438)
General and administrative expenses	(7,841)	(1,195)	(904)	(774)
INCOME FROM OPERATIONS	12,841	1,959	1,547	1 184
Financial expense - net	(2,750)	(421)	(227)	(174)
Dividends from nonconsolidated investments	298	45	97	2
Other income or expense - net	714	109	18	1
INCOME BEFORE INCOME TAXES	11,103	1,692	1,435	1,013
Income taxes	(4,156)	(633)	(554)	(466)
Income (loss) from investments accounted for using the equity method	(226)	(34)	(6)	62
NET INCOME BEFORE AMORTIZATION OF GOODWILL, MINORITY INTERESTS AND UNUSUAL ITEMS	6,721	1,025	875	609
Amortization of goodwill	(925)	(141)	(102)	(97)
Minority interests	(1,171)	(179)	(137)	(84)
Unusual items	111	17	57	(161)
NET INCOME	4,736	722	693	267
NET INCOME BEFORE MINORITY INTERESTS	6,323	964	848	297
NET INCOME BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	5,550	846	738	525
EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	11.45	1.75	1.53	1.09
Average number of common shares outstanding during the year (1)	484,800,930	484,800,930	483,157,146	483,348,424
FULLY DILUTED EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	11.45	1.75	1.53	1.08
Number of common shares and share equivalents after dilution (1)	484,886,474	484,886,474	483,445,278	484,000,390

(1) 1998 and 1999 figures have been adjusted to reflect the bonus share distribution of June 1999 (one new share, for ten shares previously held on this date) and the five for one stock split of July 3, 2000.

- Consolidated sales for fiscal 2000 climbed to EUR 11,581 (FRF 75,965 million), up by 35% on the previous year and 67% on 1998. All group businesses contributed to this growth, with Fashion and Leather Goods and Selective Retailing reporting the highest performances with net sales rising respectively 40% and 52%.
- This organic and structural growth further consolidated LVMH's position in areas of the world where the Group is firmly established: slight increases in Asia and Japan, and a sharp rise in the United States and Western Europe, especially in Switzerland, in Italy and in the United Kingdom. The change in consolidated sales incorporates 12% of foreign currency translation fluctuations, and a 13% impact of changes in consolidation scope; on a constant currency basis and with comparable group structure, organic growth in consolidated sales would have been 10%.
- Consolidation scope changes with an effect on business and earnings in 2000 were mainly:
 - In Wines and Spirits, full year consolidation of Château d'Yquem (for the second half 1999 alone) ;
 - In Fashion and Leather goods, Fendi was proportionate consolidated at 51% as from July 1, and Thomas Pink for a full year (3 months in 1999) ;
 - In the Perfumes & Cosmetics group, consolidation of Make Up for Ever, Hard Candy, BeneFit Cosmetics and Urban Decay for the whole year ;
 - In Watches and Jewelry, integration of Ebel, Zenith and Chaumet for the whole year, as well as TAG Heuer (on the 4th quarter 1999 alone) ;
 - In the Selective Retailing group, consolidation of Miami Cruiseline Services, Progen (Laguna) and Boidi (Italy) as from January 1, and Carmen (Italy) and Marinopoulos (Greece) in the second half.
- In the light of these structural changes:
 - The breakdown of the year's consolidated sales by business is as follows: Wines & Spirits 20%, Fashion and Leather Goods 28%, Perfumes and Cosmetics 18%, Watches and Jewelry 5%, Selective Retailing (28%);
 - The breakdown of sales between main invoicing currencies has been altered as follows: reduction of the relative weight of the euro zone, from 33 to 29% overall, and some Asian currencies, such as the Hong Kong and Singapore dollars which dropped from 8 to 4%, to the advantage of the US dollar which rose from 29 to 35%; the weight of other currencies generally remained stable, especially the yen, which represented 16%, the British pound and the Swiss franc 3% each.
- Gross margin totaled EUR 7,360 million, an increase proportional to that in sales; the gross margin rate remained stable at 63%. Marketing and selling expenses amounted to EUR 4,206 million, up by 42%; at comparable Group structure and constant exchange rates, the increase on 1999 would be 11%, slightly superior to that of consolidated sales, reflecting the increase in the number of stores, particularly of Sephora and Louis Vuitton.
- General and administrative expenses totaled EUR 1,195 million, up by 32% on 1999, and 17% at comparable structure and constant exchange rates; their weight in relation to net sales remains stable.
- Income from operations leveled off at EUR 1,959 million, up by 27%. The part of this change linked to the exchange rate effect on the consolidated data is 7 points, that of Group structure changes is 4 points. The higher income from operations was mainly due to the performance of the Fashion and Leather Goods business, especially Louis Vuitton Malletier, and Wines and Spirits, the relative stability of Champagne masking a strong Cognac recovery. The income from operations in Perfumes and Cosmetics amounted to EUR 184 million, that of Watches and Jewelry to EUR 59 million, both considerably higher than the previous year. Selective Retailing maintained a stable income from operations close to equilibrium: the recovery of DFS and the income generated by Le Bon Marché and Sephora's European activities were offset by the cost of opening Sephora stores in the US and in Japan. The other businesses reported a loss of EUR 167 million from operations; this result particularly includes the central structure costs, investments for building Sephora.com, the Internet site, and the elimination of the effects of intra-group company sales in Selective Retailing.
- Financial expense totaled EUR 421 million, compared with EUR 227 million in 1999. This amount reflects the increase in net outstanding financial debt, due to the increased number of Group companies and the operational as well as financial investments carried out; it also reflects the changes in financing rates. Currency rates for localized debt abroad also contributed to this rise.

- Dividends received from unconsolidated investments, principally Diageo and Gucci, dropped from EUR 97 million to EUR 45 million, a consequence of the gradual disposal of Diageo shares.
- Other net income or expense mainly include capital gains from LVMH treasury shares sales totaling EUR 115 million (26 million in 1999).
- The 2000 average tax rate is lower than that of the previous year. This drop is the result of a combination of several factors, particularly the geographic evolution of Group activities and drops in certain tax rates, particularly in France. Companies consolidated under the equity method posted losses of EUR 34 million. This line mainly represents the LVMH share in the development costs of the eLuxury web site.
- Minority interests in net income before unusual items totaled EUR 179 million, compared with 137 million in 1999. This growth is partly due to the higher profits reported by Moët Hennessy and DFS; furthermore, acquisitions of equity interests in the year, particularly in the Perfumes and Cosmetics business group and in Sephora did not usually result in the acquisition of the total capital.
- The Group share of net income before amortization of goodwill and unusual items totaled EUR 846 million (FRF 5,550 million), up by 15 % on the previous year.
- Amortization of goodwill totaled EUR 141 million, compared with EUR 102 million in 1999; this evolution is the result of the previously described Group structure changes. As from fiscal 2000, goodwill is no longer systematically accounted in euros, the consolidation currency, but in the functional currency of the acquired company, so as to prevent any purely monetary differences between the results of the business and the goodwill amortization expense.
- Unusual items totaled EUR 17 million. They include income from disposals, particularly of Diageo securities, amounting to EUR 124 million, provisions for depreciation of EUR 87 million on investments or funds in the field of e-business, exceptional costs linked to expanding the business and boosting the image of Phillips, i.e., EUR 57 million, and lastly various movements of contingencies and loss provision expense.
- Net income leveled off at EUR 722 million (FRF 4,736 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(amounts in millions)</i>	2000 FRF	2000 EUR	1999 EUR	1998 EUR
I. OPERATING ACTIVITIES				
Net income	4,736	722	693	267
Minority interests	1,587	242	155	30
Equity interest in undistributed earnings of associated companies, less dividends received	235	36	7	28
Depreciation and amortization	3,548	541	433	342
Change in provisions	(1,258)	(192)	192	(154)
Change in deferred taxes	232	35	(92)	(44)
(Gain) loss on sale of fixed assets or treasury shares	(1,234)	(188)	(326)	12
Net cash provided by operating activities before changes in current assets and liabilities	7,846	1,196	1,062	481
Inventories	(1,245)	(190)	(121)	(7)
Trade accounts receivable	(354)	(54)	(99)	46
Accounts payable	643	98	66	121
Other current assets and liabilities	(1,372)	(209)	(224)	26
Net change in current assets and liabilities	(2,328)	(355)	(378)	185
Net cash provided by operating activities	5,518	841	684	666
II. INVESTING ACTIVITIES				
Purchases of brands and other intangible assets	(410)	(63)	(76)	(31)
Purchases of property, plant and equipment	(5,212)	(794)	(498)	(377)
Acquisition of other investments	(2,614)	(399)	(1,725)	(255)
Proceeds from sale of fixed assets and other investments	562	86	158	29
Proceeds from sale of Diageo shares, and transfer to short-term investments (2000), Diageo shares buy back (1999) & capital repayment (1998)	13,199	2,012	1,560	473
Change in other non-current assets	(781)	(119)	(121)	(58)
Net effect of acquisitions & disposals of consolidated companies	(3,589)	(547)	(1,215)	(581)
Net cash provided by (used in) investing activities	1,155	176	(1,917)	(800)
III. FINANCING ACTIVITIES				
Proceeds from issuances of common stock	71	11	52	46
Change in treasury shares	(2,226)	(339)	(718)	(3)
Dividends and interim dividends paid by the parent company (including related tax)	(2,115)	(322)	(372)	(289)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(462)	(70)	(100)	(58)
Proceeds from short-term borrowings and long-term debt	14,801	2,256	3,524	1,099
Principal repayments on short-term borrowings and long-term debt	(8,436)	(1,286)	(1,091)	(838)
Net cash provided by (used in) financing activities	1,633	250	1,295	(43)
IV. EFFECT OF EXCHANGE RATE CHANGES	(144)	(22)	(77)	(8)
Net decrease in cash and cash equivalents	8,162	1,245	(15)	(185)
Cash and cash equivalents at beginning of year (net of bank overdrafts)	3,103	473	488	673
Cash and cash equivalents at end of year (net of bank overdrafts)	11,265	1,718	473	488
Non cash transactions :				
- increase of capital through conversion of debt	-	-	-	-
- lease financing operations	46	7	74	2

The change in cash and cash equivalents during the period includes the change in cash (including bank overdrafts) and short-term investments, net of provision.

NOTES ON CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shown opposite details the key financial flows in 2000.

The Group generated EUR 1,196 million in cash flow from operations during the year.

Working capital requirements increased by EUR 355 million. In particular, changes in inventories and customer receivables accounted for cash needs of EUR 244 million, primarily due to the strong growth in consolidated sales.

Net cash provided by operating activities totaled EUR 841 million versus EUR 684 million in 1999.

Net cash provided by investing activities, including acquisitions and capital expenditures less disposals, amounted to EUR 176 million.

Acquisition of tangible and intangible assets by the Group constituted outlays of EUR 857 million. These investments were made primarily to develop DFS, Louis Vuitton and Sephora retail network and to expand Louis Vuitton's production facilities.

The Group made equity investments totaling EUR 946 million in 2000. The cash impact of the acquisition of Miami Cruiseline Services was EUR 231 million, excluding the company's EUR 129 million in debt at the time of the acquisition. The cash impact of the acquisition of the balance of Fendi shares totaled EUR 176 million while Sephora's acquisition of Italian fragrance chains represented an investment of EUR 96 million.

On the other hand, disposals of investments and other assets, completed primarily in the first half of the year, brought in EUR 2,098 million. Most of this amount came from the sale of Diageo shares (approximately 4% of the capital) which contributed EUR 1,195 million, and from the reclassification of the balance of the stake in Diageo as short term investments.

The Group's buy back of LVMH treasury shares, net of disposals, represented EUR 339 million.

During the year, LVMH S.A. paid out EUR 322 million in dividends, excluding treasury shares. EUR 222 million of this amount was distributed in June as the balance for fiscal year 1999, and EUR 100 million in December as an interim dividend for fiscal year 2000. In addition, minority shareholders of consolidated subsidiaries received EUR 70 million in dividends.

A cash surplus of EUR 297 million remained after all operating and investing activities and after payment of the dividend. This surplus, together with new loans and financial debt, covered

repayments on short-term borrowings and long-term financial debt in the amount of EUR 1,286 million.

Additional borrowings and financial debt yielded proceeds of EUR 2,256 million. The Group continued to extend the maturity of its debt schedule, floating a EUR 600 million 5-year bond issue consisting of several tranches. Moreover, its Euro Medium Term Notes program implemented in early 2000 (under French law) enabled the Group to float several bond issues in various amounts totaling EUR 373 million in different regions of the world. LVMH also increased its short-term borrowings, primarily by issuing more commercial paper, the outstanding amount of which increased by EUR 1,216 million in 2000.

The change in cash and cash equivalents was EUR 1,245 million once all of the year's transactions are factored in, raising cash and short term investments to a high level. As of December 31, 2000, the Group's liquid assets, including LVMH treasury shares held short-term and Gucci shares represented a book value of more than EUR 3 billion.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(in EUR million)</i>	Number of shares	Capital	Additional paid-in capital & reserves	Cumulative translation adjustment	Total
AS OF JANUARY 1, 2000	97,957,650	147	6,680	(123)	6,704
Final dividend paid on 1999 income and related taxation			(222) (1)		(222) (1)
Long term investment in LVMH shares			(62)		(62)
Employee stock option plans	26,587		1		1
Five-for-one stock split of July	391,874,108				-
Net income			722		722
Interim dividend paid on 2000 income			(101)		(101)
Foreign currency translation				(10)	(10)
AS OF DECEMBER 31, 2000	489,858,345	147	7,017	(133)	7,031

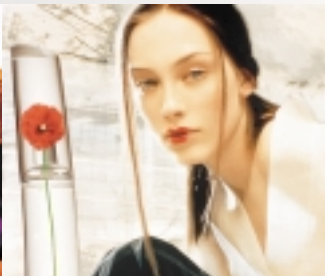
LVMH
MOËT HENNESSY • LOUIS VUITTON

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

Design and production:
Phénix Communication
41, rue Camille Pelletan - 92300 Levallois-Perret - France

Photographs:
Patrick de Marchelier, Philippe Stroppa (Studio Pons), Mi-Hyun Kim, Cécile et Stéfano Poli, Laziz Hamani,
Guy Marineau, Thierry Mamberti, RMN, DR, Photo archives LVMH and Group Companies

NOËL, RIVE GAUCHE
IMPATIENTE D'ÊTRE DÉRAISONNABLE ?



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LVMH

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2000 FINANCIAL INFORMATION

LVMH Group: Consolidated financial statements and other financial data

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KEY STEPS IN GROUP DEVELOPMENT

- LVMH, the world's leading luxury goods Group, was born in 1987 from the merger of Moët-Hennessy and Louis Vuitton.
- Heir to a history that goes far back in time, LVMH comprises noble craftsmanship with deep-rooted traditions and an unrivaled group of world-class brands.
- The companies comprising the Champagne, spirits and leather goods businesses are all over a hundred, and sometimes, even two hundred years old: Moët & Chandon's origins date back to 1743, Veuve Clicquot Ponsardin to 1772, and Hennessy cognac to 1765; Johan-Joseph Krug founded his House in 1843; the origins of Yquem and its wine go as far back as 1593. The house of Louis Vuitton was founded in 1854.
- In the sector of perfumes and cosmetics and that of couture, the companies, some more recently created, have gradually developed their international profile over time. The house of Guerlain was founded in 1829, Christian Dior in 1947. Givenchy was started in 1951, and the first Givenchy fragrances were launched in 1957.
- The LVMH Group has been developed through a series of acquisitions of companies with shared interests, values and activities.
- LVMH has become a powerful, cutting-edge, world-class group without ever losing sight of its origins.
- Throughout the world, LVMH has become the ambassador of quintessential "art de vivre" thanks to the impeccable quality and elegance of its products and the creativity and traditions that it keeps alive.

MILESTONES

1743

- Claude Moët, a winegrower and merchant, established the Moët champagne house, and continued the work of Dom Pérignon, a 17th century Benedictine monk in the Abbaye d'Hautvilliers, who discovered the secret of how to make champagne at the end of the 17th century.

1832

- Jean-Rémy Moët, grandson of Claude Moët, transferred the house to his son Victor and son-in-law, Pierre-Gabriel Chandon de Briailles.
- The house changed its name to Moët & Chandon.

1854

- *Louis Vuitton set up business as a luggage and trunk maker, rue Neuve des Capucines, in the heart of Paris.*

1860

- *The first Louis Vuitton workshop was built in Asnières.*

1896

- *Louis Vuitton created the Monogram canvas with the Louis Vuitton initials.*

1914

- *Louis Vuitton opened the world's largest luggage store at 70 Champs-Élysées.*

1962

- Moët & Chandon was listed on the Paris Stock exchange. This event marked the start of spectacular growth.

1963

- Moët & Chandon acquired a stake in Ruinart Père & Fils.

1968

- Moët & Chandon acquired a 34% stake in Parfums Christian Dior, raised to 50% the following year.

1970

- Takeover of Champagne Mercier.

1971

- Acquisition of the remaining capital of Parfums Christian Dior.
- Merger between Moët & Chandon and the house of cognac Jas. Hennessy: the holding company named Moët Hennessy.

1973

- Takeover of Champagne Ruinart.
- Acquisition of a 520 hectare estate in the United States, in Nappa Valley, the most highly reputed area in wine growing California: creation of the Chandon Estate.

1974

- Acquisition of 80 hectares in Brazil.

1977

- Rollout of wines produced by Moët Hennessy in California and Brazil.
- *Louis Vuitton began to extend its exclusive retail sales throughout the world by opening controlled stores.*

1984

- *Louis Vuitton was listed simultaneously on the Paris and New York Stock Exchanges.*

1985

- *Louis Vuitton acquired Loewe International, taking on distribution of the Spanish company's products outside Spain.*
- *Louis Vuitton became a holding company. The traditional activities were centralized in an operational subsidiary: Louis Vuitton Malletier.*
- Moët Hennessy acquired a 130-hectare estate in Australia in the Yarra Valley, east of Melbourne: creation of the Chandon Australia Estate.

1987

- *Louis Vuitton acquired the Veuve Clicquot Ponsardin group (including Champagnes Veuve Clicquot Ponsardin and Canard-Duchêne, plus Parfums Givenchy).*
- Moët Hennessy and United Distillers (Guinness group) signed an agreement to form retail joint-ventures, on key global markets.

**Merger of Louis Vuitton and Moët Hennessy:
The LVMH Moët Hennessy Louis Vuitton Group is
formed**

1988

- LVMH acquired a 12% stake in the capital of Guinness.
- Acquisition of Givenchy couture house.

1989

- The Arnault group became principal shareholder of LVMH.
- Rollout of wines produced in Australia and Spain.

1990

- LVMH raised its stake in the capital of the Guinness group to 24%.
- Veuve Clicquot acquired two wineries, Cape Mentelle in Australia and Cloudy Bay in New Zealand.

1991

- Acquisition of Champagne Pommery.

1993

- Acquisition of the Christian Lacroix couture house, created in 1987.
- Acquisition of the Kenzo group (fashion and fragrances), created in 1970.
- LVMH took over the Desfossés International economic press group, publishers of the financial dailies *La Tribune-Desfossés*, and *L'Agefi*, and the weekly *Investir*.

1994

- The house of Guerlain, whose origin dates back to 1829, joined LVMH.
- LVMH and Guinness restructured their capital links: Guinness acquired a 34% stake in the capital of Moët Hennessy. LVMH reduced its stake in Guinness to 20%.

1995

- LVMH took over Fred, a company that ranks among the world's ten largest jewelers.

1996

- LVMH acquired Spanish company Loewe.
- Céline, specialized in ready-to-wear and upscale leather goods, joined LVMH group.

1997

- LVMH acquired a 61.25% stake in the capital of DFS, the world leader in the distribution of luxury goods.

- LVMH acquired Sephora, France's leading retail chain for fragrances and cosmetics in sales, and second in Europe.

- LVMH signed new retail agreements in the wines and spirits sector with the Diageo group, born out of the Guinness and GrandMet merger. LVMH is the largest shareholder of Diageo with 11% of the capital.

1998

- Le Bon Marché joined LVMH.
- LVMH acquired Parfumeries Marie-Jeanne Godard.
- The wines and spirits retailing companies Moët Hennessy Distribution, CSA (LVMH subsidiaries) and Sovedi France (Diageo subsidiary) were merged within MH UDV France, a joint venture between Moët Hennessy and UDV.
- LVMH ceased consolidating Diageo earnings under the equity method.
- LVMH set up LV Capital, an investment fund for acquiring stakes in companies with attractive prospects for creating shareholding value.

1999

- LVMH acquired a 34.4% stake in Gucci.
- LVMH acquired Krug champagne.
- Château d'Yquem joined LVMH.
- Disposal of Simi Winery, Pellisson and Porto Rozès.
- LVMH acquired TAG Heuer, Ebel, Chaumet and Zenith and created a new business group: Watches and Jewelry.
- LVMH acquired a 51% stake in Fendi within a 50-50 joint venture with Prada.
- LVMH reinforced its Perfumes and Cosmetics unit through the acquisition of Bliss, Hard Candy and BeneFit, three young American companies, followed by the takeover of Make Up For Ever, a French professional makeup brand.

- LVMH acquired Thomas Pink, one of Britain's prestigious shirt designers, and Phillips, the world's third largest auction company.

- Rollout of sephora.com in the United States.

- LVMH acquired a 33.3% stake in the capital of Le Tanneur et Cie.

2000

- LVMH acquired Miami Cruiseline Services, the world leader in the duty free sale of luxury goods on cruise ships.

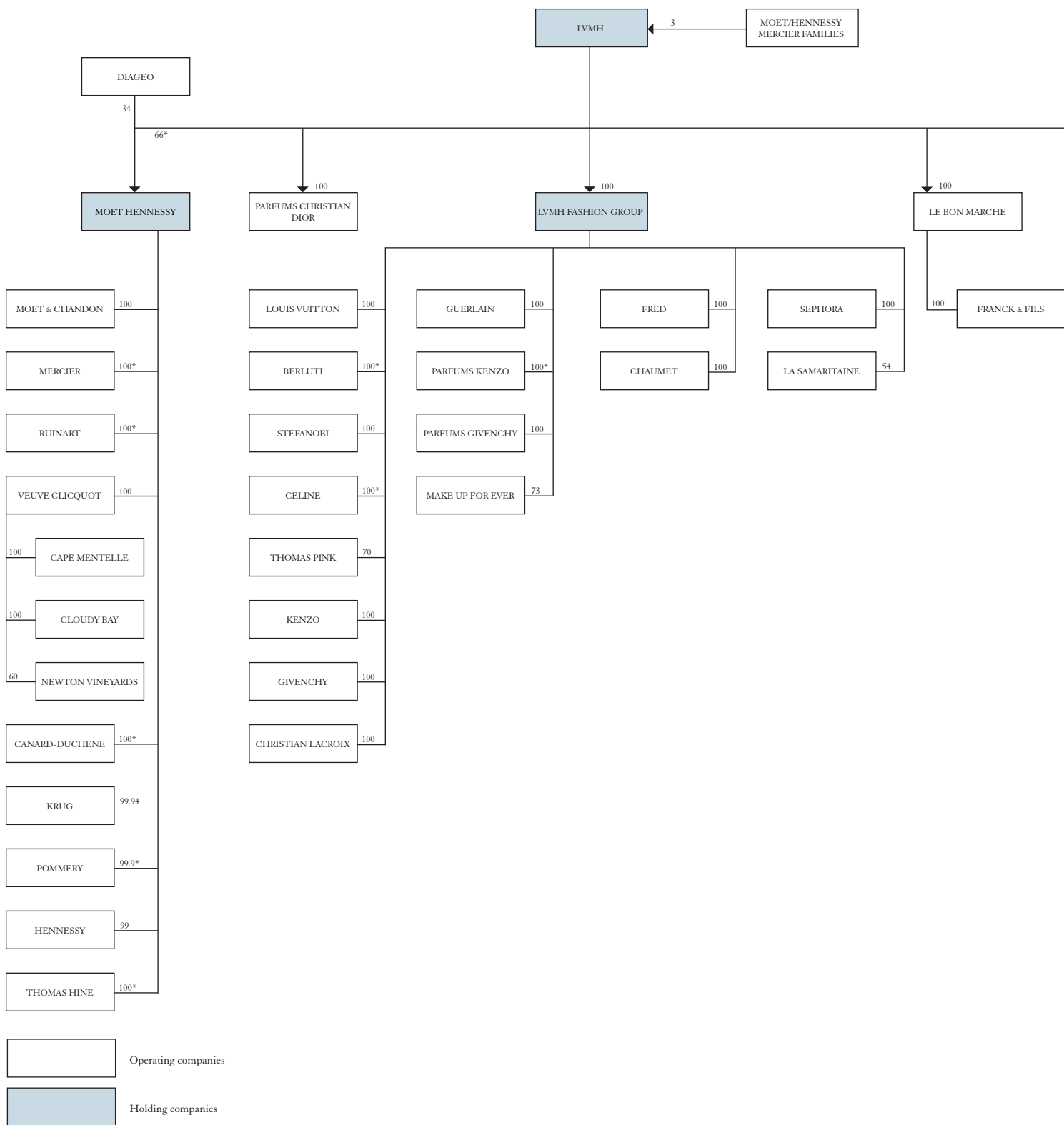
- LVMH acquired 67% of Pucci's capital.

- LVMH signed an agreement with the Tajan family for the acquisition of the French auction company Etude Tajan.
- LVMH took over a fourth American cosmetics company, Urban Decay.
- LVMH acquired *Connaissance des Arts*, an art magazine.
- LVMH acquired Omas, an Italian producer of prestigious pens.
- LVMH rolled out eLUXURY in the United States, the e-commerce site exclusively devoted to luxury and the art of living.
- LVMH acquired *Art and Auction Magazine*, an American publication.
- LVMH acquired a majority stake in Fresh, an American cosmetics company.
- LVMH acquired a 3.5% stake in Tod's, the Italian luxury house.
- LVMH took over Newton and MountAdam, two wineries located respectively in California and Australia.

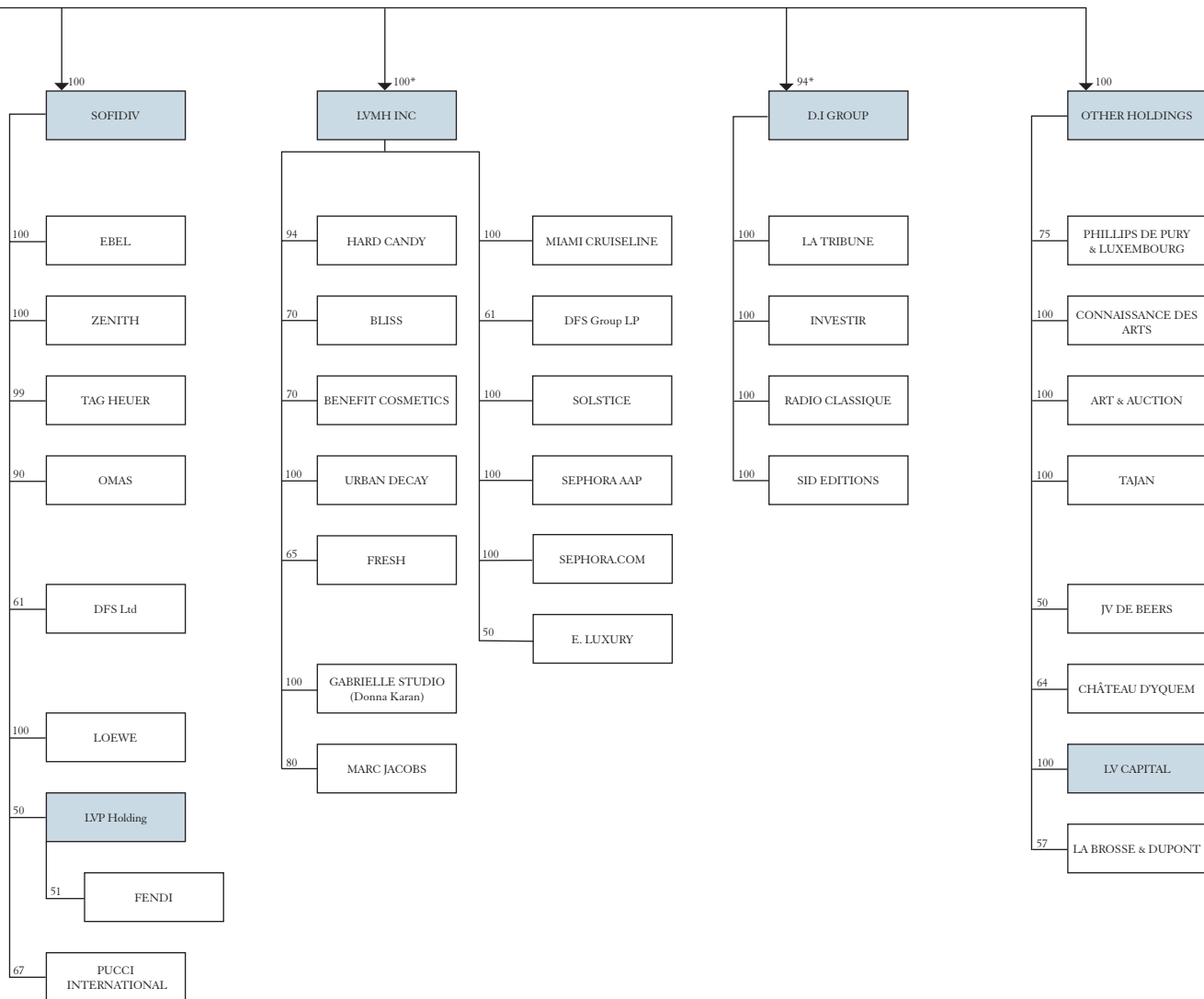
2001

- LVMH announced the creation of a joint venture with the diamond company De Beers, for a design and sale business of jewels under the De Beers brand.
- LVMH announced the acquisition of a majority stake in La Samaritaine, a leading Paris department store.
- LVMH took over Gabrielle Studio, owner of Donna Karan, the American fashion label.
- The private sales company de Pury & Luxembourg Art merged with Phillips. The new company was named Phillips, de Pury & Luxembourg.

SIMPLIFIED ORGANIZATION CHART AS OF MARCH 31, 2001



* Directly and indirectly



THE DIRECTORS' REPORT

I. MANAGEMENT ANALYSIS OF STATEMENT OF INCOME

Consolidated sales for 2000 climbed to EUR 11,581 (FRF 75,965 million), up by 35% on the previous year and 67% on 1998. All group businesses contributed to this growth, with Fashion and Leather Goods and Selective Retailing reporting the highest performances with net sales rising respectively 40% and 52%.

This organic and structural growth further consolidated LVMH's position in areas of the world where the Group is firmly established: slight increases in Asia and Japan, and a sharp rise in the United States and Western Europe, especially in Switzerland, in Italy and in the United Kingdom. The change in consolidated sales incorporates 12% of foreign currency translation fluctuations, and 13% impact of changes in consolidation scope; on a constant currency basis and with comparable group structure, organic growth in consolidated sales would have been 10%.

Consolidation scope changes with an effect on business and earnings in 2000 were mainly:

- In Wines and Spirits, full year consolidation of Château d'Yquem (for the second half in 1999);
- In Fashion and Leather Goods, Fendi was proportionate consolidated at 51% as from July 1, and Thomas Pink for a full year (three months in 1999);
- In the Perfumes and Cosmetics, consolidation of Make Up For Ever, Hard Candy, BeneFit Cosmetics and Urban Decay for the whole year;
- In Watches and Jewelry, integration of Ebel, Zenith and Chaumet for the whole year, as well as TAG Heuer (on the 4th quarter in 1999);
- In the Selective Retailing group, consolidation of Miami Cruiseline Services, Progen (Laguna) and Boidi (Italy) as from January 1, and Carmen (Italy) and Marinopoulos (Greece) in the second half.

In the light of these structural changes:

- The breakdown of the year's consolidated sales by business is as follows: Wines and Spirits 20%, Fashion and Leather Goods 28%, Perfumes and Cosmetics 18%, Watches and Jewelry 5%, Selective Retailing (28%);
- The breakdown of sales between main invoicing currencies has been modified as follows: reduction of the relative weight of the euro zone, from 33 to 29% overall, and some Asian currencies, such as the Hong Kong and Singapore dollars which dropped from 8 to 4%, to the advantage of the US dollar which rose from 29 to 35%; the weight of other currencies generally remained stable, especially the yen, which represented 16%, the British pound and the Swiss franc 3% each.

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rates, the increase on 1999 would be 11%, slightly superior to that of consolidated sales, reflecting the increase in the number of stores, particularly of Sephora and Louis Vuitton.

General and administrative expenses totaled EUR 1,195 million, up by 32% on 1999, and 17% at comparable structure and constant exchange rates; their weight in relation to net sales remains stable.

Income from operations leveled off at EUR 1,959 million, up by 27%. The part of this change linked to the exchange rate effect on the consolidated data is 7 points, that of Group structure changes is 4 points. The higher income from operations was mainly due to the performance of the Fashion and Leather Goods business, especially Louis Vuitton Malletier, and Wines and Spirits, the relative stability of Champagne masking a strong Cognac recovery. The income from operations in Perfumes and Cosmetics amounted to EUR 184 million, that of Watches and Jewelry to EUR 59 million, both considerably higher than the previous year. Selective Retailing maintained a stable income from operations close to equilibrium: the recovery of DFS and the income generated by Le Bon Marché and Sephora European activities were offset by the cost of opening Sephora stores in the United States and in Japan. The other businesses reported a loss of EUR 167 million from operations; this result particularly includes the central structure costs, investments for building Sephora.com, the Internet site, and the elimination of the effects of intra-group company sales in Selective Retailing.

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particularly in the Perfumes and Cosmetics business group and in Sephora did not usually result in the acquisition of the total capital.

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Amortization of goodwill totaled EUR 141 million, compared with EUR 102 million in 1999; this evolution is the result of the previously described Group structure changes. As from 2000, goodwill is no longer systematically accounted in euros, the consolidation currency, but in the functional currency of the acquired company, so as to prevent any purely monetary differences between the results of the business and the goodwill amortization expense.

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Net income leveled off at EUR 722 million (FRF 4,736 million).

II. COMMENTS ON BUSINESS

Wines and Spirits Group

In 2000, sales of the Wines and Spirits group climbed 4% to EUR 2,336 million (FRF 15,322 million) compared with 1999, but dropped 5% on a constant currency basis.

Income from operations rose 9% on 1999 and leveled off at EUR 716 million (FRF 4,699 million).

The business group consolidated Château d'Yquem for a full year in 2000, compared with only a half year in 1999. In 1999, Simi Winery, a Californian producer of red wine, Porto Rozès and Pellisson, a brandy blender were removed from the scope of consolidation effective July 1. All these structural changes have little or no material impact on the evolution of consolidated sales.

Champagne

Sales for the Champagne and Wines business dipped 2% to EUR 1,500 million (FRF 9,841 million) compared with 1999 and 8% on a constant currency basis.

Income from operations increased by 2% to EUR 445 million (FRF 2,918 million). This change was due to a rise in average sale prices as well as a gain from the value increases of main currencies, which more than offset the effect of the drop in sales volume.

The sales volume of all LVMH houses dropped 14% on 1999, which is quite exceptional but due to the "Millennium" effect. However, Group brands resisted better than those of the entire Champagne

region. In fact, overall shipments from the region plummeted 23% on 1999, without any major geographical difference: 21% drop in France, 26% in the European Union outside France and 20% in the rest of the world.

LVMH brands increased their market share by 3 points to 22% now.

Changes in the sales of Group brands, in order of market size, are as follows: France (-23%), United States (-4%), United Kingdom (-16%), Italy (-1%), and Japan (-13%).

Just as in 1999, the 2000 harvest was exceptional, with a very promising quality level; the statutory yield was set at 12,600 kg per hectare, of which 1,600 kg will be "stockpiled", and the indicative price per kilogram of top-quality grapes was set at FRF 26.25, an increase of 3% on 1999.

Still and sparkling wines

Sales in terms of volume for the still and sparkling wines business plummeted 15% on 1999, to 27.5 million bottles. This drop can be partly explained by the "post-Millennium" effect on sparkling wines and partly by the higher taxes on wines and alcohol in Argentina.

Château d'Yquem reported outstanding sales, with a pro forma increase of 10% on 1999.

Cognac and Spirits

Net sales in the Cognac and Spirits business totaled EUR 836 million (FRF 5,481 million), up 17% on 1999 and 2% on a constant currency basis.

Key events in 2000 included a new 4% rise in sales volume. Analysis of each market shows strong growth in Asia, and uninterrupted growth in the United States, while in Japan sales continued their downward slide.

Sales of old qualities (V.S.O.P and X.O) revived compared to previous years and grew in 2000 at the same pace as all other sales.

Total Cognac region shipments increased by 4% from the 1999 level while shipment volumes of LVMH brands increased by 12%. Consequently, LVMH market share climbed two percentage points from the 1999 level, to 37%.

Income from operations totaled EUR 271 million (FRF 1,780 million), an increase of 23% on 1999, slightly higher than that of sales.

Fashion and Leather Goods Group

Net sales of the Fashion and Leather Goods group totaled EUR 3,202 million (FRF 21,003 million), up 40% on 1999 and 23% on a constant currency basis.

Since July 2000, the business group has included 51% of Fendi, consolidated by the proportionate method, and Thomas Pink,

consolidated for the full year (consolidated over three months in 1999 in the Selective Retailing business group). Total changes in the composition of the group account for 3.5 growth points of consolidated sales.

Once again, Louis Vuitton posted impressive results, with an increase in net sales of 37%. Louis Vuitton's new designs continued to attract even more customers. The brand's brilliant performance was partly driven by the extended and revamped distribution network. At the end of 2000, there were a total of 284 Louis Vuitton stores of which 26 were "global stores", representing 23 net openings in the year.

The success of the Fendi product lines also considerably bolstered the pro forma sales. In addition, the business group introduced an action plan to regain direct control over the distribution network. At the end of 2000, Fendi owned 17 directly operated shops compared with a mere 4 at the end of 1999.

Loewe also reported a sharp rise in net sales over 1999. This growth was bolstered by the ready-to-wear and leather goods lines as well as the fragrance business, with the rollout of "Agua". The directly controlled distribution network comprised 94 retail outlets at year end 2000, of which 34 in Japan.

Céline continued to implement its leather goods and accessory lines, encouraged by the success of its ready-to-wear lines. The house reported a significant rise in net sales in 2000, mainly driven by brisk business in Asia. The restructuring of shops was completed in Japan. Céline's network comprised 86 directly operated shops at year end 2000.

Kenzo also reported a hefty increase in net sales in 2000. The company created a joint venture with ECCE which now allows it directly to control the men's ready-to-wear business, previously operated through a licensee. All Kenzo shops, 30 at 2000 year end, recorded excellent performances.

Christian Lacroix completed its restructuring program and resumed development. This resulted in lower losses again for 2000.

Givenchy net sales rose, fueled by the success of its men's ready-to-wear lines and accessories.

In the United States, the development of Marc Jacobs product lines continued in line with goals.

Thomas Pink upgraded its range of women's product lines and extended its offering of men's shirts; 9 new shops were opened in 2000 to reach a total of 32 shops.

Income from operations of the Fashion and Leather Goods business group totaled EUR 1,169 million (FRF 7,768 million), up 41% from the 1999 level.

Perfumes and Cosmetics Group

The Perfumes and Cosmetics group reported net sales of EUR 2,072 million (FRF 13,593 million), up 22% on 1999 and 15% on a constant currency basis.

Since January 2000, the Perfumes and Cosmetics business group has integrated Hard Candy, BeneFit Cosmetics, Urban Decay and Make Up For Ever. A certain number of companies in the Laflachère group were sold off. In all, these changes in the composition of the group only slightly affect the consolidated sales trend.

Net sales growth at all four fragrance houses was fueled by the rollout of numerous new products such as *Hot Couture* for Givenchy, *Mahora* for Guerlain, and *Flower* for Kenzo, all products that have been tremendously successful, even exceeding the most optimistic forecasts.

Other key events included the continued outstanding performance of Christian Dior's *J'Adore* on all markets, particularly in the United States.

A market specific analysis reveals the extremely strong growth in the United States (+37%), in Japan (+20%) and in the United Kingdom (+15%), while growth remained buoyant in Italy (+9%), and in France and Germany (+6%).

The recently acquired cosmetics companies reported net sales of EUR 100 million in 2000, making a significant positive contribution to the group's Perfumes and Cosmetics results.

Lastly, Michael Kors' new fragrance, *Michael*, whose license is held by Parfums Givenchy, was successfully rolled out in the United States in autumn 2000.

The overall income from operations for the Perfumes and Cosmetics group totaled EUR 184 million (FRF 1,207 million), up 26% as compared to 1999.

Selective Retailing Group

The Selective Retailing business group reported net sales of EUR 3,287 million (FRF 21,559 million) up 52% on the 1999 level. The increase was 37% on a constant currency basis.

This business group fully consolidated Miami Cruiseline Services in 2000, as well as the companies below taken over by Sephora: Laguna and Boidi (Italy) consolidated as from January 1st, Carmen (Italy) and Marinopoulos (Greece) as from July 1st. These changes in the composition of the group represent 25 percentage point increases in net sales.

In 2000, DFS continued its recovery which had started mid-1999, thanks to the rapid economic turnaround in many countries in the Asian zone. DFS reported a 25% rise in net sales on the 1999 level and 8% on a constant currency basis.

On a commercial level, DFS continued to open Gallerias and renovate old ones. The most prominent new Galleria was operated in Union Square in San Francisco.

Sephora continued its swift development, through the opening of new shops in the United States, Japan and Europe, and by acquisitions of companies in Europe. Sephora is now present in 10 European countries with a total of 388 shops. The majority are in France (178 shops), Italy, Poland and Spain with 110 shops, 22 shops and 16 shops respectively.

Development in the United States was focused on densely populated areas such as New York and Florida. At year end 2000, the network comprised a total of 67 shops.

In Japan, the network now totals 6 shops opened in the best business areas in Tokyo, Osaka and Shiba.

Miami Cruiseline Services, the world leader in the sale of duty-free luxury products on cruise ships, reported considerable growth of pro forma net sales compared with 1999, mainly fueled by new operating licenses.

For Le Bon Marché, the success of renovations of its sales areas was confirmed, and the store reported significant growth in net sales as against 1999.

The Selective Retailing business group reported a slight operating loss, which is stable in relation to the 1999 level. The growth in DFS income and the positive Sephora results in Europe, in addition to the good results from Le Bon Marché, offset the losses due to the opening of new Sephora locations in the United States and Japan.

Watches and Jewelry Group

In 2000, the Watches and Jewelry business group, which was created at the end of 1999, integrated TAG Heuer (consolidated from October 1, 1999), as well as Ebel, Zenith, and Chaumet (consolidated from January 1, 2000). This group includes other houses such as Fred, as well as Benedom, a Dior licensee for watches.

Omas, a manufacturer of luxury pens acquired in 2000, will be consolidated in 2001.

The net sales of the Watches and Jewelry group totaled EUR 614 million (FRF 4,027 million), in excess of targets.

TAG Heuer continued to develop its product ranges, to include new upscale collections.

For the other brands, 2000 was devoted first, to redefining product ranges by reference to selected strategic positions, and second, to the restructuring of global sales networks, to use the logistical support of TAG Heuer subsidiaries.

Income from operations for the Watches and Jewelry group totaled EUR 59 million (FRF 387 million).

Other activities

In 2000, this group encompassed: the LVMH Media unit run by D.I group (ex Desfossés International), the Phillips auction house, consolidated as from January 1, 2000, Sephora.com, the website, Group headquarters costs, as well as the elimination of intra-group sales and margins carried out by consolidated companies with Selective Retailing.

D.I group continued its strategy of acquiring stakes in media businesses. For example, after the integration of Radio Classique and the Défis magazine in 1999, System TV, a company specialized in radio and TV production, was acquired in 2000; in the field of voice and musical recognition on the Internet, it also acquired a stake in Yacast.

A memorandum of agreement was signed at year end 2000 for the acquisition of a 33% stake in LV and Co (MFM and Voltage FM radios). Moreover, following capital increases, D.I group's stake in Video Networks Ltd dropped from 20% to 14%.

Once again, the group reported a significant rise in net sales and income from operations.

Phillips carried out a fundamental strategic change, resulting in the organization of international scale auctions in New York in May and November 2000. There was considerable media coverage of these sales which now position Phillips as a key player in its line of business. The cost of these operations, as well as the recruitment of more personnel, weighed on the company's results and led to significant losses.

In e-commerce, Sephora.com, launched at the end of 1999, developed rapidly in the US, with a substantial increase in net sales during the last quarter 2000. Significant investment in advertising campaigns led to losses for the year.

eLuxury, the web site for luxury goods, was successfully launched in the second half 2000. Half of the site's results are consolidated under the equity method.

III. FINANCIAL POLICY ITEMS

During the financial year, the main priorities of the Group's financial strategy were as follows:

- The Group maintained a sound financial structure in a buoyant investment environment. The main indicators were:
 - the increasing level of stockholders' equity;
 - the steady increase in the proportion of net long-term financial debt;
 - the high level of cash, cash equivalents and short-term investments;
 - the Group's financial flexibility, thanks to significant confirmed lines of credit; and
 - potential liquidity through various listed investments.
- The Group applied a conservative currency risk and interest rate management strategy, primarily aimed at hedging risks generated directly or indirectly by the Group's operations or investments.

In foreign currency hedging, the Group continued to favor the use of options or option ranges to cover its exports, enabling it to protect its position from downturns while preserving its upside potential. In market conditions characterized by a weak euro, its hedging strategy enabled the Group to benefit from exchange rates higher than the previous year's hedging rate in the case of the US dollar, the Japanese yen and the British pound.

- Moderate level of financial expenses.

Net financial expenses increased from EUR 227 million in 1999 to EUR 421 million in 2000 driven by the full year impact of the higher debt at 1999 year end and of higher interest rates. At the same time, EUR 45 million were received as dividends from unconsolidated investments: Diageo, Gucci, Fininfo... Net financial expenses level remained moderate, taking into account a net financial debt of EUR 7,362 million at year end 1999 and of EUR 7,391 million at year end 2000.

- The Group maintained an attractive dividend distribution policy for its shareholders, reflecting its satisfactory financial performance in 2000:
 - payment of an interim dividend of EUR 0.22 in December 2000;
 - payment of a dividend excluding tax credit per share of EUR 0.75 for the year, up by 10% on the previous year considering the one-for-five share split carried out in July 2000. Consequently, LVMH shareholders have received a total amount of EUR 367 million for 2000, before the impact of treasury shares.

1. Management of exposure to market risks

- *Exposure to foreign currency risks*

A predominant portion of Group sales are generated in currencies other than the euro, particularly the US dollar and the Japanese yen, while most of its production costs are denominated in euros.

Foreign currency fluctuations between the euro and the major currencies in which the Group's sales are denominated could therefore have a material impact on Group sales and results reported in euros, and make it difficult to compare the Group's performance from year to year.

The Group actively manages its exposure to foreign currency risks in order to reduce its sensitivity to unfavorable currency fluctuations, and has set up hedges in the form of foreign exchange forward contracts and options.

A significant part of Group assets are denominated in foreign currencies (mainly US dollar, British pound and Swiss franc). The resulting currency risks are managed by total or partial hedging of those assets by contracting loans denominated in the same currency as the related asset.

- *Exposure to interest rate risks*

Group results may also be affected by the world's economic climate, particularly in Europe, Japan and North America.

The Group's exposure to interest rate risks may be assessed through the amount of its consolidated net debt, which totaled approximately EUR 7.4 billion at December 31, 2000, of which 29% was fixed rate debt or floating rate debt with a cap and 71% was floating rate debt.

As Group debt is denominated in a variety of currencies, the Group is diversely exposed to fluctuations in interest rates in its principal currencies of indebtedness (euro, US dollar, Swiss franc and British pound).

This risk is managed through the use of interest rate swaps and purchase of caps aimed at limiting the negative impact of unfavorable interest rate fluctuations.

- *Exposure to equity market risks*

The Group's exposure to equity market risks is related to the listed shares it detains and short-term investments portfolio. The Group does not use hedging instruments to protect itself from these risks. At December 31, 2000 these equity investments included significant unrealized capital gains.

- *Foreign currency, interest rate and equity market risk management strategy*

The Group applies a centralized, non-speculative strategy for the management of its foreign currency and interest rate risks. This

strategy is aimed at reducing the negative impact of currency and interest rate fluctuations on its business and investments.

Group policy is primarily based on the tools below:

- Hedging through forward contracts or options:
 - of foreign currency risks linked to the sales of current and subsequent years;
 - of local currency denominated dividends to be received from foreign subsidiaries and in certain situations, of their local currency denominated net assets
 - financial expenses on foreign currency debts.
- Borrowings denominated in the currency of the assets or of the future cash flows from the investment;
- Use of swap contracts, interest rate caps or floors aimed at balancing the Group's debt structure (fixed rate versus floating rate debt).

The Group has set up stringent management rules and procedures for assessing, managing and controlling these market risks.

The organization of these activities is based on a strict separation of the functions of risk assessment, hedging implementation (front-office), administrative management (back-office) and financial control.

This organization is leveraged by an integrated information system which allows real time monitoring of hedging operations.

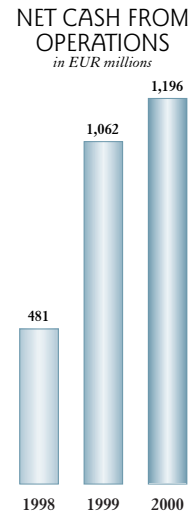
The Group's hedging policy is approved by the Audit Committee. Hedging decisions are made on the basis of a clearly defined process which includes regular presentations to the Group Executive Committee, and are fully documented.

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

2. Consolidated statement of cash flows

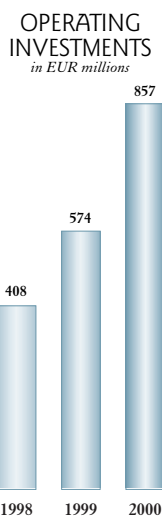
INFLOW		OUTFLOW	
Cash-flow from operations	1,196	185	Net investments
		355	Changes in working capital
		392	Dividends
		1,245	Net cash-flow
External financing	981		

in EUR millions



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

The statements show surplus resources of EUR 297 million, after deducting management and investment activities and after payment of dividends. The surplus, plus new loans and financial debts, covered the needs arising from the redemption of financial debt and borrowings.



- Cash flow generated by Group operating activities before changes in current assets and liabilities in 2000 totaled EUR 1,196 million. The increase over 1999 was mainly due to the rise in net income and higher depreciation and amortization expenses, resulting from past operating investments.
- Working capital requirements rose EUR 355 million. In particular, changes in inventories and trade receivables, reflecting the sharp rise in Group consolidated sales, resulted in working capital requirements of EUR 244 million. Inventories rose slightly for Champagne and Wines, dropped for Cognac, Fashion and Leather Goods, and rose in the Perfumes and Cosmetics and Selective Retailing business groups, reflecting expansion of the retail network and growth in sales.

In all, operating activities gave rise to a net cash inflow of EUR 841 million, compared with EUR 684 million in 1999.

- Investing activities (disposals, net of acquisitions and operating investments) accrued net cash receipts of EUR 176 million.

Group operating investments amounted to a net cash outflow of EUR 857 million. These expenditures were particularly related to investments in distribution networks, especially those of DFS, Louis Vuitton and Sephora. Investments in the Fashion and Leather Goods and Selective Retailing business groups accounted for roughly 60% of total LVMH investments in 2000.

Acquisitions of consolidated companies and other investments represented EUR 946 million for 2000. In particular, the impact on cash flow of the acquisition of Miami Cruiseline Services represented EUR 231 million, excluding the company's debt which amounted to EUR 129 million at the time of purchase; that of the Fendi balance EUR 176 million; and that of Italian fragrance chains bought by Sephora, EUR 96 million.

Conversely, sale of fixed assets, primarily in the first half of the year, generated proceeds of EUR 2,098 million. This amount was mainly derived from the sale of Diageo shares for approximately 4% of the capital, which contributed EUR 1,195 million to this positive effect, and the reclassification of the balance as short term investments.

- The Group's net purchases of LVMH shares totaled EUR 339 million, compared with EUR 718 million in 1999.
- During the same time, capital increases of LVMH SA and those of Group subsidiaries subscribed by minority shareholders, generated inflows of EUR 11 million.
- In 2000, dividends paid by LVMH SA, excluding treasury shares, totaled EUR 322 million, of which EUR 222 million were paid in June as final 1999 dividend, and EUR 100 million in December as interim 2000 dividend. In addition, dividends paid to minority shareholders of consolidated subsidiaries totaled EUR 70 million.
- In 2000, the Group set up borrowings and financial debt, in addition to cash proceeds generated by operating and investing activities.

They were mainly used for repayment of borrowings and financial debt, which amounted to EUR 1,286 million.

Issuance of borrowings and financial debt generated proceeds of EUR 2,256 million. The Group continued its issuance of long-term financial debt: it floated several tranches of a 5-year bond for a total nominal amount of EUR 600 million. In addition, the Euro Medium Term Notes program set up under French law early 2000 enabled the issuance in various regions of the world of several notes totaling EUR 373 million. The Group's outstanding short-term financial debt rose, primarily through the issue of commercial paper, whose total outstanding amount rose by EUR 1,216 million in the year.

Following these transactions, the Group's net cash position showed an increase of EUR 1,245 million, and cash, cash equivalents and short-term investments remained at a high level. At December 31, 2000, taking into account LVMH shares held with a short-term horizon and Gucci shares, the Group's cash and liquid investments exceeded EUR 3 billion.

Financial structure

Simplified consolidated balance sheet
(in EUR millions and %)

ASSETS		23,192	LIABILITIES		
Tangible and intangible fixed assets	10,624	46%	20,734	7,031	30%
Financial assets	2,376	10%	8,564	41%	32%
Inventories	3,382	14%	6,704	32%	10%
Other current assets	4,789	21%	1,077	5%	22%
Cash and short-term investments	2,021	9%	2,943	14%	22%
			4,068	20%	22%
			8,374	41%	22%
			9,562	41%	22%
			7,031	30%	22%
			1,481	7%	22%
			5,118	22%	22%
			9,562	41%	22%

2000 1999 1999 2000
in millions of euros in millions of euros

LVMH total consolidated assets increased 12% from the 1999 year end level to EUR 23,192 million (FRF 152,131 million), at December 31, 2000.

Total fixed assets amounted to EUR 13,000 million, compared with EUR 12,994 at year end 1999. This represents 56% of total assets, compared with 63% the previous year.

Intangible assets totaled EUR 7,257 million compared with EUR 5,708 million at year end 1999. This increase reflects the consolidation of equity investments made in the second half of 1999 in Ebel, Chaumet, Zenith, BeneFit Cosmetics, Hard Candy, Make Up For Ever and Phillips, the consolidation of Miami Cruiseline Services, Fendi, Urban Decay and retail chains acquired by Sephora. Brands and other intangible assets totaled EUR 3,415 million, compared with EUR 2,527 million a year earlier, primarily due to the Fendi, Ebel, BeneFit Cosmetics and Zenith acquisitions. Goodwill net of depreciation rose to EUR 3,842 million, compared with EUR 3,181 million at year-end 1999, particularly due to the acquisitions of Miami Cruiseline Services, Phillips and Fendi.

Tangible assets, net of depreciation, amounted to EUR 3,367 million compared with EUR 2,856 million, due to acquisitions as well as operating investments, especially in the Louis Vuitton, DFS and Sephora retail networks.

The sharp decline in financial assets, at EUR 2,376 million versus EUR 4,430 million last year, can mainly be attributed to the drop in the "Unconsolidated investments and other investments" item due to the gradual disposal of the Group's stake in Diageo (including the sale in May of shares representing about 4% of equity) and the reclassification as short-term investments of the balance of shares held, which has since been considerably reduced.

Inventories totaled EUR 3,382 million, compared with EUR 2,943 at year-end 1999. This increase reflects the integration of recently

acquired companies, the expansion of retail networks and considerable growth in Group sales. Considering the substantial increase in Group sales, the moderate growth in inventories demonstrates the Group's ability to maintain a tight grip on inventory levels.

In 2000, stockholders' equity grew from EUR 6,704 million at year end 1999 to EUR 7,031 million. This growth was primarily fueled by the Group net income.

Minority interests, primarily comprising Diageo's 34% interest in Moët Hennessy, rose to EUR 1,481 million at year end 2000, compared with EUR 1,077 million a year earlier. This growth was mainly due to the consolidation of Fendi.

Total stockholders' equity including minority interests therefore leveled off at EUR 8,512 million, representing 37% of the total consolidated balance sheet.

Long-term financial debt, including repackaged notes, rose from EUR 3,491 million at year end 1999 to EUR 3,844 million in 2000. Long-term financial debt therefore accounted for 52% of total net financial debt, continuing the medium-term consolidation of the latter.

Short-term financial debt rose from EUR 4,600 million a year earlier to EUR 5,568 million in 2000. This increase reflects an increase in outstanding commercial paper.

Cash, cash equivalents and short-term investments grew significantly to EUR 2,021 million at 31 December 2000. They totaled EUR 3,200 million if LVMH treasury shares not allocated to stock option plans are included in this item.

Total short and long-term financial debt, net of cash, cash equivalents and short-term investments (stricto sensu) amounted to EUR 7,391 million at year-end 2000, virtually unchanged from the previous year's level. It represented 87% of stockholders' equity and minority interests, compared with 95% at year end 1999. After deducting the net book value of the Gucci stake and of treasury shares not allocated to stock option plans, this ratio would stand at 58%.

Confirmed credit lines were raised to approximately EUR 5.3 billion. They were mostly unused at year end. They represent a reserve of available cash and the back-up for the commercial paper program, which had a total outstanding amount of EUR 3,670 million at December 31 2000, compared with EUR 2,454 million a year earlier.

IV. INVESTMENTS

- Main investments in 2000 were as follows:
 - In the Fashion and Leather Goods business, takeover of Emilio Pucci; in addition Kenzo formed a joint company controlled by Kenzo with ECCE, the former licensee of Kenzo Men lines.

- In Perfumes and Cosmetics, the acquisitions of Urban Decay and Fresh, two American cosmetics companies.
- In the Selective Retailing business, acquisition of Miami Cruiseline Services, leader in the duty-free sale of luxury goods on cruise ships. In fragrances and cosmetics retailing, Sephora acquired the Italian companies Boidi and Carmen, and created a joint venture in Greece (50% stake) with Marinopoulos.
- In the Watches and Jewelry business, the acquisition of Omas, the Italian manufacturer of luxury pens.
- In the media business, D.I Group (ex Desfossés International) bought System TV and acquired an equity interest in Yacast.
- Lastly, acquisition of the magazines *Connaissance des Arts*, and *Art and Auction Magazine*, as well as the *Emer Guide*.
- The equity interest in Oxygen Media in the United States was raised to 10%.
- The LV capital investment fund raised its interest in Apache (children's leisure goods) to 46%, acquired a 10% stake in Joseph, the upscale ladies ready-to-wear retailer, an 11% stake in Racing Live, a web site for motor racing, a 35% stake in Micromania, leader in video games retail in France, and a 35% stake in Forte Pharma, a company specialized in par pharmaceutical products.
- Acquisition of a 3.5% stake in Tod's Group, the famous Italian luxury house.
- A strategic agreement with Rossimoda, Italian manufacturer of upscale shoes, and possible acquisition of an equity interest in the company at a later date.
- Operating investments totaled EUR 857 million compared with EUR 574 million in the previous year; these transactions are detailed in the "financial policy items" chapter and in the notes to the consolidated financial statements.
- Disposals primarily pertained to Diageo shares, which enabled LVMH to generate cash of EUR 2,072 million (FRF 13,591 million). The transaction reduced LVMH's equity stake in Diageo from 6.8% to 0.36% in the year.

Regarding the equity interest in Gucci:

At the beginning of 1999, LVMH increased its interest in Gucci by an additional investment of EUR 1.1 billion, to reach 34.4% of Gucci's capital. This investment would be diluted to approximately 20% if the capital increase decided by Gucci on March 19, 1999 is upheld.

LVMH has undertaken legal action contesting the validity of the two reserved capital increases, carried out on February 18 and March 19, 1999. Following a decision handed down on May 27, 1999, by the Enterprise Chamber of the Amsterdam Court of Appeal, which confirmed the cancellation of the February 18, 1999 equity issue, and recognized the faults committed by Gucci and

PPR (Pinault-Printemps-Redoute SA) at the expense of LVMH, LVMH filed an appeal before the Supreme Court of the Netherlands and separate actions before the District Court of Amsterdam. The primary purpose of the lawsuits is to obtain the cancellation of the reserved capital increase decided by Gucci on March 19, 1999, and failing cancellation, to obtain full compensation for the loss caused to LVMH through a decision obligating PPR to launch a full takeover bid on Gucci.

The Supreme Court has since overturned the May 27, 1999 decision and the case has been sent back to the Enterprise Chamber of the Court of Appeal.

On March 8, 2001, the Enterprise Chamber recognized the existence of serious doubts regarding the conditions under which Gucci entered into its agreements with PPR on March 19, 1999, and ordered an investigation into mismanagement at Gucci. The Court selected three prominent Dutch nationals to carry out this investigation: Messrs. Rijkels, Jacobs and Honée, who are to examine Gucci's management and policies, first regarding the ESOP launched in February 1999 to neutralize LVMH's voting rights, and second, in connection with the agreements that enabled PPR to buy 42% of Gucci's capital in March 1999. The Enterprise Chamber asked the investigators in particular to determine whether sufficient attention had been paid to the legitimate interests of Gucci shareholders. As the Court pointed out, due to the agreements with PPR, a) Gucci shareholders were deprived of their pre-emptive rights; b) substantial control over Gucci was transferred to PPR "contrary to Gucci's previously declared decision to stay independent", c) Gucci did not ask PPR to launch a full takeover bid and/or to pay the other shareholders a control premium; d) the price of USD 75/share paid by PPR was considerably less than that quoted by Gucci in the course of its negotiations concerning a possible bid by LVMH; and e) Gucci had no need for an immediate capital influx of USD 3 billion, in the absence of a strategic plan requiring such an amount, and that therefore the additional capital had produced a dilutive effect.

The investigators are expected to submit their findings within approximately six months. This will enable the Enterprise Chamber to decide whether or not to cancel the PPR agreements before year-end 2001.

V. CHANGEOVER TO THE EURO

Action plans for the changeover to the euro have been implemented in all Group companies. A large number of companies already process their accounting in euros. Specific teams have been set up to deal with issues regarding the proper operation of retail outlet terminals at the time of the euro changeover. All these actions will enable compliance with the deadlines set by the government authorities of all the countries in the euro zone.

Costs related to euro compliance, depending on their nature, have been charged or accounted for as capitalized expenses, in accordance with the accounting principles usually employed by

the Group. Reserves have been constituted to cover most future costs, the residual expenses having no material impact at Group level.

VI. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- In January 2001: LVMH and De Beers signed an agreement regarding the formation of a joint venture. This company operating with an exclusive license, will be responsible for distributing diamond jewelry worldwide in a yet-to-be developed store network, carrying the « De Beers » name. The company is expected to be operational by year-end 2001.

- On the basis of an agreement made in December 2000, LVMH acquired 100% of Gabrielle Studio Inc., a US company that owns the Donna Karan brand, at a cost of around 400 million US dollars.

Furthermore, pursuant to an agreement signed on March 31, 2001, LVMH is going to acquire Donna Karan International Inc. (DKI), a company listed in New York that holds the brand operating license, based on a valuation of DKI of around 240 million US dollars.

After the merger between DKI and Gabrielle Studio, LVMH will own 100% of the preferred stock and 85.7% of the common stock of the Donna Karan group.

- In the context of the merger of Phillips with the private art sales company de Pury & Luxembourg Art, the partners of this company,

Daniella Luxembourg and Simon de Pury, received 25% of the capital of the new entity known as Phillips, de Pury & Luxembourg.

- Lastly, LVMH acquired a majority stake in La Samaritaine, a leading Paris department store and all the related real property. For 54% of the capital on the date of going to press, the investment totaled EUR 244 million, of which EUR 90 million through a capital increase reserved to LVMH.

VII. OUTLOOK FOR 2001

The Group's extensive geographical coverage, and the strength and diversity of its brands, will enable LVMH, as it has in the past, to pursue its goals serenely, despite a more jittery economic environment, probably characterized by an economic downturn in the United States and a weaker Yen and Dollar over the euro.

In 2001, the Group's priorities will focus on organic growth and sharpening the competitive edge of group brands.

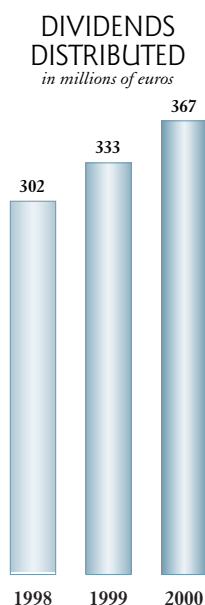
In addition, investments and acquisitions made in 2000, and new product rollouts, are expected to come to full fruition. Furthermore, the Group's currency hedging policy is another positive advantage for this year.

- Once again, LVMH's ambition in 2001 is to achieve double-digit growth in net sales and income from operations.

STOCK MARKET INFORMATION

1. DIVIDEND

- The proposed dividend per share for the financial year 2000 amounts to EUR 0.75 (FRF 4.92), which corresponds to a 10.3% increase compared with the dividend paid for 1999.
- The gross dividend, including the French tax credit (“Avoir fiscal”) of EUR 0.375 will represent a revenue of EUR 1.125 paid to the 489,858,345 shares comprising the share capital.
- Therefore, LVMH will be paying as dividend a total of EUR 367 million for the financial year 2000, including shares held by the parent company LVMH. Dividends paid for the financial year 1999 represented a sum of EUR 333 million.



2. CHANGES IN SHARE CAPITAL

Number of shares at December 31, 1999	97,957,650
Shares issued via the exercise of stock options	26,587
Split of the nominal	391,874,108
Number of shares at December 31, 2000	489,858,345

3. OUTSTANDING NOTES

- **5.25% Notes due November 2002**
 Amount issued: FRF 1,500,000,000
 Par value: FRF 10,000 (20,000 notes), FRF 100,000 (11,000 notes) and FRF 1,000,000 (200 notes)
 Issue price: 100.76%
 Redemption: at par
 Issue date: November 14, 1996
 Maturity date: November 14, 2002
 Annual interest rate: 5.25%
 Listing: Paris and Luxembourg
- **1% Indexed Notes due May 2005**
 Amount issued: FRF 1,300,000,761
 Par value: FRF 1,527
 Issue price: 100%
 Issue date: May 15, 1998
 Maturity date: May 15, 2005
 Annual interest rate: 1%
 Redemption: Either, at LVMH's option, between April 15, 2002 and May 14, 2002, at 150% of par value. Or, at the holder's option, between May 15, 2002 and April 15, 2005, at the average price of the LVMH share during the ten trading days preceding the call for redemption (subject to the adjustments as listed in the issuance prospectus). Or, at maturity, at the highest of the average price of the LVMH share during the ten trading days preceding May 1, 2005 (subject to certain adjustments as listed in the issuance prospectus) or par value.
 Listing: Paris and Luxembourg
- **5% Notes due July 2006**
 Amount issued: EUR 800,000,000
 Par value: EUR 1,000 (200,000 notes) and EUR 10,000 (60,000 notes)
 Issue price:
 – 99.515% for the first tranche of EUR 500,000,000
 – 97.395% for the second tranche of EUR 200,000,000
 – 96.653% for the third tranche of EUR 100,000,000
 Redemption: at par
 Issue date: July 27, 1999
 Maturity date: July 27, 2006
 Annual interest rate: 5%
 Listing: Paris and Luxembourg

- *3.75% Notes due July 2001*
Amount issued: EUR 150,000,000
Par value: EUR 100,000 (1,500 notes)
Issue price: 100%
Redemption: at par
Issue date: October 14, 1999
Maturity date: April 4, 2001
Annual interest rate: 3.75%
Listing: Luxembourg
- *5.75% Notes due February 2005*
Amount issued: EUR 600,000,000
Par value: EUR 1,000 (600,000 notes)
Issue price:
– 99.513% for the first tranche of EUR 400,000,000
– 98.563% for the second tranche of EUR 150,000,000
– 98.846% for the third tranche of EUR 50,000,000
Redemption: at par
Issue date: February 28, 2000
Maturity date: February 28, 2005
Annual interest rate: 5.75%
Listing: Paris and Luxembourg
- *3.55% Notes due June 2001*
Amount issued: SGD 100,000,000
Par value: SGD 250,000 (400 notes)
Redemption: at par
Issue date: June 8, 2000
Maturity date: June 8, 2001
Annual interest rate: 3.55%
Listing: Luxembourg
- *Floating Rate Notes due December 2001*
Amount issued: EUR 60,000,000
Par value: EUR 250,000 (240 notes)
Redemption: at par
Issue date: June 13, 2000
Maturity date: December 13, 2001
Listing: Luxembourg
- *Floating Rate Notes due July 2004*
Amount issued: EUR 40,000,000
Par value: EUR 10,000 (4,000 notes)
Redemption: at par
Issue date: July 7, 2000
Maturity date: July 7, 2004
Listing: Paris
- *Floating Rate Notes due January 2002*
Amount issued: EUR 120,000,000
Par value: EUR 10,000 (12,000 notes)
Redemption: at par
Issue date: July 17, 2000
Maturity date: January 17, 2002
Listing: Luxembourg
- *Floating Rate Notes due July 2001*
Amount issued: EUR 18,500,000
Par value: EUR 100,000 (185 notes)
Redemption: at par
Issue date: July 19, 2000
Maturity date: July 19, 2001
Listing: none
- *Floating Rate Notes due August 2002*
Amount issued: EUR 25,000,000
Par value: EUR 1,000 (25,000 notes)
Redemption: at par
Issue date: August 30, 2000
Maturity date: August 30, 2002
Listing: Luxembourg
- *Floating Rate Notes due November 2003*
Amount issued: HKD 100,000,000
Par value: HKD 1,000,000 (100 notes)
Redemption: at par
Issue date: November 13, 2000
Maturity date: November 13, 2003
Listing: none
- *Floating Rate Notes due November 2005*
Amount issued: EUR 30,000,000
Par value: EUR 100,000 (300 notes)
Redemption: at par
Issue date: November 30, 2000
Maturity date: November 30, 2005
Listing: Luxembourg

4. EARNINGS PER SHARE^(*)

<i>(in euros)</i>	1998	1999	2000
Fully diluted earnings per share	0.55	1.43	1.49
Net income before amortization of goodwill and unusual items	1.08	1.53	1.75
Gross dividend (net + avoir fiscal tax credit)	0.93	1.02	1,125
Change from previous year	0%	10%	10.3%
Share price: high	38.2	91.5	98.7
Share price low	18.9	30.9	66.5
Share price at December 31	30.7	88.9	70.5
Change from previous year	11%	190%	-21%

(*) Adjusted for the June 21, 1999 one-for-ten bonus share distribution and for the five-for-one stock split carried out on July 3, 2000.

5. LVMH'S SECURITIES MARKET

The Company's common shares are listed on the Euronext-Paris stock exchange, the Euronext-Brussels and the New York Nasdaq (in the form of American Depositary Shares, under the symbol "LVMHY").

Each American Depositary Share represents one fifth of a share. The depository of the program is the Bank of New York in New

York. The securities traded on this market represent an average of less than 1% of the Company's capital each year.

The daily average volume on the Nasdaq in 2000 was around 45,247 ADS (or the equivalent of 9,049 shares). This is to be compared to an average daily volume traded on the Euronext-Bourse of 981,926 shares.

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

(stock prices and volumes adjusted, where appropriate, for the one-for-ten bonus share distribution of June 21, 1999 and the five-for-one stock split on July 3, 2000).

	Opening price first day (EUR)	Closing price last day (EUR)	High (EUR)	Low (EUR)	Number of shares traded	Trading value (M. EUR)
1999: September	57.54	56.3	59.2	55.04	19,325,860	1,096
October.....	55.9	57.4	60.2	54.32	21,328,265	1,218
November	56.8	64.44	67.9	56.3	21,793,415	1,391
December.....	64.8	88.94	91.48	64.6	24,826,160	1,799
2000: January	91.78	82.2	94.8	74.02	25,802,610	2,167
February.....	83.2	77.1	90.5	70.2	25,555,275	2,029
March.....	76.72	87.44	90.66	70.2	29,652,075	2,408
April.....	87.36	92.32	96.98	79.3	16,346,395	1,427
May.....	92.98	87.44	95.96	85.1	21,822,105	1,971
June	86	86.38	92.4	83.62	17,069,105	1,502
July	87.9	93.85	95	84.05	14,734,200	1,333
August.....	93.1	87.4	98.7	85.6	17,518,917	1,610
September.....	87.4	85.55	92.3	81.2	22,042,265	1,898
October.....	83.6	86	87.9	78	19,928,230	1,645
November	87	76	88	74.55	18,055,556	1,470
December.....	76	70.5	77.75	66.5	19,900,590	1,443
2001: January	72.3	70.30	75.5	61.7	27,986,044	1,933
February.....	71	66.75	71.3	65.5	17,859,309	1,209

7. RECORD OF DIVIDENDS PER SHARE PAID FROM 1996 TO 2000⁽¹⁾

Year	Net dividend (EUR)	Tax credit (EUR)	Total (EUR)
2000.....	0.75	0.375	1.125
1999.....	0.68	0.34	1.02
1998.....	0.618	0.309	0.927
1997.....	0.618	0.309	0.927
1996.....	0.566	0.284	0.85

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

Pursuant to applicable laws in France regarding the statute of limitations, dividends and interim dividends uncollected within five years are paid to the French state.

CONSOLIDATED HIGHLIGHTS

<i>(amounts in millions)</i>	1996		1997		1998		1999		2000	
	FRF	EUR	FRF	EUR	FRF	EUR	FRF	EUR	FRF	EUR
NET SALES	31,142	4,748	48,035	7,323	45,497	6,936	56,066	8,547	75,965	11,581
INCOME FROM OPERATIONS	7,022	1,070	8,322	1,269	7,764	1,184	10,145	1,547	12,841	1,959
INCOME BEFORE INCOME TAXES	6,659	1,015	7,776	1,185	6,641	1,013	9,411	1,435	11,103	1,692
NET INCOME BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS	4,457	679	4,869	742	3,445	525	4,839	738	5,550	846
NET INCOME	3,683	561	4,528	690	1,754	267	4,543	693	4,736	722

(amounts in currency units)

EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS*	9.36	1.43	10.18	1.55	7.13	1.09	10.02	1.53	11.45	1.75
EARNINGS PER SHARE*	7.73	1.18	9.46	1.44	3.63	0.55	9.40	1.43	9.77	1.49

(amounts in millions)

TOTAL ASSETS	79,993	12,195	99,787	15,212	106,876	16,294	136,005	20,734	152,131	23,192
STOCKHOLDERS' EQUITY	35,984	5,486	40,530	6,179	41,431	6,316	43,976	6,704	46,121	7,031
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN CURRENT ASSETS AND LIABILITIES	5,583	851	7,630	1,163	3,155	481	6,966	1,062	7,846	1,196

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

CONSOLIDATED STATEMENT OF INCOME

<i>(amounts in millions except EPS)</i>	NOTES	2000 FRF	2000 EUR	1999 EUR	1998 EUR
NET SALES	19	75,965	11,581	8,547	6,936
Cost of sales.....		(27,690)	(4,221)	(3,132)	(2,540)
GROSS MARGIN		48,275	7,360	5,415	4,396
Marketing and selling expenses.....		(27,593)	(4,206)	(2,964)	(2,438)
General and administrative expenses.....		(7,841)	(1,195)	(904)	(774)
INCOME FROM OPERATIONS	19	12,841	1,959	1,547	1,184
Financial expense – net.....	21	(2,750)	(421)	(227)	(174)
Dividends from nonconsolidated investments.....		298	45	97	2
Other income or expense – net.....		714	109	18	1
INCOME BEFORE INCOME TAXES		11,103	1,692	1,435	1,013
Income taxes.....	22	(4,156)	(633)	(554)	(466)
Income (loss) from investments accounted for using the equity method.....	7	(226)	(34)	(6)	62
NET INCOME BEFORE AMORTIZATION OF GOODWILL, MINORITY INTERESTS AND UNUSUAL ITEMS		6,721	1,025	875	609
Amortization of goodwill.....	23	(925)	(141)	(102)	(97)
Minority interests.....	16	(1,171)	(179)	(137)	(84)
Unusual items.....	24	111	17	57	(161)
NET INCOME		4,736	722	693	267
NET INCOME BEFORE MINORITY INTERESTS		6,323	964	848	297
NET INCOME BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS		5,550	846	738	525
EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS		11.45	1.75	1.53	1.09
EARNINGS PER SHARE		9.77	1.49	1.43	0.55
Number of common shares and share equivalents (1)		484,800,930	484,800,930	483,157,146	483,348,424
FULLY DILUTED EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL AND UNUSUAL ITEMS		11.45	1.75	1.53	1.08
Number of common shares and share equivalents after dilution (1)		484,886,474	484,886,474	483,445,278	484,000,390

(1) 1999 and 1998 figures have been adjusted to reflect the bonus share distribution of June 21, 1999 (one new share, for ten shares previously held on this date) and the five-for-one stock split of July 3, 2000.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2000

ASSETS (amounts in millions)	NOTES	2000 FRF	2000 EUR	1999 EUR	1998 EUR
CURRENT ASSETS					
Cash and cash equivalents	3	4,561	695	546	588
Short-term investments	3	8,696	1,326	183	217
Treasury shares	4	8,457	1,289	853	208
Trade accounts receivable	5	10,747	1,638	1,442	1,126
Deferred income taxes		1,742	266	273	205
Inventories	6	22,187	3,382	2,943	2,571
Prepaid expenses and other current assets		10,466	1,596	1,500	707
		66,856	10,192	7,740	5,622
INVESTMENTS AND OTHER ASSETS					
Investments accounted for using the equity method	7	135	21	10	7
Unconsolidated investments and other investments	8	12,411	1,892	3,959	3,616
Treasury shares	4	1,025	156	210	77
Other non-current assets		2,013	307	251	191
Property, plant and equipment – net	11	22,090	3,367	2,856	2,357
Brands & other intangible assets – net	10	22,403	3,415	2,527	1,451
Goodwill – net	9	25,198	3,842	3,181	2,973
		85,275	13,000	12,994	10,672
TOTAL		152,131	23,192	20,734	16,294

LIABILITIES AND STOCKHOLDERS' EQUITY <i>(amounts in millions)</i>	NOTES	2000 FRF	2000 EUR	1999 EUR	1998 EUR
CURRENT LIABILITIES					
Short-term borrowings	12	34,983	5,333	4,439	3,192
Accounts payable.....		8,560	1,305	1,087	913
Accrued expenses and other current liabilities.....		15,553	2,371	2,548	1,773
Income taxes		2,086	318	139	25
Current portion of long-term debt	13	1,541	235	161	130
		62,723	9,562	8,374	6,033
NET DEFERRED INCOME TAXES		723	110	167	184
LONG-TERM LIABILITIES					
Long-term debt, less current portion	13	22,949	3,498	3,085	1,425
Other long-term liabilities	14	7,634	1,164	921	1,007
Repackaged notes	15	2,268	346	406	465
		32,851	5,008	4,412	2,897
MINORITY INTERESTS IN SUBSIDIARIES	16	9,713	1,481	1,077	864
STOCKHOLDERS' EQUITY					
Common stock		964	147	147	136
Additional paid-in capital and retained earnings		46,027	7,017	6,679	6,330
Cumulative translation adjustment		(870)	(133)	(122)	(150)
	17	46,121	7,031	6,704	6,316
TOTAL		152,131	23,192	20,734	16,294

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

<i>(EUR millions)</i>	Number of shares	Capital	Additional paid-in capital & reserves	Cumulative translation adjustment	Total
AS OF JANUARY 1, 1998	87,596,460	134	6,187	(142)	6,179
Final dividend paid on 1997 income			(207)		(207)
Shares issued in payment of Le Bon Marché acquisition	1,343,150	2	257		259
LVMH shares owned by subsidiaries			(89)		(89)
Conversion of debt	2,277				
Employee stock option plans	41,185		4		4
Other changes, net			(8)		(8)
Net income			267		267
Interim dividend paid on 1998 income			(81)		(81)
Foreign currency translation				(8)	(8)
AS OF DECEMBER 31, 1998	88,983,072	136	6,330	(150)	6,316
Final dividend paid on 1998 income			(209)		(209)
and related taxation			(72)		(72)
Long-term investment in LVMH shares (1)			34		34
Conversion of capital into euro		(2)	2		
Conversion of debt	211				
Employee stock option plans	73,413		7		7
Bonus share distribution	8,900,954	13	(13)		
Other changes, net			(1)		(1)
Net income			693		693
Interim dividend paid on 1999 income			(91)		(91)
Foreign currency translation				27	27
AS OF DECEMBER 31, 1999	97,957,650	147	6,680	(123)	6,704
Final dividend paid on 1999 income			(222)		(222)
and related taxation			(1)		(1)
Long-term investment in LVMH shares (1)			(62)		(62)
Employee stock option plans	26,587		1		1
Five for one stock split	391,874,108				
Net income			722		722
Interim dividend paid on 2000 income			(101)		(101)
Foreign currency translation				(10)	(10)
AS OF DECEMBER 31, 2000	489,858,345	147	7,017	(133)	7,031

(1) Refer to accounting policies, Note 1.11

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(amounts in millions)</i>	2000 FRF	2000 EUR	1999 EUR	1998 EUR
I. OPERATING ACTIVITIES				
Net income	4,736	722	693	267
Minority interests	1,587	242	155	30
Equity interest in undistributed earnings of associated companies, less dividends received.....	235	36	7	28
Depreciation and amortization	3,548	541	433	342
Change in provisions.....	(1,258)	(192)	192	(154)
Change in deferred taxes	232	35	(92)	(44)
(Gain) loss on sale of fixed assets or treasury shares.....	(1,234)	(188)	(326)	12
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN CURRENT ASSETS AND LIABILITIES	7,846	1,196	1,062	481
Inventories	(1,245)	(190)	(121)	(7)
Trade accounts receivable.....	(354)	(54)	(99)	46
Accounts payable.....	643	98	66	121
Other current assets and liabilities	(1,372)	(209)	(224)	26
NET CHANGE IN CURRENT ASSETS AND LIABILITIES	(2,328)	(355)	(378)	185
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,518	841	684	666
II. INVESTING ACTIVITIES				
Purchases of brands and other intangible assets	(410)	(63)	(76)	(31)
Purchases of property, plant and equipment.....	(5,212)	(794)	(498)	(377)
Acquisition of other investments	(2,614)	(399)	(1,725)	(255)
Proceeds from sale of fixed assets and other investments	562	86	158	29
Proceeds from sale of Diageo shares and transfer to short-term investments (2000), Diageo shares buy back (1999) & capital repayment (1998)	13,199	2,012	1,560	473
Change in other non-current assets	(781)	(119)	(121)	(58)
Net effect of acquisitions & disposals of consolidated companies.....	(3,589)	(547)	(1,215)	(581)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,155	176	(1,917)	(800)
III. FINANCING ACTIVITIES				
Proceeds from issuances of common stock.....	71	11	52	46
Change in treasury shares	(2,226)	(339)	(718)	(3)
Dividends and interim dividends paid by the parent company (including related tax)	(2,115)	(322)	(372)	(289)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(462)	(70)	(100)	(58)
Proceeds from short-term borrowings and long-term debt.....	14,801	2,256	3,524	1,099
Principal repayments on short-term borrowings and long-term debt	(8,436)	(1,286)	(1,091)	(838)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,633	250	1,295	(43)
IV. EFFECT OF EXCHANGE RATE CHANGES	(144)	(22)	(77)	(8)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	8,162	1,245	(15)	(185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (net of bank overdrafts)	3,103	473	488	673
CASH AND CASH EQUIVALENTS AT END OF YEAR (net of bank overdrafts)	11,265	1,718	473	488
Non cash transactions:				
– increase of capital through conversion of debt.....	–	–	–	–
– lease financing operations	46	7	74	2

The change in cash and cash equivalents during the period includes the change in cash (including bank overdrafts) and short-term investments, net of provision.

LVMH MOËT HENNESSY LOUIS VUITTON AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 General

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

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

Because its shares are listed on the NASDAQ, LVMH prepares a table of concordance between its presentation of income and stockholders' equity under French accounting standards and US GAAP which is included in the Form 20F.

1.2 Principles of consolidation

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

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

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

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

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

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

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

- b) Foreign currency transactions are accounted for at the exchange rate prevailing at the transaction date.

Trade receivables and debt denominated in foreign currency are converted at the prevailing exchange rate on December 31. The

unrealized losses and gains resulting from this translation are recorded in the statement of income, except when they result from the translation of foreign currency debt or other instruments designated as hedges of long-term investments in the same currency: in which case they are recorded in shareholders' equity under "Cumulative translation adjustment".

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

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

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

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

1.4 Brands and other intangible assets

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

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

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

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

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

1.5 Goodwill

Goodwill is defined as the difference between the purchase price of acquired businesses and the Group share of the underlying net

assets at the date of acquisition. This calculation is made after the net assets of the acquired company have been restated in conformity with the Group accounting principles and after revaluation to fair value, when fair value differs from net book value at the purchase date.

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

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

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

Goodwill acquired under French regulation (“fonds de commerce”) are amortized over a period which may not exceed 18 years.

1.6 Property, plant and equipment

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

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

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

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

1.7 Unconsolidated investments

Unconsolidated investments are recorded at acquisition cost.

In case of any difference deemed permanent between the fair value for the Group of such investment and the net book value, an impairment provision is recorded in this amount.

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

1.8 Inventories and work-in-progress

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

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

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

1.9 Trade accounts receivable and other receivables

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

1.10 Short-term investments

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

Market value for traded securities is determined by reference to the average price quoted on the related stock exchange during the last month of the year, and if applicable, translated at the year-end exchange rate. Market value of non-traded securities is based on published values or estimated realizable value. This calculation is determined on a line-by-line basis. No compensation is made between gains and losses.

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

1.11 Treasury shares

LVMH shares are recorded at acquisition cost.

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

LVMH shares held by the parent company or Group companies on a long-term basis, or for the purpose of future cancellation or exchange are recorded as a deduction from stockholders’ equity, including the related realized capital gains or losses. Until the 1999 financial period, only LVMH shares held by subsidiaries, in accordance with applicable regulation, were deducted from stockholders’ equity.

Shares acquired within the framework of stock price equalization or as short-term investments are treated as short-term securities (see above 1.10).

The shares held for stock option purchase plans are allocated to these plans for the duration of the option plan. A provision is eventually recorded to bring the acquisition cost in line with the exercise price.

1.12 Cash and cash equivalents

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

1.13 Pension and early retirement plans

In some countries including France, salary-based contributions are paid under these plans to government organizations which are liable for the payment of benefits. The Group has no actuarial liability under such plans.

Where specific retirement plans or other commitments are the responsibility of the Group, the corresponding actuarial commitments are charged to the statement of income either by way of a provision for "Other long-term liabilities" or by contributions to independent organizations responsible for the payment of the benefits.

1.14 Sales repurchase commitments

Companies in the Perfumes and Cosmetics business group repurchase from their distributors unsold or outdated products. Reserves are provided for on the basis of a percentage of sales and gross margin to cover the costs of such repurchased products.

1.15 Research and development costs

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

1.16 Bonds issuance costs and redemption premiums

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

1.17 Income taxes

Deferred taxes are provided for on timing differences arising between the net assets of consolidated companies as reported in the consolidation and the amount resulting from the application of tax regulations. These amounts are recorded under the liability method, based on the tax rates known at the closing date.

Taxes that would become payable in the event of distribution of the retained earnings of subsidiaries are provisioned for if such a distribution is probable.

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

The Group's main activities are the management and development of its brands and distribution networks. Income from operations is derived from these activities, be they recurring or non-recurring operations, principal or incidental.

Other income and expenses comprise statement of income items, which, due to their nature or frequency, may not be considered as inherent to the Group's main activities.

Other income and expense of a material amount and of an exceptional nature are recorded as unusual items. Unusual items are presented net of tax effect and minority interests.

1.19 Earnings per share

Earnings per share are calculated based on the weighted average number of common shares outstanding during the year, excluding the treasury shares deducted from equity.

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

2. CHANGES IN THE COMPOSITION OF THE GROUP

2.1. In 2000:

Fashion and Leather Goods

In July 2000, pursuant to the memorandum of agreement signed at the end of 1999, LVMH acquired with the Prada Group 51% of Fendi. EUR 404 million of the total EUR 564 million paid by the joint venture correspond to the value of the Fendi brand and EUR 92 million to goodwill.

Fendi has been consolidated using the proportionate method since July 1 for 51%, including 25.50% for LVMH's share.

Perfumes and Cosmetics

In 1999, LVMH acquired 70% of the US company BeneFit Cosmetics for EUR 67 million, the value of the BeneFit brand comprising the majority of the price paid.

Other acquisitions in 1999 but consolidated in 2000 include 73% of the French company Make Up For Ever, and 94% of the US cosmetics company Hard Candy; in 2000, LVMH acquired 100% of Urban Decay: these three investments represent a total amount of EUR 42 million.

All these companies have been fully consolidated for the entire year.

Watches and Jewelry

In addition to the investment in TAG Heuer, LVMH acquired the entire share capital of watch companies Ebel and Zenith at the end of 1999, for EUR 19 and 75 million respectively, as well as 100% of Chaumet, the famous Paris jeweler, for EUR 47 million.

The values attributed to these brands are EUR 125 million for Ebel, 58 million for Zenith, and 33 million for Chaumet.

These investments are consolidated as from January 1, 2000.

Selective Retailing

In the perfumes and cosmetics selective retailing activity, the acquisitions made by Sephora and consolidated in 2000 include the Italian networks Laguna acquired at the end of 1999, Boidi in February 2000 and Carmen in July 2000; they also include 50% of the company that owns a Greek retail network called "Beauty Shop".

The total investment of EUR 154 million has been principally allocated to the value of these retail network names; the related amount, recorded under goodwill, is amortized over periods of 10 to 15 years.

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

Other activities

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

2.2 In 1999:

Wines and Spirits

In January, LVMH acquired the Krug champagne house for EUR 153 million; the difference between this price and net assets was allocated to the value of the Krug brand for EUR 100 million. Krug is consolidated as from January 1 in the Champagne and Wines business group.

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

Fashion and Leather Goods

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

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

Perfumes and Cosmetics

Also in January, the stake in Compagnie Financière Laflachère was increased to 52%; after the tender offer of February 1999, and the final withdrawal in December, Laflachère owned more than 99% of La Brosse et Dupont previously listed on the Paris stock exchange.

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

Watches and Jewelry

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

The other investments carried out and consolidated in the period included 70% of the US company Bliss, 100% of the Swiss company Bénédom, Radio Classique and Sid Editions, representing a total of EUR 97 million.

Finally, in 1999 the investments in the Champagne and Wines business group in the Simi Winery (California) and Porto Rozès (Portugal), and the Cognac and Spirits business group in Etablissements Pellisson were disposed of. These disposals resulted in a total capital gain of EUR 29 million.

2.3 In 1998:

Fashion and Leather Goods

LVMH Fashion Group S.A. (named Louis Vuitton SA until 2000), purchased and subsequently cancelled all its own shares held outside of LVMH, representing 2.95% of equity, of which 2.90% was held by BM Holding, the principal shareholder of LVMH via Christian Dior. The shares were purchased for EUR 274 million, resulting in goodwill of EUR 213 million. The brands owned by LVMH Fashion Group are either recorded at historical value if acquired or not recorded if developed by the Group. The goodwill resulting from this share buy-back

represents the increase of the Group share in the historical value of brands held by LVMH Fashion Group and therefore will be amortized over 40 years.

In December 1998, as the result of the public offer by purchase or share exchange, LVMH acquired 99% of Belle Jardinière, a real estate company listed on the second market in Paris. Belle Jardinière shareholders received EUR 7 million and 1,093,066 shares of LVMH stock, initially acquired by LVMH for EUR 180 million. At this date, BM holding owned 86% of Belle Jardinière. The purchase price was allocated to the value of the real estate assets. Belle Jardinière is fully consolidated as of December 31, 1998.

Selective retailing

In June 1998, LVMH acquired from BM Holding, its principal shareholder via Christian Dior, the distribution business and real estate assets of Le Bon Marché, valued at EUR 259 million. This acquisition was financed by a share capital increase representing approximately 1.51% of the LVMH parent company share capital after the operation. The price paid has been allocated mainly to the real estate assets. Le Bon Marché is fully consolidated since June 1, 1998.

In July, LVMH acquired for EUR 118 million Marie Jeanne Godard, a French specialized distribution network for fragrances and cosmetics. The majority of the acquisition price was recorded as goodwill and amortized over 30 years.

2.4 Summarized pro forma information and impact on cash flow:

• A simplified pro forma income statement is presented below for the 1999 and 2000 financial periods, on the basis of a consolidation scope presenting the changes in Group composition that occurred during these periods as completed at January 1 1999:

- In 2000: the integration of Fendi; the first consolidation of Make Up For Ever, Hard Candy, BeneFit and Urban Decay; Miami Cruiseline, Laguna, Boidi, Carmen and Marinopoulos; Ebel, Zenith and Chaumet and Phillips.
- In 1999: the acquisitions of Laflachère, Krug, Bliss, Château d'Yquem, Benedom, Radio Classique, SID Editions, TAG Heuer and Thomas Pink, acquisition of the minority interests of Louis Vuitton Malletier and Loewe subsidiaries in Southeast Asia, and the sale of Simi Winery, Pellisson, and Rozes.

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

<i>(in EUR millions)</i>	2000 pro forma	1999 pro forma
Sales.....	11,698	9,582
<i>of which :</i>		
– Champagne and Wines	2,336	2,234
– Fashion and Leather Goods	3,271	2,411
– Perfumes and Cosmetics	2,072	1,698
– Watches and Jewelry	613	579
– Selective Retailing	3,335	2,602
Income from operations.....	1,976	1,605
Income before income taxes.....	1,707	1,387
Net income before amortization of goodwill and unusual items.....	843	697
Net income before unusual items.....	698	557

• The impact of changes in group consolidation scope in 2000 on the balance sheet at December 31, 2000 is as follows:

<i>(in EUR millions)</i>			
Brands and other			
intangible assets.....	808	Minority interests	201
Goodwill	709	Net financial debt.....	1,057
Net tangible assets.....	98	Other short-term debt	277
Net inventories.....	197	Other long-term debt.	401
Net trade receivables.....	109		
Other assets	15		
Total.....	1,936		1,936

• The impact on group cash of the changes in consolidation scope, net from the cash of acquired or disposed of companies, totaled EUR 547 million (compared with EUR 1 215 million in 1999).

This figure represents primarily investments in Fendi and Miami Cruiseline.

In 1999, the amount mainly represents the investments in TAG Heuer, Krug and the purchase of the minority interests of the distribution subsidiaries of Louis Vuitton Malletier in Southeast Asia.

3. SHORT-TERM INVESTMENTS AND CASH

<i>(EUR millions)</i>	2000	1999	1998
Short-term investments :			
Listed securities	1,133	62	169
Mutual funds at cost.....	154	90	17
Negotiable notes and other unlisted securities	86	61	72
Depreciation allowances.....	(47)	(30)	(41)
Net book value	1,326	183	217
Market value of short-term securities.....	1,397	186	217
Of which, market value of quoted securities and mutual funds.....	1,276	125	143
Cash and cash equivalents :			
Fixed-term deposits (maturity > 3 months).....	12	19	1
Fixed-term deposits (maturity < 3 months)	123	15	193
Ordinary bank accounts	560	512	394
	695	546	588
Of which, restricted cash	13	4	4

At December 31, 2000, listed securities included for respectively EUR 126 and 956 million, 12,500,000 shares in Diageo Plc (UK), and 18,465,940 in Bouygues SA (France).

4. TREASURY SHARES

The allocation of LVMH shares held at year end is as follows:

<i>(EUR millions)</i>	2000		1999	1998
	Number	EUR	EUR	EUR
More than 1 year :				
– stock option plans.....	5,028,395	156	210	77
Less than one year :				
– stock option plans.....	4,653,990	110	90	153
– stock price equalization or short-term investments :				
– gross value	17,744,615	1,179	763	58
– depreciation allowance.....		–	–	(3)
	22,398,605	1,289	853	208

During the period, the following transactions were made in the portfolio:

<i>(currency units millions)</i>	Stock price equalization or short-term investments		Stock option plans	
	Number	EUR	Number	EUR
At January 1, 2000	2,747,398	763	2,190,416	300
– Five-for-one stock split.....	10,989,592	–	8,761,664	–
– Purchases	6,782,578	585	–	–
– Transfers	879,670	25	(879,670)	(25)
– Exercise of options.....	–	–	(390,025)	(9)
– Disposals at market price	(3,654,623)	(309)	–	–
– Gross realized capital gain	–	115	–	–
At December 31, 2000	17,744,615	1,179	9,682,385	266
Market value		1,282		

- The market value is based on the average quoted price of LVMH shares in the month of December, i.e. EUR 72.22.
- The number of shares for period prior to July 3, 2000 has been adjusted to reflect the five-for-one stock split.

5. TRADE ACCOUNTS RECEIVABLE

<i>(EUR millions)</i>	2000	1999	1998
Gross value	1,708	1,492	1,167
Allowance for doubtful accounts	(70)	(50)	(41)
Net book value	1,638	1,442	1,126

At December 31, 2000, an outstanding amount of EUR 58 million was securitized under a “Daily” agreement (nil, at December 31, 1998 and 1999).

6. INVENTORIES AND WORK IN PROGRESS

<i>(EUR millions)</i>	2000	1999	1998
Merchandise.....	694	509	278
Finished goods	1,027	845	678
	1,721	1,354	956
Wines and distilled alcohol in the process of aging	1,618	1,612	1,596
Other raw materials and work in progress	386	185	189
	2,004	1,797	1,785
Gross value.....	3,725	3,151	2,741
Provision.....	(343)	(208)	(170)
Total net	3,382	2,943	2,571

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<i>(EUR millions)</i>	2000	1999	1998
eLuxury	–	2	–
Other	21	8	7
Investments accounted for using the equity method	21	10	7
Diageo	–	–	61
eLuxury	(38)	(8)	–
Other	4	2	1
Income (loss) from investments accounted for using the equity method	(34)	(6)	62

Investment in Diageo: see Note 8 – Unconsolidated investments

8. UNCONSOLIDATED INVESTMENTS AND OTHER INVESTMENTS

<i>(EUR millions)</i>	2000		1999		1998	
	Gross	Allowance	Gross	Allowance	Gross	Allowance
– Diageo Plc	–	–	1,919	–	3,180	–
– Gucci Group NV	1,256	–	1,256	–	170	–
– Other investments	619	(118)	325	(25)	302	(36)
Unconsolidated investments	1,875	(118)	3,500	(25)	3,652	(36)
Investments acquired in 2000 (or 1999), consolidated in 2001 (or 2000)	135	–	484	–	–	–
	2,010	(118)	3,984	(25)	3,652	(36)

8.1 Unconsolidated investments

<i>(EUR millions)</i>	Group Interest	Net book value	Dividends received	Share capital (1)	Net income (1)	Market value on 12/3/00
OC Clarins 0% 1997	NA	119	–	324	47	104
Tod's Spa (Italy)	4%	47	–	116	21	47
Video Networks Ltd (UK)	14%	40	–	72	(24)	–
Oxygen Media (USA)	10%	37	–	252	(74)	–
Marnier Lapostolle SA (France)	10%	23	1	151	18	29
Various investments in Internet funds (USA)	less than 20%	19	–	NA	NA	–
Prost Development NV (Netherlands)	10%	19	–	NA	NA	–
Other investments		17	–			–
Investments less than 20%		321	1			
	see					
Gucci Group NV (Netherlands)	comments	1,256	9	3,843	310	1,898
SFMI Micromania SA (France)	35%	40	–	35	1	–
Pechel Industries SA (France)	43%	33	–	97	6	–
Fininfo SA (France)	21%	23	1	44	7	109
Inter Parfums Inc.(USA) (1)	21%	19	–	52	5	15
Other investments		34	–			–
Investments between 20% and 50%		1,405	10			
Other investments		31	–			
Investments greater than 50%		31	–			
		1,756	11			

(1) The accounting data provided are prior to 31.12.2000

The above-mentioned investments, of more than 20%, remain unconsolidated since the Group has no significant influence in their management or since they are assets available for sale.

• Diageo stock:

In addition to the partnership regarding the distribution of their goods, LVMH and Diageo have maintained reciprocal capital investments for several years. At December 31, 2000, Diageo had a 34% stake in Moët Hennessy, the holding company for the LVMH Wines and Spirits business group. At this date, the LVMH stake in Diageo was reduced to under 0.5% from 6.7% at the end of 1999.

The interest of the Group in Guinness, historically 20%, and then in Diageo, has been gradually reduced since 1997. LVMH's shareholding in Diageo was accounted for using the equity method until June 30, 1998.

In May 2000, the residual investment in Diageo was reclassified as a short-term investment.

• Investment in Gucci:

At the beginning of 1999, LVMH increased its interest in Gucci by an additional investment of EUR 1.1 billion, to reach 34.4% of Gucci's capital. This investment would be diluted to approximately 20% if the capital increase decided by Gucci on March 19, 1999 is upheld.

LVMH has undertaken legal action contesting the validity of the two reserved capital increases, carried out on February 18 and March 19, 1999. Following a decision handed down on May 27, 1999, by the Enterprise Chamber of the Amsterdam Court of Appeal, which confirmed the cancellation of the February 18, 1999 equity issue, and recognized the faults committed by Gucci and PPR (Pinault-Printemps-Redoute SA) at the expense of LVMH, LVMH filed an appeal before the Supreme Court of the Netherlands and separate actions before the District Court of Amsterdam. The primary purpose of the lawsuits is to obtain the cancellation of the reserved capital increase decided by Gucci on March 19, 1999, and failing cancellation, to obtain full compensation for the loss caused to LVMH through a decision obligating PPR to launch a full takeover bid on Gucci.

The Supreme Court has since overturned the May 27, 1999 decision and the case has been sent back to the Enterprise Chamber of the Court of Appeal.

On March 8, 2001, the Enterprise Chamber recognized the existence of serious doubts regarding the conditions under which Gucci entered into its agreements with PPR on March 19, 1999, and ordered an investigation into mismanagement at Gucci. The Court selected three prominent Dutch nationals to carry out this investigation: Messrs. Rijkels, Jacobs and Honée, who are to examine Gucci's management and policies, first regarding the ESOP launched in February 1999 to neutralize LVMH's voting rights, and second, in connection with the agreements that enabled PPR to buy 42% of Gucci's capital in March 1999. The Enterprise Chamber asked the investigators in particular to determine whether sufficient attention had been paid to the legitimate interests of Gucci shareholders. As the Court pointed out, due to the agreements with

PPR, a) Gucci shareholders were deprived of their pre-emptive rights; b) substantial control over Gucci was transferred to PPR "contrary to Gucci's previously declared decision to stay independent"; c) Gucci did not ask PPR to launch a full takeover bid and/or to pay the other shareholders a control premium; d) the price of USD 75/share paid by PPR was considerably less than that quoted by Gucci in the course of its negotiations concerning a possible bid by LVMH; and e) Gucci had no need for an immediate capital influx of USD 3 billion, in the absence of a strategic plan requiring such an amount, and that therefore the additional capital had produced a dilutive effect.

The investigators are expected to submit their findings within approximately six months. This will enable the Enterprise Chamber to decide whether or not to cancel the PPR agreements before year-end 2001.

8.2 Investments acquired in 2000, consolidated in 2001

<i>(EUR millions)</i>	Group Interest	Net book value	Equity (2) (3)	Net income (3)	Sales (3)
SA des Grands Magasins de la Samaritaine (France) (1)		30	43	33	142
Newton Vineyards (USA).....	60%	27	11	1	6
Emilio Pucci SRL (Italy).....	95%	25	–	(1)	8
Fresh Inc (USA)	65%	19	3	–	7
Other		34			
			135		

(1) Deposit paid, since the acquisition was completed in January 2001.

(2) Parent company or consolidated stockholders' equity before revaluation resulting from the allocation of the price paid by LVMH.

(3) The accounting data provided relate to financial year 1999.

9. GOODWILL

<i>(EUR millions)</i>	Amortization period	2000		1999		1998	
		Gross value	Accumulated amortization and provisions	Gross value	Accumulated amortization and provisions	Gross value	Accumulated amortization and provisions
DFS – Galleria	40	2,061	(206)	2,061	(155)	2,061	(103)
Sephora	10 to 30	583	(54)	418	(30)	401	(16)
Louis Vuitton	40	419	(37)	412	(20)	248	(6)
Miami Cruiseline Services.....	20	359	(18)	–	–	–	–
Veuve Clicquot Ponsardin.....	40	292	(108)	292	(101)	292	(94)
Phillips	30	95	(3)	–	–	–	–
Fendi	30	92	(2)	–	–	–	–
Laflachère	20	63	(5)	62	(2)	–	–
Other		473	(191)	399	(177)	280	(110)
Subtotal		4,437	(624)	3,644	(485)	3,282	(329)
Goodwill under French regulation (fonds de commerce)		40	(11)	30	(8)	28	(8)
		4,477	(635)	3,674	(493)	3,310	(337)

- The EUR 583 million goodwill from the Sephora subgroup includes the value of several perfumes and cosmetics selective retailing network names: “Sephora”, present in several European countries, “Carmen”, “Laguna” and “Boidi” in Italy, and “Beauty Shop” in Greece.
- Louis Vuitton’s goodwill is not representative of a price paid for acquiring the brand, since this was developed by the Group; it is the result of successive acquisitions of minority interests in the different legal structures of the Louis Vuitton subgroup.
- Goodwill amortization periods, ranging from 5 to 40 years are determined according to the estimate of their permanence at first consolidation; this estimate is made with reference to the market rank of the acquired company, especially in terms of its positioning, age and geographical establishment.

10. BRANDS AND OTHER INTANGIBLE ASSETS

(EUR millions)	2000		1999		1998	
	Gross	Accumulated amortization and provisions	Gross	Accumulated amortization and provisions	Gross	Accumulated amortization and provisions
Brands	3,235	(4)	2,395	(4)	1,369	(3)
including:						
– TAG Heuer	823	–	735	–	–	–
– Guerlain	441	–	441	–	441	–
– Fendi	404	–	–	–	–	–
– Céline	351	–	351	–	351	–
– Ebel	125	–	–	–	–	–
– Loewe	122	–	122	–	122	–
– Veuve Clicquot	113	–	113	–	113	–
– Château d'Yquem	108	–	108	–	–	–
– Krug	100	–	100	–	–	–
– Other (<100 M Eur)	648	(4)	425	(4)	342	(3)
Leasehold rights	121	(34)	94	(28)	72	(26)
Software	123	(66)	77	(34)	40	(22)
Others	115	(75)	87	(60)	69	(48)
	3,594	(179)	2,653	(126)	1,550	(99)

• The “acquired” brands not detailed in the “others” item above are primarily:

- Wines and Spirits: Pommery, Canard Duchêne
- Fashion and Leather Goods: Givenchy, Kenzo, Christian Lacroix and Thomas Pink
- Perfumes and Cosmetics: Parfums Christian Dior, Parfums Givenchy, Parfums Kenzo, Bliss, Make Up For Ever, Urban Decay, Hard Candy, and BeneFit Cosmetics
- Watches and Jewelry: Zénith, Fred and Chaumet
- Other activities: La Tribune and Investir newspapers.

• Brands developed by the Group, particularly Louis Vuitton and Hennessy, Moët et Chandon, Dom Pérignon, Mercier and Ruinart champagnes, are not capitalized in the balance sheet.

• The methods used for brand valuation depend on the industry segment and correspond to a capitalization of net income or marginal net income after income tax, the application of a multiple to consolidated sales, or a combination of these methods.

These multiplier or capitalization coefficients are calculated according to the renown and age of the brand, an estimate of its useful life, as well as by reference to past transactions.

11. PROPERTY, PLANT AND EQUIPMENT

<i>(EUR millions)</i>	2000		1999		1998	
	Gross	Accumulated depreciation	Gross	Accumulated depreciation	Gross	Accumulated depreciation
Land	612	(36)	536	(36)	504	(35)
Vineyard land and producing vineyards	406	(48)	397	(43)	362	(39)
Buildings.....	1,703	(563)	1,555	(489)	1,355	(438)
Machinery and equipment.....	1,329	(893)	1,189	(787)	1,041	(679)
Other tangible assets	1,340	(483)	894	(360)	585	(299)
	5,390	(2,023)	4,571	(1,715)	3,847	(1,490)
Including assets acquired or financed under capital lease :	305	(78)	296	(76)	208	(64)

Changes from one financial period to another are analyzed as follows:

<i>(in EUR million)</i>	2000		1999		1998	
	Gross	Depreciation	Gross	Depreciation	Gross	Depreciation
Balance at beginning of year.....	4,571	(1,715)	3,847	(1,490)	2,939	(1,255)
Acquisitions	758	–	595	–	307	–
Disposals	(173)	121	(152)	118	(104)	63
Depreciation expense	–	(350)	–	(257)	–	(182)
Effect of changes in consolidation scope	158	(53)	88	(17)	766	(141)
Effect of exchange rate fluctuations.....	76	(26)	193	(69)	(61)	25
Balance at year end	5,390	(2,023)	4,571	(1,715)	3,847	(1,490)

Acquisitions in the year primarily concerned investments in the Louis Vuitton, DFS and Sephora retail networks.

12. SHORT-TERM BORROWINGS

Analysis by nature and by currency

	2000	1999	1998		2000	1999	1998
Commercial paper	3,670	2,454	1,829	EUR (2)	4,111	3,464	2,789
Other credit lines	1,359	1,129	436	JPY	323	290	154
Bond issue (1)	–	600	610	USD	608	425	143
Bank overdrafts	304	256	317	GBP	61	44	17
				Other	230	216	89
	5,333	4,439	3,192		5,333	4,439	3,192

(1) Issued and reimbursable at par and yielding floating rate interest.

(2) Part of the other euro-denominated financial debt was swapped at one to three months, and transformed into foreign currency outstanding debt of CHF 1,336 million, GBP 104 million, JPY 6,100 million and USD 566 million.

At December 31, 2000, the unused and confirmed short-term credit lines totaled approximately EUR 2.9 billion.

13. LONG-TERM DEBT

Analysis by nature

(EUR millions)	Interest rate	Maturity	2000	1999	1998
Bond issue EUR 600 000 000, 2000 (1).....	5.75%	2005	600	–	–
Note issue EUR 120 000 000, 2000 (2).....	floating rate	2002	120	–	–
Note issue SGD 100 000 000, 2000 (2).....	3.55%	2001	64	–	–
Note issue EUR 60 000 000, 2000 (2).....	floating rate	2001	60	–	–
Note issue EUR 40 000 000, 2000 (2).....	floating rate	2004	40	–	–
Note issue EUR 30 000 000, 2000 (2).....	floating rate	2005	30	–	–
Note issue EUR 25 000 000, 2000 (2).....	floating rate	2002	25	–	–
Note issue EUR 18 500 000, 2000 (2).....	floating rate	2001	19	–	–
Note issue HKD 100 000 000, 2000 (2).....	floating rate	2003	15	–	–
Bond issue EUR 800 000 000, 1999 (3).....	5.00%	2006	800	800	–
Bond issue EUR 150 000 000, 1999 (4).....	3.75%	2001	150	150	–
Bond issue indexed FRF 1 300 000 761, 1998 (5).....	1.00%	2005	198	198	198
Bond issue USD 200 000 000, 1997 (6).....	6.75%	2000	–	176	176
Bond issue FRF 1 500 000 000, 1996 (7).....	5.25%	2002	229	229	229
Bond issue LUF 1 000 000 000, 1993.....	6.75%	1999	–	–	25
Bond issue LUF 1 000 000 000, 1993.....	7.50%	1999	–	–	25
Capitalized lease obligations.....		2001 to 2006	166	147	75
Other long-term debt.....		2001 to 2006	1,217	1,546	827
Total			3,733	3,246	1,555
Less current portion (8)			(235)	(161)	(130)
Portion in excess of one year			3,498	3,085	1,425

- (1) Bonds redeemable at par in full at maturity issued in three tranches, according to the terms below:
- first tranche of EUR 400 million, issued at 99.513% of par value;
 - second tranche of EUR 150 million, issued at 98.563 % of par value;
 - third tranche of EUR 50 million, issued at 98.846 % of par value;
- This borrowing was swapped and partly transformed into floating-rate debt when issued.
- (2) Notes part of the Euro Medium Term Note (EMTN) program of EUR 2,000 million, totaling EUR 372.5 issued as several tranches redeemable at par in full at maturity according to the terms below:
- first tranche of 100 million Singapore dollars issued at 100% of par value, swapped and transformed into floating-rate debt of EUR 64 million;
 - second tranche of EUR 60 million issued at 100% of par value, bearing interest at 3-month Euribor + margin;
 - third tranche of EUR 40 million issued at 99.94 % of par value, bearing interest at 3-month Euribor + margin;
 - fourth tranche of EUR 120 million issued at 99.956 % of par value, bearing interest at 3-month Euribor + margin;
 - fifth tranche of EUR 18.5 million issued at 100 % of par value, bearing interest at 3-month Euribor + margin;
 - sixth tranche of EUR 25 million issued at 100 % of par value, bearing interest at 3-month Euribor + margin;
 - seventh tranche of 100 million Hong Kong dollars issued at 100% of par value, bearing interest at 3-month Hibor + margin, swapped and transformed into floating-rate debt of EUR 15 million;
 - eighth tranche of EUR 30 million issued at 99.979 % of par value, bearing interest at 6-month Euribor + margin.
- (3) Bonds redeemable at par in full at maturity, issued in three tranches according to the terms below:
- first tranche of EUR 500 million, issued at 99.515 % of par value
 - second tranche of EUR 200 million, issued at 97.395 % of par value,
 - third tranche of EUR 100 million, issued at 96.653 % of par value.
- This borrowing was swapped and transformed into floating-rate debt when issued.
- (4) Bonds issued at par, redeemable at par in full at maturity, swapped and transformed into floating-rate debt when issued.
- (5) Indexed bonds issued at par linked to a benchmark LVMH stock price of EUR 42.33 (after the five-to-one stock split in July 2000), fully redeemable on maturity at the greater of par value or the average of the last 10 stock prices quoted before May 1, 2005, or paid in advance at the bondholder's request between May 15, 2002 and April 15, 2005 based on the LVMH stock price, or redeemed in advance at the bond issuer's request between April 15 and May 14 2002 at 150% of par value; this borrowing was fully swapped and transformed into non-indexed, floating-rate debt when issued.
- (6) Bonds issued at 101.055 % of par value, redeemable at par in full at maturity, swapped and transformed into floating-rate debt of EUR 176 million.
- (7) Bonds issued at 100.76 % of par value, redeemable at par in full at maturity, swapped and transformed into floating-rate debt when issued.
- (8) At December 31, 2000, unused long-term irrevocable credit lines exceeded EUR 1.4 billion. Due to these commitments, a fraction of the current portion of long-term debt was maintained under long-term debt, namely EUR 379 million. In addition, due to the existence of renewal authorizations, part of short-term financial debt was reclassified under long-term borrowings and financial debt, namely EUR 272 million (EUR 882 million at December 31, 1999, EUR 46 million at December 31, 1998).

ANALYSIS BY MATURITY DATES AND CURRENCY

(expressed in EUR millions)

Maturity dates	2000	Currency	2000	1999	1998
2001.....	235	EUR	3,307	2,262	1,222
2002.....	1,185	JPY	80	73	30
2003.....	137	USD	204	379	297
2004.....	182	CHF	22	495	–
2005.....	934	Other	120	37	6
2006 and after....	1,060				
	3,733		3,733	3,246	1,555

14. OTHER LONG-TERM LIABILITIES

(EUR millions)	2000	1999	1998
Liabilities for supplementary pension plans, early retirement plans and retirement bonus	217	159	148
Employees profit sharing plans	57	67	53
Contingency and loss provisions	658	440	500
Reorganization plans	64	124	204
Deferred payments for consolidated investments	49	–	–
Other liabilities	119	131	102
	1,164	921	1,007

15. REPACKAGED NOTES

Issuance dates	December 1990	February 1992
Par value (in EUR millions)	762	229
Issuance price	At par value	At par value
Stated interest rate	EURIBOR 6 months+0.45%	9.70%
Balance at December 31 2000	245	101
(in EUR millions)	1999	112
	1998	123

In 1990 and 1992, LVMH issued, outside of France, two series of subordinated notes (“repackaged subordinated notes”), having the following conditions :

- repayable at par value only in the event of liquidation or voluntary dissolution of LVMH, except for that resulting from a merger or spin-off ;

- principal payments subordinated to the full payment of all other creditors ;
- possibility to suspend interest payments if specific financial ratios are not achieved.

In 1996, due to an amendment to the 1990 repackaged subordinated notes agreement which eliminated the second and third of the aforementioned conditions, these notes were reclassified in debt as repackaged notes. The repackaged subordinated notes issued in 1992 were simultaneously reclassified as a result of the pari-passu clause in their agreement.

Although there are no fixed repayments terms, the repackaged notes are recorded on the balance sheet for an amount that will be progressively reduced to a nil value at the end of a fifteen-year period, arising from agreements entered with third parties.

In accordance with these agreements and in return for an initial lump sum payment by LVMH, the third-party companies have promised to hold or to repurchase the notes from noteholders after a fifteen-year period, and have agreed to relinquish any rights for interest on these notes after that time.

According to these arrangements :

- the repackaged notes have been recorded in the balance sheet at issuance at their par value, after deduction of the aforementioned payments; each year, these notes are subject to an amortization corresponding to the interest yielded by these payments’ investment effected by the third-party companies,
- the consolidated net result of each year is impacted by the interest expense borne on the par value, after the aforementioned amortization.

The 1990 repackaged notes, issued at variable rate, have been swapped for fixed rate up to EUR 469 million ; the 1992 repackaged notes, issued at fixed rate, have been swapped for floating rate up to EUR 76 million.

16. MINORITY INTERESTS

<i>(EUR millions)</i>	2000	1999	1998
As of January 1	1,077	864	923
– dividends paid to minority interests.....	(70)	(100)	(58)
– minority interests in income before unusual items.....	179	137	84
– minority interests in unusual items.....	62	18	(54)
– impact of consolidation of Fendi.....	183	–	–
– impact of discontinuance of recording Diageo under the equity method.....	–	103	–
– impact of the Louis Vuitton share buy-back.....	–	–	(61)
– acquisition of Château d'Yquem.....	–	54	–
– net effect of other acquisitions and disposals of consolidated companies.....	46	(18)	37
– foreign currency translation.....	4	19	(7)
As of December 31	1,481	1,077	864

17. STOCKHOLDERS' EQUITY

At December 31, 2000, the number of outstanding shares, whose par value is EUR 0.3, totaled 489,858,345 (97,957,650 in 1999; 88,983,072 in 1998). Among the shares outstanding at December 31, 2000, 216,362,681 had double voting rights. Double voting rights are granted to nominal shares held for at least three years.

The increase in the number of shares during the period is the result of the five-for-one stock split of July for 391,874,108 and the exercise of options or conversion of debt for the rest.

The authorized share capital at December 31, 2000, totaled 560,136,806.

The weighted average number of common shares for the 2000 financial year was 484,800,930 (483,157,146 in 1999; 483,348,424 in 1998) and 484,886,474 after dilution (483,445,278 in 1999; 484,000,390 in 1998).

In accordance with French law, dividends may only be declared on the parent company income for the current year and statutory retained earnings available for distribution. At December 31, 2000 the amount available for distribution, excluding proposed dividends for 2000 for EUR 367 million, totaled EUR 2 374 million in which approximately EUR 186 million are free of distribution tax.

18. STOCK OPTION PLANS

On May 25, 1992, the stockholders' meeting authorized the Board of Directors to grant stock options, under one or several plans, for the benefit of Group management or personnel up to a limit of 1.5% of the Company's share capital.

On June 8, 1995, the Board of Directors was authorized by the Shareholders' meeting to grant additional stock options, up to a limit of 3% of the Company's share capital. This authorization was renewed in the Shareholders' meeting of May 17, 2000 and will expire in five years on May 16, 2005.

Each plan is valid for 10 years; the options may be exercised after a 3 year period as from the date the plan is implemented. This mandatory period may be waived in certain cases, such as retirement.

For each plan, one option entitles the holder to purchase one LVMH share.

• **Subscription plans:**

Shareholders' Meeting	Grant date	Number of stock options granted (1)	Exercise price (EUR) (2) (3)	Outstanding and exercisable options at 31/12/2000 (2)
June 4, 1987	March 20, 1991	53,158	15.85	37,805
June 4, 1987	March 18, 1992	47,498	20.89	49,675

• **Purchase plans:**

Shareholders' Meeting	Grant date	Number of stock options granted (1)	Exercise price (EUR) (2) (3)	Outstanding and exercisable options at 31/12/2000 (2)
May 25, 1992	March 17, 1993	49,681	15.40	70,345
May 25, 1992	March 16, 1994	139,031	17.84	1,608,900
May 25, 1992	June 17, 1994	1,250	17.68	7,565
May 25, 1992	March 22, 1995	256,903	20.89	469,860
June 8, 1995	May 30, 1996	233,199	34.15	995,290
June 8, 1995	May 29, 1997	233,040	37.50	1,184,720
June 8, 1995	January 29, 1998	269,130	25.92	1,415,130
June 8, 1995	March 16, 1998	15,800	31.25	86,900
June 8, 1995	January 20, 1999	320,059	32.10	1,744,125
June 8, 1995	September 16, 1999	44,000	54.65	220,000
June 8, 1995	January 19, 2000	376,110	80.10	1,879,550

(1) Number of options at the plan's issuance restated to reflect the subsequent adjustments resulting from the one-for-ten bonus shares in September 1991, July 1994 and June 1999, and the five-for-one stock split, in March 1994 and July 2000.

(2) Adjusted to reflect the transactions referred to in (1) above.

(3) Figures prior to the 1999 financial year are derived from the conversion into euros of data initially recorded in francs.

• **Changes in number of stock options exercisable**

Number of stock options exercisable	2000	1999	1998
Outstanding and exercisable as of January 1	1,670,539	2,067,854	1,898,943
Bonus share distribution	–	201,079	–
Five-for-one stock split	6,682,156	–	–
Granted	1,880,550	364,059	284,930
Exercised	(460,120)	(732,788)	(107,817)
Expired	(3,260)	(229,665)	(8,202)
Outstanding and exercisable as of December 31	9,769,865	1,670,539	2,067,854

19. SEGMENT INFORMATION BY BUSINESS GROUP

<i>(EUR millions)</i>	2000	1999 (1)	1998 (1)
Net sales			
Wines and Spirits	2,336	2,240	1,919
Fashion and Leather Goods.....	3,202	2,295	1,797
Perfumes and Cosmetics.....	2,072	1,703	1,369
Watches and Jewelry	614	135	32
Selective Retailing.....	3,287	2,162	1,799
Other activities and eliminations.....	70	12	20
Total	11,581	8,547	6,936
Income from operations (2)			
Wines and Spirits	716	655	535
Fashion and Leather Goods.....	1,169	826	627
Perfumes and Cosmetics.....	184	146	110
Watches and Jewelry	59	5	(7)
Selective Retailing.....	(2)	(2)	(34)
Other activities and eliminations.....	(167)	(83)	(47)
Total	1,959	1,547	1,184
Total assets (1)			
Wines and Spirits	4,572	4,568	4,169
Fashion and Leather Goods.....	3,342	2,434	1,972
Perfumes and Cosmetics.....	2,316	1,990	1,689
Watches and Jewelry	1,557	981	42
Selective Retailing.....	5,063	4,164	3,663
Other activities and eliminations.....	6,342	6,598	4,758
Total	23,192	20,734	16,294
Inventories			
Wines and Spirits	1,953	1,902	1,857
Fashion and Leather Goods.....	280	284	251
Perfumes and Cosmetics.....	265	187	173
Watches and Jewelry	164	70	17
Selective Retailing.....	657	504	275
Other activities and eliminations.....	63	(3)	(2)
Total	3,382	2,943	2,571

(1) 1999 figures have been restated to reflect the reclassification of TAG Heuer, Fred and Benetton in the Watches and Jewelry business group, Thomas Pink in the Fashion and Leather Goods group, and Sephora.com and eLuxury in the Other Activities group. 1998 figures were restated to reflect the reclassification of Fred under Watches and Jewelry.

(2) This data cannot be used without prior adjustments to calculate the ROCE ratio published by the Group.

20. INFORMATION BY GEOGRAPHICAL REGION

<i>(EUR millions)</i>	2000	1999	1998
Exports from French companies	3,261	2,881	2,446
Exports as a percentage of net sales of the French subsidiaries	64%	64%	68%
Net sales outside France as a percentage of total net sales	85%	80%	81%

The information below is presented on the basis of the subsidiaries' geographic locations, not on the basis of the final destination of products sold:

<i>(EUR millions)</i>	2000	1999	1998
Net sales			
France.....	5,110	4,481	3,635
Europe (excluding France).....	2,105	1,276	998
U.S.A.	3,042	1,882	1,488
Japan.....	1,678	1,247	994
Asia (excluding Japan).....	2,096	1,635	1,373
Other	562	428	362
Eliminations	(3,012)	(2,402)	(1,914)
Total	11,581	8,547	6,936
Income from operations			
France.....	1,226	967	754
Europe (excluding France).....	108	63	46
U.S.A.	(104)	9	36
Japan.....	272	208	181
Asia (excluding Japan).....	412	258	134
Other	45	42	33
Total	1,959	1,547	1,184
Total assets			
France.....	12,168	12,338	11,333
Europe (excluding France).....	4,493	3,069	774
U.S.A.	3,235	2,078	1,510
Japan.....	604	549	356
Asia (excluding Japan).....	1,988	2,110	1,912
Other	704	590	409
Total	23,192	20,734	16,294

21. FINANCIAL EXPENSE – NET

<i>(EUR millions)</i>	2000	1999	1998
Interest expense.....	(628)	(291)	(235)
Interest income.....	205	40	69
Short-term investments allowance.....	(17)	21	(13)
Exchange gains (losses) – net.....	19	3	5
Total	(421)	(227)	(174)

22. INCOME TAXES

22.1 Components of the income tax expense:

<i>(EUR millions)</i>	2000	1999	1998
Current income taxes.....	(678)	(565)	(487)
Deferred income taxes.....	45	11	21
Total	(633)	(554)	(466)

22.2 Components of the deferred income tax charge:

<i>(EUR millions)</i>	2000	1999	1998
French tax-based provisions.....	(1)	–	24
Intercompany profits included in inventories.....	20	15	5
Other restatements to subsidiaries accounts to conform with group accounting principles, and consolidation adjustments.....	39	1	(6)
Adjustment of deferred tax liabilities or assets for a change in tax rates.....	(13)	(5)	(2)
Deferred income tax income (expense) for the year	45	11	21

22.3 Reconciliation of the French statutory tax rate to the effective tax rate:

The reconciliation between the French statutory tax rate and the effective tax rate recorded in the consolidated financial statements comprises the following:

<i>(expressed as a percentage of income before income taxes)</i>	2000	1999	1998
French statutory tax rate	33½	33½	33½
– Temporary supplementary income tax applicable to French companies.....	2.8	3.5	4.9
– Differences in tax rates for foreign subsidiaries.....	(4.0)	(2.5)	(0.5)
– Subsidiary losses not included in a tax consolidation.....	8.6	6.2	4.7
– Differences between consolidated and taxable results, and impact of reduced tax rates.....	(3.8)	(2.2)	3.1
– Impact of withholding tax.....	0.5	0.3	0.5
Effective tax rate	37.4	38.6	46.0

In 1998, French companies were subject to a supplementary income tax of 25% of the basic rate, reduced to 20% in 1999 and to 13% in 2000. This supplementary income tax resulted in an additional tax expense of EUR 45 million for fiscal year 2000 (EUR 50 million in 1999 and 1998).

22.4 Tax losses carry forwards and deferred taxes:

At December 31, 2000, LVMH has available unused operating loss carry-forwards of EUR 552 million (EUR 227 million in 1999; EUR 202 in 1998).

22.5 Tax consolidation:

- Tax sharing agreements allow certain French companies of the Group to combine their taxable results to determine the overall tax expense for which only the parent company is fully liable.
The related tax consolidations, which principally concern the LVMH parent company and Moët Hennessy, permitted tax savings of EUR 390 million in 2000 (EUR 168 million in 1999; EUR 137 million in 1998).
- The application of other tax sharing agreements in certain foreign countries, notably in the U.S., provided an additional tax savings of EUR 40 million 2000 (EUR 13 million in 1999).

23. AMORTIZATION OF GOODWILL

(EUR millions)	2000	1999	1998
Consolidated companies	(141)	(102)	(81)
Investments accounted for using the equity method	–	–	(16)
	(141)	(102)	(97)

24. UNUSUAL ITEMS

In 2000:

Unusual items include capital gains from sale of shares, particularly of Diageo shares, amounting to EUR 124 million, EUR 87 million set aside against unconsolidated investments or funds in the e-business activity, and exceptional costs incurred to develop the Phillips business and promote its image for EUR 57 million.

In 1999:

Unusual items include the net income of EUR 315 million, realized in April as a result of the Diageo share buy-back program to which LVMH contributed approximately 143 million shares, and a provision of 37 EUR million relating to the residual interest.

Unusual items also include EUR 66 million for indirect acquisition costs of shareholdings, EUR 53 million for the impairment of assets, primarily intangibles and provisions of approximately 68 EUR million relating to the reorganization costs of the Fashion business group and other logistics reorganization costs.

In 1998:

Due to the continuing Southeast Asian crisis, the reorganizing provisions charged in 1997 have increased in 1998 by EUR 127 million. These are mainly related to DFS, but also to the French activities of the Wines and Spirits business group. In addition, a provision for risks related to some intangible assets has been recorded for EUR 26 million.

For the three periods, the balance of “unusual items” not detailed above corresponds to changes in contingency and loss provisions.

25. EXPOSURE TO FOREIGN EXCHANGE AND INTEREST RATE RISKS

25.1 Financial instruments

Financial instruments are used to hedge risks in connection with Group activity. Management of these instruments, most often traded on organized or comparable markets, is centralized. The counterparts are chosen according to their international rating, as well as for diversification reasons.

- Foreign-exchange risk:

- Group subsidiaries carry out a significant portion of their sales and occasionally their purchases in foreign currencies. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the various companies own currencies. They are designated to either accounts receivable or accounts payable, or, within certain limits, to anticipated future transactions.
- The Group may also use appropriate financial instruments to hedge net investment in, or dividends to be received from, foreign subsidiaries, with the objective of limiting the effect of changes in foreign currency fluctuations as compared to the Euro on consolidated stockholders' equity.
- In order to reduce the impact of exchange rate differences on the level of consolidated revenues and net income, LVMH may also, from time to time, use financial instruments that are not designated as hedges. The revaluation of those financial instruments at their market value reduces the effect of currency fluctuations.

- Interest-rate risk:

- Hedging instruments are linked to specific financial debt. Each instrument has a due date that falls on or before the maturity of the corresponding debt and the same nominal value as the hedged debt.
- The accounting method used for these instruments is described in the accounting policies in Note 1.3.

1. Hedges of foreign-exchange risks

Total outstanding hedges as of December 31, 2000 for all currencies, by nature and amount, are as follows:

<i>(in millions of euros, translated using exchange rates as of December 31, 2000)</i>	Amount of designated hedges			Deferred gains/(losses) net of tax
	2000	2001	2002 to 2003	
Instruments that hedge operating transactions:				
Forward sales contracts				
– USD	131	156	–	–
– JPY.....	31	31	–	–
– Other.....	11	107	–	–
	173	294	–	–
Options:				
– USD	2	935	107	–
– JPY.....	28	551	558	–
– Other.....	–	37	–	–
	30	1,523	665	60
TOTAL	203	1,817	665	60
Instruments that hedge financing transactions:				
– Net assets and dividends				
Forward sales contracts.....	–	53	–	15
Options.....	–	86	31	27
– Other operations				
Forward sales contracts.....	–	641	–	30
Options.....	–	1,477	–	–
TOTAL	–	2,257	31	72

At December 31, 1999, deferred expenses (net of tax effect) amounted to EUR 186 million (EUR 17 million of deferred income in 1998).

2. Hedges of interest-rate risk

Hedges outstanding as of December 31, 2000 by nature and notional amount are as follows:

<i>(EUR millions)</i>	Maturity		
	Less than 1 year	1 to 5 years	5 to 10 years
Fixed-rate swaps	8	669	–
Variable-rate swaps.....	4,011	1,527	887
Caps bought	293	2,301	–
Floors sold	–	–	–

Taking into consideration the above instruments, fixed-rate debt (including the repackaged notes) represents approximately 29% of total consolidated debt. In these conditions, an interest rate fluctuation of 1% would impact the consolidated net income by EUR 57 million.

25.2 Translation of foreign subsidiaries accounts

The percentage of the 2000 consolidated net income (before unusual items) deriving from foreign subsidiaries which prepare their financial statements in British pounds, Japanese yens and U.S. dollars and currencies linked to the U.S. dollar is 2%, 22% and 9%, respectively. Taking into account the translation effect alone, a 10% change in exchange rates for these currencies would have an impact of EUR 58 million on consolidated income from operations and EUR 10 million on consolidated net income.

26. LEASE COMMITMENTS

- At December 31, 2000, a total number of 1,286 stores were used by the Group worldwide, particularly for the Fashion and Leather Goods and Selective Retailing business groups. In a large number of countries, rentals for these stores are contingent on payment of minimal amounts, especially when the leases include revenue-indexed rent clauses; this is particularly valid in cases where airport concession fees are paid. In addition, the leases may also include non-adjustable minimum terms.

- The Group also finances part of its equipment through simple long-term operating leases.

- Lastly, some fixed assets or industrial equipment have been bought or are now covered by finance-lease or lease-back agreements.

At December 31, 2000, the breakdown of future non-cancelable commitments arising from these arrangements is as follows:

(EUR millions)	Operating leases	Concession fees	Capital leases
2001.....	239	247	15
2002.....	199	188	15
2003.....	176	160	14
2004.....	163	89	13
2005.....	152	68	11
2006 and subsequent years.....	740	221	116
Total minimum lease commitments.....	1,669	973	184
Less amounts representing interest.....	–	–	(18)
Present value of net minimum lease commitments	1,669	973	166

- Rental expense for operating leases (net of subleasing effects) is as follows:

(EUR millions)	2000	1999	1998
Minimum lease payments.....	446	151	175
Effect of escalation clauses	–	–	–
	446	151	175

27. COMMITMENTS, CONTINGENCIES AND LITIGATION IN PROCESS AT YEAR END

a) In the Wines and Spirits business group, some companies have contractual arrangements with various growers to supply a portion of their future requirements for grapes or distilled alcohol. Based upon either contractual prices or latest current market prices and anticipated yields, these commitments amounted to EUR 407 million at December 31, 2000 (287 in 1999; 309 in 1998); they principally concern the supplies for 2001 and 2002.

b) Contractual commitments entered into by the Group to purchase minority interests in consolidated subsidiaries or additional interest in unconsolidated subsidiaries mainly result from the agreement signed on January 20, 1994 between LVMH and Diageo (ex-Guinness). According to this agreement, LVMH committed to repurchase the Diageo 34% investment in Moët Hennessy, with a six-month notice and for an amount equal to 80% of the investment value at the date of notice. At the agreement date, the Diageo investment in Moët Hennessy was assessed at more than EUR 1.2 billion. The other commitments to purchase minority interests in consolidated subsidiaries, additional interest in unconsolidated investments or to pay potential earnouts total EUR 1.3 billion.

c) The Group has committed the amount of EUR 111 million at December 31, 2000 (65 in 1999; 93 in 1998) to purchase property, plant and equipment, of which EUR 18 million are related to the purchase of casks over a four-year period.

d) In the ordinary course of its business, the Group is a party from time to time to legal proceedings and claims involving trademarks and intellectual property, selective distribution agreements, licensing, employee relations, tax audits and other matters incidental to its business. The Group estimates that the provisions included in the balance sheet, related to litigation and contingent liabilities known or in-process at December 31, 2000, are sufficient to cover any unfavorable outcome, so that the Group financial position would not be significantly affected.

e) Deposits, pledges and other guarantees given amount to EUR 274 million at December 31, 2000. Guarantees received total EUR 27 million.

f) Concerning the equity interest in Gucci, also see Note 8-1: Unconsolidated investments

28. RESEARCH AND DEVELOPMENT COSTS

- Research and development costs related to scientific research and new product development amounted to EUR 21 million 2000 (EUR 26 million in 1999; EUR 21 in 1998). These amounts cover scientific research and new product creation.

- Research and development costs extended to packaging and design amounted to EUR 40 million in 2000 (EUR 37 million in 1999; EUR 35 million in 1998).

29. EMPLOYEE INFORMATION

29.1 Payroll costs

- Payroll costs totaled EUR 2,677 million (1,382 in 1999; 1,219 in 1998).
- In accordance with the law, all French companies employing more than 50 people are required to have a profit-sharing agreement. Amounts are usually distributed in proportion to salaries.
- Most French companies of the Group have set up incentive schemes, based on sales, earnings and productivity targets. Amounts are also generally distributed in proportion to salaries.

The total cost recorded for profit-sharing and incentive schemes in 2000 amounted to EUR 55 million (EUR 42 in 1999, EUR 33 million in 1998).

29.2 Headcount

- The average headcount in 2000 was 47,420 (38,282 in 1999; 33,057 in 1998).
- The following table sets forth the number of employees, by job category, as of December 31:

	2000	1999	1998
By business group activity:			
Wines and Spirits.....	5,154	4,992	4,958
Fashion and Leather Goods...	11,006	9,116	7,987
Perfumes and Cosmetics.....	12,758	11,800	9,571
Watches and Jewelry	1,830	929	111
Selective Retailing	18,540	13,512	11,600
Other activities	1,839	886	639
Total	51,127	41,235	34,866
By geographical zone:			
France.....	18,374	17,293	15,209
Europe (excluding France)....	9,088	6,336	4,848
U.S.A.	12,071	7,796	5,879
Japan.....	2,918	2,412	1,948
Asia (excluding Japan)	8,676	7,398	6,982
Total	51,127	41,235	34,866
By category:			
Labor and production	8,333	7,484	6,534
Office and clerical.....	29,105	23,406	20,033
Technicians.....	4,630	4,005	3,085
Executives and management..	9,059	6,340	5,214
Total	51,127	41,235	34,866

29.3 Compensation of directors and officers

- In 2000, LVMH paid a total of EUR 475,000 in Directors' fees to members of its Board of Directors.
- Remuneration paid to the members of the Board of Directors, on the one hand, and to members of the Executive Committee and key operating executives, representing a total of 18 individuals, on the other hand, amounted to EUR 275,000 and EUR 27 million, respectively.

29.4 Pension costs

Pension costs recorded in 2000, for pension plans managed by the Group, totaled EUR 58 million (10 million in 1999; 15 million in 1998).

30. EVENTS OCCURRING SUBSEQUENT TO YEAR END

- In January 2001, LVMH and De Beers signed an agreement regarding the formation of a joint venture. This company operating with an exclusive license, will be responsible for distributing diamond jewelry worldwide in a yet to be developed network of stores carrying the "De Beers" name. The company is expected to be operational by year-end 2001.
- On the basis of an agreement made in December 2000, LVMH acquired 100% of Gabrielle Studio Inc., a US company that owns the Donna Karan brand, at a cost of around 400 million US dollars.

Furthermore, pursuant to an agreement signed on March 31, 2001, LVMH is going to acquire Donna Karan International Inc. (DKI), a company listed in New York that holds the brand operating license, based on a valuation of DKI of around 240 million US dollars.

After the merger between DKI and Gabrielle Studio, LVMH will own 100% of the preferred stock and 85.7% of the common stock of the Donna Karan group.

- In the context of the merger between Phillips and the private art sales company de Pury & Luxembourg Art, the partners of this company, Daniella Luxembourg and Simon de Pury received 25% of the capital of the new entity known as Phillips, de Pury & Luxembourg.
- Lastly, LVMH acquired a majority stake in La Samaritaine, a leading Paris department store, and all the related real property. For 54% of the capital on the date of going to press, the investment totaled EUR 244 million, of which EUR 90 million through a capital increase reserved to LVMH.

CONSOLIDATED COMPANIES AT DECEMBER 31, 2000

Companies	Headquarters	Percentage Control Interest		Companies	Headquarters	Percentage Control Interest	
WINES AND SPIRITS				FASHION AND LEATHER GOODS			
Champagne Moët & Chandon SA	Epernay, France	100%	66%	Moët Hennessy Netherlands BV	Naarden, Netherlands	100%	66%
Champagne Mercier SA	Epernay, France	100%	66%	Jardine Wines & Spirits KK	Tokyo, Japan ⁽³⁾	100%	44%
Champagne Ruinart SA	Reims, France	100%	66%	Moët Hennessy Asia Pte Ltd.	Singapore	100%	65%
Champagne Ruinart U.K. Ltd	Newhaven, United Kingdom	100%	66%	FASHION AND LEATHER GOODS			
France Champagne SA	Epernay, France	100%	66%	Louis Vuitton Malletier SA	Paris, France	100%	100%
De Fresnoy SA	Epernay, France	100%	66%	SNC Société des Ateliers Louis Vuitton	Paris, France	100%	100%
Moët Hennessy UK Ltd	London, United Kingdom	100%	66%	SNC Société Louis Vuitton Services	Paris, France	100%	100%
Chandon SA Espagne	Sant Cugat, Spain	100%	66%	SNC Société des Magasins Louis Vuitton			
Moët & Chandon SA (Suisse)	Geneva, Switzerland	100%	66%	– France	Paris, France	100%	100%
Domaine Chandon, Inc.	Yountville (California), U.S.A.	100%	66%	Belle Jardinière SA	Paris, France	100%	100%
M Chandon do Brazil	Sao Paulo, Brazil	100%	66%	Louis Vuitton Monaco SA	Monte Carlo, Monaco	100%	100%
Bodegas Chandon SA	Buenos Aires, Argentina	100%	66%	Louis Vuitton U.K. Ltd.	London, United Kingdom	100%	100%
Domaine Chandon Australia, Pty Ltd.	Coldstream Victoria, Australia	100%	66%	Louis Vuitton Deutschland GmbH	Düsseldorf, Germany	100%	100%
Champagne Ruinart Allemagne	Francfort, Germany	100%	66%	Louis Vuitton Espana SA	Madrid, Spain	100%	100%
Des Moutiers	Oiry, France	100%	66%	Catalana Talleres SA	Barbera del Valles, Spain	100%	100%
Moët Hennessy Deutschland GmbH	Munich, Germany	100%	66%	Louis Vuitton Belgium SA	Brussels, Belgium	100%	100%
Moët Hennessy Italia SpA	Turin, Italy	100%	66%	Louis Vuitton Italia SpA	Milan, Italy	100%	100%
Schieffelin & Co Inc.	New York, U.S.A.	100%	66%	Lucina	Milan, Italy	100%	100%
MH UDV France SA	Paris, France	100%	66%	Louis Vuitton Hellas SA	Athens, Greece	100%	100%
Deux Rivières General Partnership	Yountville (California), U.S.A. ⁽²⁾	100%	15%	Louis Vuitton Portugal, Maleiro, Lda.	Lisbon, Portugal	100%	100%
Champagne Pommery & Greno SA	Reims, France	100%	66%	Louis Vuitton Danmark A/S	Copenhagen, Denmark	100%	100%
Chamfiar SA	Reims, France	100%	66%	Louis Vuitton Sweden	Stockholm, Sweden	100%	100%
Champagne Pommery SA	Reims, France	100%	66%	Louis Vuitton Suisse SA	Geneva, Switzerland	100%	100%
Pommery Distribution SA (Suisse)	Vevey, Switzerland	100%	66%	LV Ceska	Prague, Czech Republic	100%	100%
Veuve Clicquot Ponsardin SA	Reims, France	100%	66%	Louis Vuitton GesmbH	Vienna, Austria	100%	100%
Champagne Canard-Duchêne SA	Ludes, France	100%	66%	Louis Vuitton Cantacilik Ticaret, Anonim			
Société Civile des Crus de Champagne	Reims, France	100%	66%	Sirketi	Istanbul, Turkey	100%	100%
Neggma SA	Reims, France	50%	33%	Louis Vuitton US Manufacturing, Inc.	San Dimas (California), U.S.A.	100%	100%
Veuve Clicquot U.K.	London, United Kingdom	100%	66%	Louis Vuitton Hawaii, Inc.	Honolulu (Hawaii), U.S.A.	100%	100%
Veuve Clicquot Import GmbH	Wiesbaden, Germany	100%	66%	Atlantic Luggage Company, Ltd	Hamilton, Bermuda	40%	40%
Veuve Clicquot Suisse SA	Geneva, Switzerland	100%	66%	Louis Vuitton Guam, Inc.	Agana, Guam	100%	100%
Clicquot Inc.	New York, U.S.A.	100%	66%	Louis Vuitton Saipan, Inc.	Saipan, NMI	100%	100%
Cape Mentelle Vineyards Ltd.	Margaret River, Australia	100%	66%	San Dimas Luggage Company	San Dimas (California), U.S.A.	100%	100%
Veuve Clicquot Properties, Pty Ltd.	Sydney, Australia	100%	66%	Louis Vuitton Distribuição Ltda	Brazilia, Brazil	100%	100%
Cloudy Bay Vineyards	New Zealand	100%	66%	Louis Vuitton Mexico, SA de CV	Mexico, Mexico	100%	100%
Widow Estates Ltd.	Auckland, New Zealand	100%	66%	Louis Vuitton Chili Ltda.	Santiago, Chile	100%	100%
H. Parrot Ltd.	London, United Kingdom	100%	65%	Louis Vuitton Pacific Ltd.	Hong Kong	100%	100%
Scharffenberger Cellars Inc.	Napa Valley (California) U.S.A.	100%	66%	Louis Vuitton Hong Kong Ltd.	Hong Kong	100%	100%
Marques Champagne Spiritueux GIE	Brussels, Belgium ⁽²⁾	100%	66%	Louis Vuitton (Singapore) Pte Ltd.	Singapore	100%	100%
Paragon Vintners Ltd	London, United Kingdom	100%	66%	Louis Vuitton Malaysia Sdn Berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%
Krug SA	Reims, France	100%	66%	Louis Vuitton Taiwan Ltd.	Taipei, Taiwan	90%	90%
Veuve Clicquot Japan KK	Tokyo, Japan	100%	66%	Louis Vuitton Comete Services Ltd.	Taipei, Taiwan	90%	90%
Clicquot Asia Ltd	Hong Kong	100%	66%	Louis Vuitton Australia, Pty Ltd.	Melbourne, Australia	100%	100%
Olivier Hong Kong Ltd	Hong Kong	100%	66%	Louis Vuitton New Zealand Ltd.	Auckland, New Zealand	100%	100%
Olivier Singapore (Pte) Ltd	Singapore	100%	66%	LV Cup New Zealand, Ltd	Auckland, New Zealand	100%	100%
Olivier supplies (Malaysia) Sdn Bhd	Ampang, Malaysia	100%	66%	LV Koweit	Koweit	60%	60%
Olivier Taiwan Ltd	Taipei, Taiwan	100%	65%	LV UAE	Dubai, United Arab Emirates	65%	65%
P.T. Protara Boga Indonesia	Jakarta, Indonesia	60%	40%	LV Saoudi Arabia LLC	Jeddah, Saudi Arabia	65%	65%
Château d'Yquem SA	Sauternes, France	100%	64%	Louis Vuitton Korea, Ltd.	Seoul, South Korea	100%	100%
Château d'Yquem SC	Sauternes, France	100%	63%	Louis Vuitton Argentina SA	Buenos Aires, Argentina	100%	100%
Ja.s Hennessy & Co SA	Cognac, France	100%	65%	LV Colombian Corp.	Bogota, Colombia	100%	100%
Thomas Hine & Cie SA	Jarnac, France	100%	65%	LV Venezuela SA	Caracas, Venezuela	100%	100%
DMJ Holdings BV	Amsterdam, Netherlands ⁽³⁾	67%	44%	Louis Vuitton Multimedia Inc	New York, U.S.A.	100%	100%
UD Moët Hennessy BV	The Hague, Netherlands ⁽³⁾	100%	66%	Louis Vuitton Japan KK	Tokyo, Japan	100%	99%
Hennessy Dublin Ltd.	Dublin, Ireland	100%	65%	Louis Vuitton N.A., Inc.	New York, U.S.A.	100%	100%
Edward Dillon & Co Ltd.	Dublin, Ireland ⁽²⁾	33%	22%	Louis Vuitton Canada Inc.	Toronto, Canada	100%	100%
Hennessy Far East Ltd.	Hong Kong	100%	65%	Marc Jacobs International LLC	New York, U.S.A.	80%	87%
Riche Monde Orient Limited	Hong Kong ⁽³⁾	75%	50%	Marc Jacobs Inc.	New York, U.S.A.	100%	100%
Riche Monde Hong Kong Ltd.	Hong Kong ⁽³⁾	100%	50%	Marc Jacobs Trademark LLC	New York, U.S.A.	33%	33%
Moët Hennessy UDG (Far East) Ltd.	Hong Kong ⁽³⁾	100%	66%	Loewe SA	Madrid, Spain	100%	100%
Riche Monde Singapore Pte Ltd.	Singapore ⁽³⁾	100%	66%	Fashion Holding SA	Madrid, Spain	100%	100%
Riche Monde Malaysia Inc.	Petaling Jaya, Malaysia ⁽³⁾	100%	33%	Perfumes Loewe	Madrid, Spain	100%	100%
Riche Monde Taipei Ltd.	Taipei, Taiwan ⁽³⁾	100%	50%	Loewe Hermanos SA	Madrid, Spain	100%	100%
Riche Monde Bangkok Ltd.	Bangkok, Thailand ⁽³⁾	100%	66%	Lopena SA	Madrid, Spain	100%	100%
Moët Hennessy Korea Ltd.	Seoul, South Korea	100%	65%	Manufacturas Loewe	Barcelona, Spain	100%	100%

Companies	Headquarters	Percentage Control Interest		Companies	Headquarters	Percentage Control Interest	
SNC Loewe International	Paris, France	100%	100%	Fendi Australia	Sydney, Australia ⁽¹⁾	50%	25.5%
SNC Loewe France	Paris, France	100%	100%	Fendi Guam	Tumon, Guam ⁽¹⁾	50%	25.5%
Loewe Hermanos (U.K.) Ltd.	London, United Kingdom	100%	100%	Fendi Saipan	Saipan ⁽¹⁾	50%	25.5%
Loewe Saipan Inc.	Saipan, NMI	100%	100%	Fendi Thailand	Bangkok, Thailand ⁽¹⁾	50%	25.5%
Loewe Guam, Inc	Agana, Guam	100%	100%	Fendi Asia Pacific	Hong Kong ⁽¹⁾	50%	25.5%
Loewe Hawaii, Inc.	Honolulu (Hawaii), U.S.A.	100%	100%	Thomas Pink Holdings Ltd	London, United Kingdom	100%	70%
Loewe Hong Kong Ltd.	Hong Kong	100%	100%	Thomas Pink Ltd	Edinburgh, United Kingdom	100%	70%
Loewe Japan KK	Tokyo, Japan	93%	92%	Thomas Pink BV	Rotterdam, Netherlands	100%	70%
Loewe Fashions (Singapore) Pte Ltd.	Singapore	100%	100%	Thomas Pink Inc	Delaware, U.S.A.	100%	70%
Loewe Malaysia Sdn berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%	Thomas Pink Ireland Ltd	Dublin, Ireland	100%	70%
Loewe Taiwan Ltd.	Taipei, Taiwan	100%	90%	Thomas Pink Belgium SA	Brussels, Belgium	100%	70%
Loewe Australia, Pty Ltd.	Sydney, Australia	100%	100%	Thomas Pink France	Paris, France	100%	70%
Serrano Inc.	New York, U.S.A.	100%	100%				
Berluti SA	Paris, France	100%	100%	PERFUMES AND COSMETICS			
Société Distribution Robert Etienne	Paris, France	100%	100%	Parfums Christian Dior SA	Paris, France	100%	100%
Stefanobi SRL	Milan, Italy	100%	100%	Iparkos Company Ltd	Bangkok, Thailand	49%	49%
Céline SA	Paris, France	100%	100%	Parfums Christian Dior Brazil Ltda	Sao Paulo, Brazil	100%	99%
Avenue M International SCA	Paris, France	100%	100%	Parfums Christian Dior Argentina SA	Buenos Aires, Argentina	100%	100%
Enilec Gestion SARL	Paris, France	100%	100%	Parfums Christian Dior China Trading	Shanghai, China	100%	100%
Céline Montaigne SA	Paris, France	100%	100%	Parfums Christian Dior Finland	Helsinki, Finland	100%	100%
Céline Monaco SA	Monte Carlo, Monaco	100%	100%	GIE LVMH Recherche	Paris, France	100%	100%
Céline Italia SRL	Florence, Italy	100%	100%	SNC du 33 avenue Hoche	Paris, France	100%	100%
Céline Production SRL	Florence, Italy	100%	100%	Parfums Christian Dior (U.K.) Ltd.	London, United Kingdom	100%	100%
Camoi SpA	Rome, Italy	100%	100%	Parfums Christian Dior BV	Rotterdam, Netherlands	100%	100%
Céline Suisse SA	Geneva, Switzerland	100%	100%	Iparkos BV	Rotterdam, Netherlands	100%	100%
Céline U.K. Ltd.	London, United Kingdom	100%	100%	Parfums Christian Dior GmbH	Düsseldorf, Germany	100%	100%
Céline Inc.	New York, U.S.A.	100%	100%	Farlabo SA	Madrid, Spain ⁽²⁾	25%	25%
Céline Japan KK	Tokyo, Japan	100%	100%	Distribuidora Farlabo SA	Madrid, Spain ⁽²⁾	100%	100%
Céline Ltd (Hong Kong)	Hong Kong	100%	99%	Parfums Christian Dior SAB	Brussels, Belgium	100%	100%
Céline Pte Ltd. (Singapore)	Singapore	100%	100%	Parfums Christian Dior SpA	Pisa, Italy	100%	100%
Céline Guam Inc.	Tamanning, Guam	100%	100%	Parfums Christian Dior Ireland Ltd.	Dublin, Ireland	100%	100%
Céline Ltd. (Saipan)	Saipan, NMI	100%	100%	Diorfil SA	Athens, Greece	100%	100%
Céline Australia, Pty Ltd.	Sydney, Australia	100%	100%	Parfums Christian Dior AG.	Zurich, Switzerland	100%	100%
Céline Hawaii Inc	Hawaii, U.S.A.	100%	100%	Christian Dior Perfumes, Inc.	New York, U.S.A.	100%	100%
Céline Korea Ltd	Seoul, South Korea	100%	100%	Parfums Christian Dior Canada, Inc.	Montreal, Canada	100%	100%
Céline Taiwan Ltd	Taipei, Taiwan	51%	51%	Parfums Christian Dior de Mexico, SA de CV	Mexico, Mexico	100%	100%
Mickael Kors Inc	New York, U.S.A. ⁽²⁾	36%	36%	Parfums Christian Dior KK	Tokyo, Japan	100%	100%
Parfums Céline SNC	Paris, France	100%	100%	Parfums Christian Dior Singapore Pte Ltd.	Singapore	100%	100%
Kenzo SA	Paris, France	100%	100%	Parfums Christian Dior Far East Ltd.	Hong Kong	100%	100%
Kenzo Homme SA	Paris, France	60%	60%	Fa Hua Taiwan Ltd.	Taipei, Taiwan	100%	100%
Modulo SA	Montbazon, France	100%	100%	Parfums Christian Dior China Co, Ltd.	Shanghai, China	100%	70%
Kami Logistique SA	Montbazon, France	100%	100%	Koluxe Parfums Dior Ltd.	Seoul, South Korea	100%	75%
Fleurus Mode GmbH	Berlin, Germany	100%	100%	Parfums Christian Dior Hong Kong Ltd.	Hong Kong	100%	100%
Florixelles SA	Brussels, Belgium	100%	100%	Parfums Christian Dior Malaysia Sdn berhad Inc.	Kuala-Lumpur, Malaysia	100%	100%
Kenzo Paris KK	Tokyo, Japan	100%	100%	Fa Hua Hong Kong Co, Ltd.	Hong Kong	100%	100%
Fleurisloane Ltd.	London, United Kingdom	100%	100%	Pardior de Mexico SA de CV	Mexico, Mexico	100%	100%
Fleurus of America Corp.	Wilmington (Delaware), U.S.A.	100%	100%	Parfums Christian Dior A/S (Denemark)	Copenhagen, Denmark	100%	100%
Florimadrid SA	Madrid, Spain	100%	100%	Parfums Christian Dior Australia Pty Ltd	Sydney, Australia	100%	100%
Givenchy SA	Paris, France	100%	100%	Parfums Christian Dior A/S (Norvège)	Hoevik, Norway	100%	100%
Gentleman Givenchy SA	Paris, France	100%	100%	Parfums Christian Dior AB	Stockholm, Sweden	100%	100%
Givenchy Corporation	New York, U.S.A.	100%	100%	Parfums Christian Dior New Zealand Ltd	Auckland, New Zealand	100%	100%
Givenchy Boutique Co Ltd.	Tokyo, Japan	100%	100%	Parfums Christian Dior Austria GesmbH	Vienna, Austria	100%	100%
Gentleman Givenchy Far East Ltd.	Hong Kong	100%	100%	Parfums Christian Dior Allemagne	Düsseldorf, Germany	100%	100%
Givenchy Italie (Mirvat)	Rome, Italy	100%	100%	Guerlain SA	Paris, France	100%	100%
Christian Lacroix SNC	Paris, France	100%	100%	Guerlain Parfumeur GmbH	Wiesbaden, Germany	100%	100%
LVP Holding BV	Amsterdam, Netherlands ⁽¹⁾	50%	50%	Guerlain GesmbH	Vienna, Austria	100%	100%
Fendi International BV	Amsterdam, Netherlands ⁽¹⁾	50%	25.5%	Cofra GesmbH	Vienna, Austria	100%	100%
Fendi International France	Paris, France ⁽¹⁾	50%	25.5%	Guerlain SA (Belgium)	Fleurus, Belgium	100%	100%
Fendi SA	Luxembourg ⁽¹⁾	50%	25.5%	Guerlain SAE	Madrid, Spain	100%	100%
Fendi SRL	Rome, Italy ⁽¹⁾	50%	25.5%	Oy Guerlain AB	Helsinki, Finland	100%	100%
Fendissime SRL	Rome, Italy ⁽¹⁾	50%	25.5%	Guerlain SpA	Milan, Italy	100%	100%
Fendi Servizi SRL	Rome, Italy ⁽¹⁾	50%	25.5%	Guerlain Ltd	Perivale, United Kingdom	100%	100%
Fendi Adele SRL	Rome, Italy ⁽¹⁾	50%	25.5%	Guerlain de Portugal Lda.	Lisbon, Portugal	100%	100%
Fendi Industrie SRL	Florence, Italy ⁽¹⁾	50%	25.5%	Guerlain SA (Suisse)	Geneva, Switzerland	100%	100%
Fendi Italie	Rome, Italy ⁽¹⁾	50%	25.5%	Guerlain Inc.	New York, U.S.A.	100%	100%
Fendi UK	London, United Kingdom ⁽¹⁾	50%	25.5%				
Fendi France	Paris, France ⁽¹⁾	50%	25.5%				
Fendi Hawaii	Honolulu, U.S.A. ⁽¹⁾	50%	13%				
Fendi Stores	New York, U.S.A. ⁽¹⁾	50%	25.5%				

Companies	Headquarters	Percentage Control Interest		Companies	Headquarters	Percentage Control Interest	
Guerlain Canada Ltd.	Montreal, Canada	100%	100%	LVMH Watch & Jewelry Far East Ltd	Hong Kong	100%	100%
Guerlain De Mexico SA	Satelite, Mexico	100%	100%	LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	100%	100%
Guerlain Puerto Rico Inc.	San Juan, Puerto Rico	100%	100%	LVMH Watch & Jewelry Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	100%	100%
Guerlain Asia Pacific Ltd (Hong Kong)	Hong Kong	100%	100%	TAG Heuer Asia Ltd	Labuan, Malaysia	100%	100%
Guerlain KK	Tokyo, Japan	100%	100%	LVMH Watch & Jewelry Capital Pte Ltd	Singapore	100%	100%
Guerlain Taiwan Co Ltd.	Taipei, Taiwan	100%	100%	TAG Heuer Japan KK	Tokyo, Japan	100%	100%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	100%	100%	LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	100%	100%
Guerlain South East Asia Singapore Pte Ltd.	Singapore	100%	100%	LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong	100%	100%
Guerlain Malaysia SDN Berhad Inc	Kuala-Lumpur, Malaysia	100%	100%	LVMH Watch & Jewelry Taiwan Ltd	Taipei, Taiwan	100%	100%
Make Up For Ever SA	Paris, France	100%	73%	Cortech SA	Cornol, Switzerland	100%	100%
Make Up For Ever UK	London, United Kingdom	100%	73%	Miserez SARL	Bendorf, France	100%	100%
Make Up For Ever LLC	New York, U.S.A.	100%	100%	Kohli SA	Tramelan, Switzerland	100%	100%
Parfums Givenchy SA	Levallois, France	100%	100%	LVMH Watch & Jewelry Carribean & Latin America	Coral Gables (Florida), U.S.A.	100%	100%
Parfums Givenchy Ltd.	Hersham, United Kingdom	100%	100%	Ebel SA	La Chaux-de-Fonds, Switzerland	100%	100%
Parfums Givenchy GmbH	Wiesbaden, Germany	100%	100%	Ebel USA Inc	New York, U.S.A.	100%	100%
Parfums Givenchy Inc.	New York, U.S.A.	100%	100%	Swisswave Europe	Villiers-Le-Lac, France	100%	100%
Parfums Givenchy Canada Ltd.	Toronto, Canada	100%	100%	Vertrieb von Ebel Uhren GmbH	Munich, Germany	100%	100%
Parfums Givenchy KK	Tokyo, Japan	100%	100%	Glasnost Edition SA	La Chaux-de-Fonds, Switzerland	100%	100%
Parfums Givenchy SRL	Milan, Italy	100%	100%	Ebel boutique Crans SA	Crans-sur-Sierre, Switzerland	100%	100%
Parfums Givenchy Western Hemisphere Div. Inc.	Miami (Florida), U.S.A.	100%	100%	Private label development SA	La Chaux-de-Fonds, Switzerland	100%	100%
Parfums Givenchy Asia Pacific Ltd.	Singapore	100%	100%	SI de l'immeuble rue de la Paix 101	La Chaux-de-Fonds, Switzerland	100%	100%
Cosmetic of France Inc.	New York, U.S.A.	100%	100%	Chaumet International SA	Paris, France	100%	100%
Tamaris SA	Paris, France	100%	100%	Chaumet London Ltd	London, United Kingdom	100%	100%
Tamalia SpA	Milan, Italy	100%	100%	Chaumet KK	Tokyo, Japan	100%	100%
Laflachère SA	Saint Vérand, France	100%	57%	Chaumet Horlogerie SA	Bienne, Switzerland	100%	100%
La Brosse et Dupont SA	Courbevoie, France	100%	57%	Chaumet Monte-Carlo SAM	Monte-Carlo, Monaco	100%	100%
Lardenois SA	Hermes, France	100%	57%	Zenith International	Le Locle, Switzerland	100%	100%
Lardenois Portugal SA	S. Domingos de Rana, Portugal	100%	57%	Zenith Time France	Villiers-Le-Lac, France	100%	100%
Mitsie SA	Tarare, France	100%	57%	Zenith Time GmbH	Pforzheim, Germany	100%	100%
Serpe SA	Barcelona, Spain	100%	56%	Zenith Time Ltd	Middlesex, United Kingdom	100%	100%
Arielux SA	Arielux, France	100%	57%	Finalac	Fribourg, Switzerland	100%	100%
SN Celluloid	Selestat, France	100%	57%	Guido Descombes Spa	Milan, Italy	100%	100%
Vikim SARL	Saint Briec, France ⁽²⁾	30%	17%	Fred SA	Paris, France	100%	100%
Medicis Plisson SA	Beauvais, France	100%	56%	Fred Joaillier SA	Paris, France	100%	100%
Ladoë SA	Ladoë, France	100%	57%	Joaillerie de Monaco SA	Monte Carlo, Monaco	100%	100%
LBD Ménage	Bethisy Saint Pierre, France	100%	57%	Fred Inc.	Beverly Hills (California), U.S.A.	100%	100%
LBD Belux	Brussels, Belgium	100%	57%	Benedom Suisse	Geneva, Switzerland	100%	100%
SCI Masurel	Tourcoing, France	100%	57%	Benedom France SA	Paris, France	100%	100%
SCI Sageda	Orange, France	100%	57%	Benedom Inc	New York, U.S.A.	100%	100%
LBD Asia Ltd	Hong Kong	93%	53%	SELECTIVE RETAILING			
Lamatex SA	Cours la Ville, France	80%	46%	Sephora Holding SA	Paris, France	100%	100%
La Niçoise SA	Carros, France	95%	54%	Immo-Parfums SARL	Boigny sur Bionne, France	100%	100%
AGD Italie SRL	Stezzano, Italy	100%	54%	Sephora France SA	Boigny sur Bionne, France	100%	100%
Métal & Plastic SA	Oyonnax, France ⁽²⁾	35%	20%	Plus Beau Moins Cher SARL	Paris, France	100%	75%
Centre formation SARL	Saint Vérand, France ⁽²⁾	75%	43%	Sephora Productions SA	Paris, France	100%	100%
Etablissements Mancret Père et Fils	Grenoble, France	100%	57%	Unité de valeur SARL	Loury, France	100%	100%
Inter-Vion Spolka Akcyjna	Warsaw, Poland	51%	29%	Sephora Luxembourg SARL	Luxembourg	100%	100%
Bliss World LLC	New York, U.S.A.	70%	70%	Sephora Espagne SA	Madrid, Spain	100%	100%
Hard Candy LLC	Los Angeles, U.S.A.	94%	94%	Sephora Italie SpA	Milan, Italy	100%	100%
Benefit Cosmetics LLC	San Francisco, U.S.A.	70%	70%	Sephora Portugal Lda	Lisbon, Portugal	100%	100%
Urban Decay Cosmetics LLC	Costa Mesa, CA, U.S.A.	100%	100%	Sephora PologneSPZ00	Warsaw, Poland	100%	100%
WATCHES AND JEWELRY				Sephora Deutschland GmbH	Essen, Germany	100%	100%
TAG Heuer International SA	Luxembourg	100%	100%	Progen SpA	Spinea, (VE), Italy	41%	41%
TAG Heuer SA	Marin, Switzerland	100%	100%	Espansione SRL	Spinea, (VE), Italy	100%	100%
LVMH Relojería & Joyeria Española SA	Madrid, Spain	100%	100%	Sephora UK	London, United Kingdom	100%	100%
LVMH Montres et Joaillerie France SA	Paris, France	100%	100%	Boidi SpA	Turin, Italy	100%	100%
LVMH Watch & Jewelry Italia SpA	Milan, Italy	100%	100%	Profumerie Carmen SRL	Isola, Italy	100%	100%
TAG Heuer Deutschland GmbH	Bad Homburg, Germany	100%	100%	Sofidiv SRL	Milan, Italy	100%	100%
Timecrown Ltd	Manchester, United Kingdom	100%	100%	Sephora Marinopoulos SA	Alimos, Greece	100%	50%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	100%	100%	Spring Time Cosmetics SA	Athens, Greece	100%	28%
Oris (UK) Ltd	Manchester, United Kingdom	100%	100%	Sephora US LLC.	Delaware, U.S.A.	100%	100%
PTD Ltd	Manchester, United Kingdom	100%	100%	Sephora Japan KK	Tokyo, Japan	100%	100%
LVMH Watch and Jewelry USA Inc	Springfield, New Jersey, U.S.A.	100%	100%	DFS Holdings Limited	Hamilton, Bermuda	100%	61%
Pro Time Service Inc	Springfield, New Jersey, U.S.A.	100%	100%	DFS Australia Pty. Limited	Sydney, Australia	100%	61%
TAG Heuer Canada Ltd	Toronto, Canada	100%	100%	DFS Group Limited	Hamilton, Bermuda	100%	61%
				DFS Credit Systems Limited	Hamilton, Bermuda	100%	61%

Companies	Headquarters	Percentage Control Interest		Companies	Headquarters	Percentage Control Interest	
DFS Italy Limited Srl	Florence, Italy	100%	61%	Victoire Multimedia SA	Paris, France	100%	99%
DFS Northwest Retailing Limited	Vancouver, Canada	100%	61%	Victoire Multi-Média Informatique	Paris, France	100%	99%
DFS Saipan Limited	Saipan, NMI	100%	61%	Imprimerie Desfossés SA	Paris, France	100%	99%
Kinkai Saipan L.P.	Saipan, NMI	100%	61%	Tribune Desfossés SA	Paris, France	100%	99%
Commonwealth Investment Company, Inc	Northern Mariana Islands	97%	59%	Pressinvest SA	Paris, France	100%	99%
Duty Free Shoppers Hong Kong Limited	Kowloon, Hong Kong	100%	61%	Globe On Line SA	Paris, France	100%	99%
DFS Trading Hong Kong Limited	Kowloon, Hong Kong	100%	61%	Radio Classique SA	Paris, France	100%	99%
DFS China Partners Limited	Kowloon, Hong Kong	100%	61%	OCD SA	Paris, France	100%	99%
DFS Palau Limited	Koror, Palau	100%	61%	Editions Classiques Affaires	Paris, France	100%	99%
DFS New Zealand Limited	Auckland, New Zealand	100%	61%	System TV	Boulogne, France	100%	99%
DFS Merchandising Limited	San Francisco, USA	100%	61%	DI Regie	Paris, France	100%	99%
DFS Korea Limited	Seoul, South Korea	100%	61%	D2I	Paris, France	100%	99%
DFS Japan KK	Tokyo, Japan	100%	61%	Sephora.com Inc	San Francisco, U.S.A.	100%	100%
DFS Singapore (Pte) Limited	Singapore	100%	61%	eluxury.com Inc	San Francisco, U.S.A. ⁽²⁾	50%	50%
DFS Venture Singapore (Pte) Limited	Singapore	100%	61%	Phillips Auction Group Ltd	London, United Kingdom	100%	100%
DFS Taiwan Limited	Taipei, Taiwan, ROC	100%	61%	Phillips Son & Neale Ltd	London, United Kingdom	100%	100%
DFS Galleria Taiwan Limited	ROC	100%	61%	PSN Auctions Ltd	London, United Kingdom	100%	100%
Tou You Duty Free Shop Co. Ltd	ROC	100%	61%	PSN Properties UK Unlimited	London, United Kingdom	100%	100%
Duty Free Shoppers Macau Limited	Kowloon, Hong Kong	45%	28%	PSN Inc	New York, U.S.A.	100%	100%
DFS Macau Limited	Kowloon, Hong Kong	50%	31%	LVMH Moët Hennessy Louis Vuitton SA	Paris, France		Société mère
Hong Kong International Boutique Partners	Kowloon, Hong Kong	50%	31%	LVMH Fashion Group SA	Paris, France	100%	100%
Singapore International Boutique Partners	Singapore	50%	31%	Moët Hennessy SA	Paris, France	100%	66%
JAL/DFS Duty Free Shoppers KK	Chiba, Japan	40%	25%	S.C.I. du 30 de l'avenue Hoche	Paris, France	100%	98%
TRS New Zealand Limited	Auckland, New Zealand	45%	28%	Ufipar SA	Paris, France	100%	100%
Travel Retail Shops Pte Limited	Australia	45%	28%	Sofidiv SA	Paris, France	100%	100%
DFS Group L.P.	Delaware, U.S.A.	100%	61%	LVMH Participations BV	Naarden, Netherlands	100%	100%
LAX Duty Free Joint Venture 2000	California, U.S.A.	77%	47%	GIE LVMH Services	Paris, France	100%	100%
Royal Hawaiian Insurance Company Ltd	Hawaii, U.S.A.	100%	61%	Delano SA	Bâle, Switzerland	100%	100%
DFS/BP Concessions Inc.	Portland (Oregon) U.S.A.	81.5%	50%	Moët Hennessy Inc.	New York, U.S.A.	100%	66%
DFS/Concessions Unique, Inc.	Dallas (Texas) U.S.A.	68%	42%	LVMH KK	Tokyo, Japan	100%	100%
Hawai International Boutique Partners	Honolulu, Hawaii, U.S.A.	50%	31%	Ufipress SA	Paris, France	100%	100%
TRS Hawaii LLC	Honolulu, Hawaii, U.S.A.	45%	28%	Delphine SA	Paris, France	100%	100%
TRS Saipan	Garapan, Saipan MP	45%	28%	Saint Jacques Finance SA	Paris, France	100%	100%
TRS Guam	Tumon, Guam	45%	28%	LVMH Finance SA	Paris, France	100%	100%
DFS Guam LP	Guam	NA	61%	LVMH Asia Pacific Ltd	Hong Kong	100%	100%
Guam Retail Joint Venture	Tamuning, Guam	50%	31%	LVMH Inc.	New York, U.S.A.	100%	100%
Twenty Seven – Twenty Eight Corp.	Delaware, U.S.A.	100%	61%	598 Madison Leasing Corp	New York, U.S.A.	100%	100%
Le Bon Marché SA	Paris, France	100%	100%	Eutrope SA	Paris, France	100%	100%
SEGEP SA	Paris, France	100%	99%	Flavius SA	Paris, France	100%	100%
Franck & Fils SA	Paris, France	100%	100%	Coriolan SA	Paris, France	100%	100%
LVMH Specialty Retail Concepts LLC	San Francisco, U.S.A.	100%	100%	LVMH Art & Auction Group SA	Paris, France	100%	100%
Tumon Entertainment LLC	Tamuning, Guam	100%	100%	Compagnie Financière Laflachère SA	Paris, France	57%	57%
Comete Guam Inc.	Tamuning, Guam	100%	100%	LV Capital SA	Paris, France	100%	100%
Tumon Games LLC	Tamuning, Guam	100%	100%	LVMH BV	Naarden, Netherlands	100%	100%
Tumon Aquarium LLC	Tamuning, Guam	100%	100%	LVMH Selective Distribution Group LLC	New York, U.S.A.	100%	100%
Comete Saipan Inc	Saipan NMI	100%	100%	LVMH Perfumes and Cosmetics Services LLC	New York, U.S.A.	100%	100%
Cruise Line Holdings Co	Miami (Florida) U.S.A.	100%	100%	LVMH Cosmetics Services KK	Tokyo, Japan	100%	100%
Starboard Cruise Services Inc	Miami (Florida) U.S.A.	100%	100%				
Starboard Holding Ltd	Miami (Florida) U.S.A.	100%	100%				
International Cruise Shop	Miami (Florida) U.S.A.	100%	100%				
On-Board Media Inc	Miami (Florida) U.S.A.	100%	100%				
Boxer Media Inc	Miami (Florida) U.S.A.	100%	100%				
Cruise Management International Inc	Miami (Florida) U.S.A.	100%	100%				
Miami Airport Duty-Free	Miami (Florida) U.S.A.	66%	66%				
Fort Lauderdale Partnership	Fort Lauderdale (Florida) U.S.A.	75%	75%				

(1) Accounted for using the proportionate consolidation method

(2) Accounted for using the equity method

(3) Joint venture companies with Diageo: Only the LVMH activity is consolidated

OTHER ACTIVITIES

Provital SA	Champillon, France	100%	100%
Investir Publications SA	Paris, France	100%	99%
Investir Télécom SA	Paris, France	100%	99%
Compo Finance SARL	Paris, France	100%	99%
SID Presse SARL	Poitiers, France	100%	99%
SID Développement SA	Poitiers, France	100%	99%
Groupe SID SA	Poitiers, France	100%	99%
Freelance SA	Poitiers, France	100%	99%
Cyber Pratic	Poitiers, France	100%	100%
Desfossés International SA	Paris, France	100%	99%

AUDITORS' REPORT

In our capacity as statutory auditors and independent accountants, we have audited the accompanying consolidated accounts, expressed in Euros, of LVMH MOET HENNESSY LOUIS VUITTON as of December 31, 2000.

These consolidated accounts are the responsibility of the Company management. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall consolidated account presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the consolidated statements, prepared in compliance with the generally accepted accounting rules and principles applicable in France, are true and sincere and fairly present the financial position, and the results of all Group entities included in the consolidation.

We have also reviewed the information relating to the Group contained in the Directors' report. We noted nothing that could lead us to believe that such information is not fairly stated.

Paris, April 5, 2001

Statutory Auditors
Members of the Compagnie Régionale de Paris



COGERCO-FLIPO
represented by
Henri LEJETTÉ



ERNST & YOUNG Audit
represented by
Gabriel GALET and François HILLY

OTHER INFORMATION

1. COMPETITION

LVMH Group is the world's leading luxury goods company. Its business entails producing and distributing its own brands in addition to its selective retail network.

In the Champagne business, LVMH market share corresponds to 22% of all shipments from the region and 51% for premium vintages alone. The second largest champagne producer (Marne et Champagne) accounts for 32% of the volumes reported by LVMH.

MAIN CHAMPAGNE GEOGRAPHICAL MARKETS

(in millions of bottles; source: CIVC)

	1998 shipments			1999 shipments			2000 shipments		
	Industry	LVMH	% of market	Industry	LVMH	% of market	Industry	LVMH	% of market
Germany.....	19.4	5.3	27%	17.5	5.7	33%	14.2	4.1	29%
United Kingdom	24.2	5.1	21%	32.3	6.2	19%	20.4	5.2	25%
United States.....	16.9	10.1	60%	23.7	12.0	51%	19.3	11.6	60%
Italy	8.2	5.1	63%	9.4	4.9	52%	8.2	4.9	60%
France	179.0	17.2	10%	190.5	15.9	8%	149.5	12.0	8%

GEOGRAPHIC BREAKDOWN OF LVMH CHAMPAGNE SALES

In % of total sales

	1998	1999	2000
United States	17%	19%	21%
Germany	9%	9%	8%
United Kingdom.....	9%	10%	10%
Italy.....	8%	8%	9%
Switzerland	4%	4%	4%
Others.....	23%	25%	26%
Total Export	70%	75%	78%
France	30%	25%	22%
Total	100%	100%	100%

In the Cognac sector, LVMH is the leader with 37% of volume exported by the region. The Group also has strong positions in the United States and Japan.

MAIN COGNAC GEOGRAPHICAL MARKETS (EXCLUDING BULK)

(in millions of bottles; source: BNIC)

	1998 shipments			1999 shipments			2000 shipments		
	Industry	LVMH	% of market	Industry	LVMH	% of market	Industry	LVMH	% of market
United States.....	34.2	18.2	53.2%	35.7	17.3	48.5%	39.0	20.2	51.8%
Japan	7.4	4.3	58.5%	6.4	3.8	59.4%	5.8	3.1	53.8%
Germany.....	4.5	1.2	26.2%	5.0	1.3	26.0%	4.5	1.3	28.1%
France	5.7	0.4	6.6%	5.7	0.4	7.0%	5.5	0.5	9.0%

In the Fashion and Leather Goods sector, LVMH has an unrivalled portfolio of world-class brands comprising haute couture, ready-to-wear, footwear, leather goods and accessories. The Group runs a total of 566 own-name Fashion and Leather Goods stores, thereby ensuring an extremely high level of selective retail.

In the Perfumes and Cosmetics sector, LVMH ranks third worldwide and first in France where the Group's brands represent 21% of the selective retail market (Source : Secodip).

In the Watches and Jewelry sector, LVMH ranks third worldwide.

Regarding Selective Retailing, DFS is the leader worldwide for duty-free sales, and Miami Cruiseline Services the leader for duty-free luxury goods sales on cruise ships. Sephora is the world's premier fragrances and cosmetics chain with outlets in Europe, the United States and Japan.

Lastly, in internet-based commerce, LVMH is the leading e-distributor of fragrances and cosmetics in the United States with the Sephora.com site and leader in luxury product sales with the e-Luxury.com site.

2. MAIN LOCATION AND PROPERTIES

● Champagne and Wines – Cognac and Spirits

LVMH and its subsidiary Moët Hennessy own the surface areas of the vineyards below, expressed in hectares:

	Tenure	In production
Champagne label	1,747	1,510
Other wines (*).....	2,841	1,169
Cognac label	178	178

(*) France, California, Argentina, Australia, Brazil, New Zealand and Spain.

The increase in the surface area of vineyards for Other Wines in 2000 can be explained by the purchase of land suitable for vineyards in Argentina and Australia.

The company also owns office and industrial buildings, wineries, cellars and public relations centers linked to each of its main brands and its production operations in France, California, Argentina, Australia, New Zealand and Spain, as well as Cognac distilleries and warehouses.

The offices of the Wines and Spirits business group, located in the world's largest cities, are rented.

● Fashion and Leather Goods

Louis Vuitton Malletier owns the premises that house its offices and workshops at the Pont Neuf in Paris, via its subsidiary La Belle Jardinière, in addition to the company's headquarters. Part of these premises is leased to third parties as offices and shops. La Belle Jardinière also owns an office block, rue du Pont Neuf in Paris, leased to Céline.

Louis Vuitton's retail outlets can be found in prime locations in the world's largest cities, and are generally leased. However, Louis Vuitton owns the freehold of its stores in Kobe, Japan, as well as in Hawaii, Guam, Seoul and Sydney, and it has finance-leased its store located at avenue Montaigne in Paris. In the United States and in Japan, commercial leases often include clauses providing for Louis Vuitton to pay a lease based on a percentage of reported sales, in addition to a minimum rent.

In 2000, the Louis Vuitton network expanded through 23 new shops, including 11 new global stores, for a new total of 26 global stores.

The eleven Louis Vuitton plants, owned by the company, are mainly located in France, although there are also large workshops near Barcelona in Spain and at San Dimas in California. Warehouses in France are owned by the Group, but are leased in Hawaii, Asia and Oceania.

Céline owns an office building at avenue Montaigne in Paris, which it leases out, and a commercial property at rue François 1^{er} in Paris, leased to Fendi. The retail stores, located in the world's largest

cities, are rented. Céline owns production and retail facilities near Florence in Italy, and rents warehouses in Beverly Hills and Hong Kong.

The premises of Loewe stores are rented, with the exception of the shop located 46 avenue Montaigne in Paris, which is owned by Loewe. The Madrid, Barcelona, Villaverde and Getafe workshops in Spain, which manufacture Loewe products and accessories for other Group brands, are leased. The head office located in Madrid is also leased.

Berluti rents its stores; Stefanobi owns a shoe production facility in Ferrara, Italy.

Kenzo, Givenchy and Christian Lacroix rent their corporate headquarters, their workshops in Paris, and their stores throughout the world.

Kenzo rents distribution facilities near Tours in France, which serve Kenzo, Christian Lacroix, Céline and Givenchy fashion businesses.

All the premises used by Thomas Pink, the offices and warehouses in London and shops throughout the world, are leased.

Fendi owns its production site near Florence in Italy. The administrative and marketing functions are centralized in Rome, and finance-leased.

All Fendi stores worldwide are leased.

● Perfumes and Cosmetics

Parfums Christian Dior's manufacturing and distribution facilities are located on land owned by the company near Orléans, in France.

In addition, Parfums Christian Dior occupies an office building, the company's headquarters, in the center of Paris, which is finance-leased.

Parfums Christian Dior also owns offices in Germany, Belgium and Italy, and rents offices and warehouses in many cities in the world.

The two Guerlain production centers are located on land owned by the company at Orphin and Chartres, in France; the headquarters in Levallois, near Paris, are rented.

Parfums Givenchy has set up its head office in rented premises at Levallois, near Paris, and owns two plants in Beauvais and Vervins, in France. The Vervins plant produces Givenchy and Kenzo fragrances. A commitment to sell at the end of 2000, has been signed for the distribution center located in Beauvais.

Furthermore, Parfums Christian Dior, Guerlain, Parfums Givenchy and Kenzo rent together offices and distribution and retail premises in New York, Tokyo, London and in other countries around the world.

Laflachère owns five plants in France and rents five others in France and one in Spain. Laflachère also runs four distribution sites

in France, three of which are leased. Offices are leased in France, in various European countries, in Poland and in Hong Kong.

Bliss rents its offices and the premises used for its main spa in New York. The second spa is located in the LVMH Tower on 57th Street.

BeneFit Cosmetics rents the locations of its four shops and offices in California.

Hard Candy and Urban Decay offices located in Los Angeles are rented; in addition Urban Decay rents locations for its shops in Asia.

The Make Up For Ever headquarters located in the Paris region is lease-financed; the shop premises are leased.

- **Selective Retailing**

Le Bon Marché owns the three buildings located in Paris, containing offices and stores; parts of these buildings are rented to third parties. Le Bon Marché also rents storage facilities in Bagneux, France.

Franck & Fils owns the two buildings in Paris it uses as stores; parts are rented to third parties as apartments.

Sephora rents its offices in Boigny, near Orléans, in the Paris region, and in San Francisco in the United States. In the twelve countries where the company is present, the Sephora shops and warehouses are rented with the exception of the megastore on the Champs Elysées. The premises on the Champs Elysées were acquired by LVMH in 1998.

DFS rents its office spaces, with the exception of offices in Guam, which are owned by DFS. Stores run by DFS are generally leased, apart from the stores in Waikiki (Hawaii), Guam (Tumon Bay Galleria) and Saipan, which are owned by DFS.

LVMH owns a commercial property in Saipan, and a building in Guam where the company has set up its leisure activities.

- **Watches and Jewelry**

TAG Heuer rents its workshops and warehouses in Switzerland at La Chaux-de-Fonds and at Saint-Imier, as well as office premises, including the headquarters in Neuchâtel. TAG Heuer also rents its offices and distribution facilities in the United States, Canada, Asia, Australia and in several European countries; its subsidiary Cortech, manufacturer of watch cases, owns workshops and office premises in Cornol in Switzerland.

Ebel owns an industrial building complex in La Chaux-de-Fonds, warehouses and offices as well as the “Villa Turque”, the company’s public relations center. Ebel also owns a rental building in Basle.

Zenith owns the plant where it manufactures its movements and watches in Locle, in Switzerland. The warehouses and commercial premises located in Europe are leased.

Chaumet rents its offices in Paris, as the premises of its shops and the offices of its subsidiaries worldwide.

Fred Paris rents its Paris-based office premises, as well as the locations for its stores in France, Monaco and in the United States.

Benedom rents its headquarters in Geneva, as well as its plant in La Chaux-de-Fonds in Switzerland.

Omas owns a building located in Bologna, Italy where the pen manufacture and the company’s headquarters are centralized.

- **Other activities**

D.I Group rents offices in Paris: Sid Editions rents offices in Paris and in Poitiers; Radio Classique rents offices in Paris.

Phillips owns the premises used for its auction sales activities and the offices located on Bond Street and at Bayswater in London. Outside London, the sales rooms and UK-based offices are, either owned by the company (four of them), or rented (twenty one). In addition, premises are rented in the different countries where the company is established. To boost its sales in New York, Phillips has rented a building on 57th Street and is currently renovating it.

Tajan rents a building on rue des Mathurins in Paris, where it has set up “L’espace Tajan”, which include the company’s offices, and auction rooms.

LVMH owns a building on avenue Hoche in Paris, where the headquarters are located and a building in New York on 57th Street which also houses the US offices of Parfums Christian Dior, Céline, Guerlain, and Louis Vuitton Malletier.

3. SOURCES OF GROUP SUPPLIES

- **Champagne**

The Group procures its champagne grapes supply from the Champagne label geographic region, which stretches over 35,155 hectares.

Champagne grapes are grown on approximately 30,400 hectares of this region. The Group grows grapes on its fully-owned estates of 1,510 hectares, from which nearly 30% of group annual grape needs are met. In addition, Group houses obtain their grapes and wines from winegrowers and cooperatives, based on contractual agreements.

Before 1996, the inter-professional association published an indicative price list and specific premiums were individually negotiated between winegrowers and merchants. To follow up on a four year agreement signed in 1996, a new inter-professional agreement was signed between the houses and the Champagne winegrowers in spring 2000, providing for the four harvests from 2000 to 20003, thereby confirming the policy to check upward or downward fluctuations in grape price.

This agreement was complied with in 2000, but in certain cases, extremely high premiums were added to the indicative price, which our houses refused to accept. This refusal resulted in reducing the supply in number of hectares and preserving cost price.

The post-millennium economic context will enable the gradual completion of supply needs under normal economic conditions.

In 2000, the price of grapes was set at FRF 26.25 per kilogram, up by 3% on the 1999 price.

Since the 1992 harvest, winegrowers and merchants have also agreed, in the event of an abundant quality crop, to limit the harvest and the quantity of grapes used in the production of bottled wines. The surplus from these quotas could then be stored and sold in less bountiful years. At year-end 2000, the equivalent of approximately 40% of a harvest was thus stockpiled and reserved.

● Cognac

Cognac vineyards cover approximately 75,800 hectares. The production area extends over 75,070 hectares, down by approximately 4% over 1999.

Hennessy grows grapes on 178 of fully-owned hectares, after 60 hectares of vines were dug up in 1999 under the 1998 inter-professional program. The government-subsidized program was aimed at reducing the production acreage and gave financial compensation and assistance to farmers to encourage them to uproot their vines and convert to other wines not required in the preparation of cognac.

Hennessy buys most of the wine and distilled alcohol required for producing its cognac from a network of approximately 2,500 independent producers. The company monitors them to ensure compliance with the highest quality standards. The purchase prices for cognac grapes and for wines and distilled alcohol are negotiated between Hennessy and each producer according to the law of supply and demand. In 2000, the price of wine for new distilled alcohol remained stable, after a 10% dip in 1999.

Hennessy maintains an optimal distilled alcohol inventory, which enables it to deal with the effects of price fluctuations and tailor its purchases from one year to another.

In 2000, Hennessy increased its purchasing commitments on the year's harvest and diversified its partnerships to prepare its future growth in the different qualities.

● Louis Vuitton Malletier

Louis Vuitton Malletier owns eleven manufacturing facilities and works with independent entrepreneurs to complete manufacturing and ensure production flexibility.

The company depends on external suppliers for most of the materials used to manufacture its goods. Although a significant portion of raw materials is bought from a fairly small number of

suppliers, the company believes that it could obtain supplies from other sources. In 1998, the company decided to diversify its portfolio of supplies and turned to Norway and Spain, and later to Italy in 2000.

The current "mad cow" crisis at year-end 2000, had no direct impact on supplies nor on the price of leather.

In addition, the production of goods is not dependent on patents or exclusive know-how belonging to third parties.

Louis Vuitton Malletier increased production by more than 20% in 2000 by fully optimizing its entire industrial capacity. The Company has begun the construction of new manufacturing facilities in Sainte-Florence, Barcelona and Ducey, northern France.

4. LITIGATION AND OTHER UNUSUAL MATTERS

In the ordinary course of its business, the Group is a party from time to time to legal proceedings and claims involving trademarks and intellectual property, selective distribution agreements, licensing, employees relations, tax audits and other matters incidental to its business. The Group estimates that the provisions included in the balance sheet, related to litigation and contingent liabilities known or in-process at December 31, 2000, are sufficient to cover any unfavorable outcome, so that the Group financial position would not be significantly affected.

The Group's products are widely known throughout the world, and consequently extensively copied, mainly in Europe and Southeast Asia, especially leather goods. To fight against this scourge, the Group has set up an active control policy, which primarily entails working closely with fraud squads and customs authorities, as well as specialized lawyers in the different countries affected by this problem.

This policy yielded satisfactory results in 2000. The Group intends to bolster it further in 2001, particularly in the sensitive Southeast Asia region.

Lastly, the group also continues its actions aimed at curtailing "unauthorized" retail, which can considerably damage the image of its brands. At the same time, an in-depth policy has been developed to help Group brands gain better control over their retail networks.

Information concerning the holding in Gucci has been included in the appended notes to the Consolidated Financial Statements.





