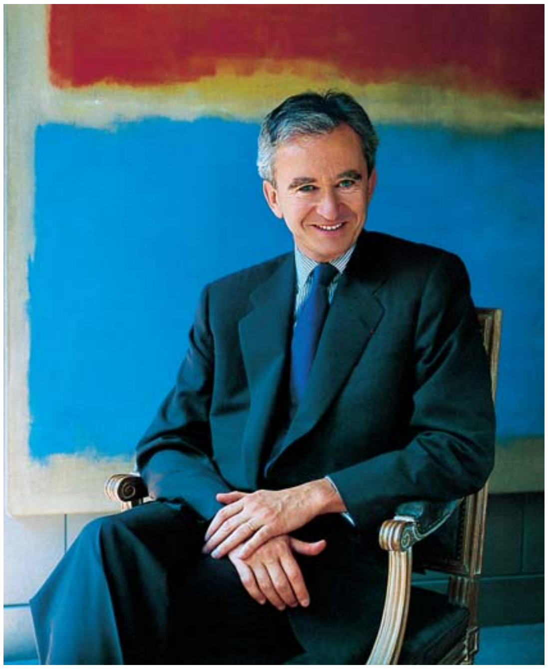
TABLE OF CONTENTS

BUILDING LONG-TERM SUCCESS

NEW GROWTH IN MARKET SHARE, IMPROVING PROFITABILITY, INCREASING CASH FLOW: AGAINST A BACKGROUND OF MAJOR GEOPOLITICAL TENSION, ECONOMIC UNCERTAINTY AND MONETARY INSTABILITY, LVMH IS EXCEEDING ITS GOALS. OUR GROUP IS THUS CONFIRMING THE EFFECTIVENESS OF ITS STRATEGY, ITS EXCEPTIONAL CAPACITY TO RESPOND TO MARKET DYNAMICS AND THE VITALITY OF ITS MAJOR BRANDS. BASED ON THESE CORE STRENGTHS, IT IS RIGOROUSLY MAINTAINING ITS PRIORITIES AND ACTIVELY PREPARING FOR FUTURE SUCCESS.



AN EFFECTIVE STRATEGY, FOCUSED ON OUR CORE SKILLS AND IMPLEMENTED WITH DYNAMISM AND INNOVATION

The values at the heart of our Group include entrepreneurial passion and a continuous desire to excel. The 2002 results demonstrate in practice the strength of these shared values: the dynamism of our teams - within our brands and markets, the capacity for our organisation to respond to market opportunities and the rigour deployed in the management of our activities have enabled us, in this difficult year, to achieve remarkable results and exceed our targets.

The growth achieved by our flagship brands, which are at the heart of everything that we do, is the consequence of our strategy of investment and focus on these core activities. Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, and Christian Dior Parfums are growing in terms both of sales and even more, profitability, winning new market share. In an activity launched by LVMH more recently, but with a long-term perspective, our brands of watches and jewelry, in particular TAG Heuer, Christian Dior, Zenith and Chaumet are also extending their influence and developing their sales more rapidly than the markets they serve, fully justifying the attention and investment devoted to them.

As we expected, our innovation policy, particularly pertinent in the second half of the year, is one of the factors which have strongly promoted the growth of the Group. There are too many successful initiatives to mention here but particularly notable were the launch of our Tambour watch from Louis Vuitton; the ladies' fragrance Dior Addict; Givenchy pour Homme; Fine de Cognac, the most recent creation to date of Hennessy; the luxury watch Riva Sparkling signed by Christian Dior ... the hallmark of innovation – and what turned out to be an architectural and a commercial event, the opening in August of the Louis Vuitton flagship store in Tokyo Omotesando. If its success has made it at the present one of the jewels of our store network, it is also a symbol of the exceptional success of Louis Vuitton in the region and evidence of our continued commitment to our Japanese clientele.

A SIGNIFICANT IMPROVEMENT IN PROFITABILITY AND A STRENGTHENED FINANCIAL STRUCTURE

The improvement of profitability was also a major objective. Apart from the area of watches and jewelry, which is in an investment phase in preparation for future growth, all our sectors have contributed to this. The selective distribution activities, more seriously affected by the economy, were particularly relevant. They fully achieved their objectives partly thanks to the efforts of DFS, which recovered operational equilibrium through a range of rigorous cost reduction measures. Sephora, also, where global sales have risen significantly, contributed its share of the recovery. In fact, our brand achieved major operating income growth in Europe and exceeded its improvement targets in the United States by concentrating its efforts on the most profitable locations. Sephora is on target to achieve profitability in the United States in 2003.

Thanks to the efforts of all our teams, the performance achieved in 2002 has led to a significant increase in cash flow. The internal financing capacity grew by almost 65%. Our investments, apart from their ability to meet profitability targets, were decided on the basis of strict selectivity. The sale of non-strategic assets was carried out when possible. These various factors have enabled us to greatly improve cash generation.

MOBILISING INTERNAL RESOURCES

In a global context which remains worrying, the progress of LVMH in 2003 will be based above all on the excellence of the fundamentals and its capacity to mobilise its internal resources. We can rely on our traditional strengths, namely the talent of our managers and employees and their determination to make the difference, the appeal of our major brands, the certain values - more than ever in a difficult period, the creativity and excellence of our products and the power of our distribution networks.

We are continuing to deploy the organic growth strategy, which brought us results in 2002 and increased our positions across all areas of operation. While still carrying out the sale of non-strategic assets, we will maintain strict management focus, enabling us to reinvest the cost savings achieved in the driving forces of our growth.

SELECTIVE INVESTMENT TO ACHIEVE ANOTHER YEAR OF GROWTH AND TO PREPARE FOR THE SUCCESSES OF TOMORROW

Once again this year, innovation, sustained by marketing impetus, is a major feature. For Louis Vuitton, which has just launched a line of handbags designed in collaboration with the famous Japanese artist Takahashi Murakami - which is just a first step; for Christian Dior, Givenchy, Guerlain and Kenzo who are preparing the launch of new perfumes and cosmetics; for our brands of watches which all, without exception, will have major launches, in Basel, from April onwards… while further reinforcing the efficiency and productivity of our distribution network - in particular, in the wines and spirits sector, we will selectively prioritise development in the world markets which contribute most, and in high-potential countries such as China, Korea, India and Russia, where… our brands have already achieved very promising progress.

Sustained in its current strategy as in its prospects for the future by the results achieved in 2002, LVMH faces the challenges over the coming months with confidence. Our group is setting as its objective a tangible increase in operating income for 2003. Beyond this horizon, our Group is preparing actively for the successes of tomorrow and laying the foundations for long-term prosperity.

Bernard Arnault
Président-Directeur Général

BOARD OF DIRECTORS

Bernard Arnault
Chairman and Chief Executive Officer

Antoine Bernheim* (2)
Vice Chairman

Antonio Belloni
Group Managing Director

Jean Arnault

Nicolas Bazire

Nicholas Clive Worms* (1)

Diego Della Valle*

Michel François-Poncet* (1)

Albert Frère (2)

Jacques Friedmann*

Pierre Godé

Gilles Hennessy (1)

Jean-Marie Messier*

Jean Peyrelevade*

Lord Powell of Bayswater

Felix G. Rohatyn

ADVISOR

Kilian Hennessy* (2)

* *Independent Board Member*

(1) Member of the Performance Audit Committee

(2) Member of the Nominating and Compensation Committee

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman ans Chief Executive Officer

Antonio Belloni
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
Advisor to the Chairman, Synergies,
Group Representative Italy

Pierre Letzelter
Sephora

Christophe Navarre
Wines & Spirits

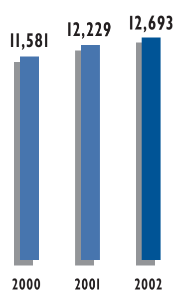
Philippe Pascal
Watches & Jewelry

Daniel Piette
LV Capital

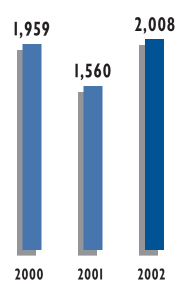
Bernard Rolley
Operations

FINANCIAL HIGHLIGHTS

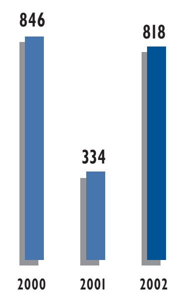
Net sales
EUR million



Income from operations
EUR million

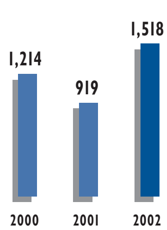


Net income before amortization of goodwill and unusual items
EUR million

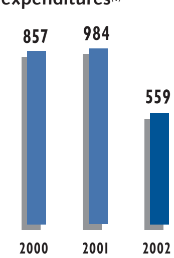


	2000	2001	2002
Net income (EUR million)	722	10	556
Earnings per share before amortization of goodwill and unusual items (EUR)	1.75	0.68	1.67
Dividend per share including tax credit (EUR)	1.13	1.13	1.20

Cash flow from operations



Capital expenditures(1)



(1) Acquisitions of intangible and tangible long-term assets.

	2000	2001	2002
Stockholders' equity (2)	8,512	8,701	8,842
Net financial debt to equity ratio (in %)	87%	95%	73%
Net financial debt to adjusted equity*	71%	79%	66%

(2) Includes minority interests.

** Net of LVMH shares not allocated to option plans and Bouygues shares at market value.*





NET SALES BY BUSINESS GROUP

(EUR million)	2000	2001	2002
Wines and Spirits	2,336	2,232	2,266
Fashion and Leather Goods	3,202	3,612	4,194
Perfumes and Cosmetics	2,072	2,231	2,336
Watches and Jewelry	614	548	552
Selective Retailing*	3,294	3,493	3,337
Other businesses and eliminations*	63	113	8
Total	11,581	12,229	12,693

INCOME FROM OPERATIONS BY BUSINESS GROUP

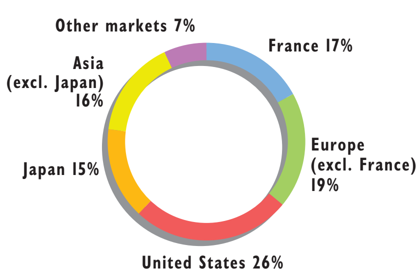
(EUR million)	2000	2001	2002
Wines and Spirits	716	676	750
Fashion and Leather Goods	1,169	1,274	1,297
Perfumes and Cosmetics	184	149	161
Watches and Jewelry	59	27	(13)
Selective Retailing*	(65)	(213)	20
Other businesses and eliminations*	(104)	(353)	(207)
Total	1,959	1,560	2,008

** 2000 and 2001 figures have been restated to take into account certain reclassifications made in 2002.*

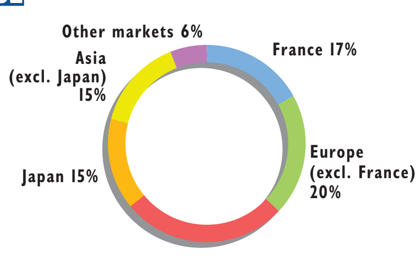
NET SALES BY GEOGRAPHIC REGION

(in %)

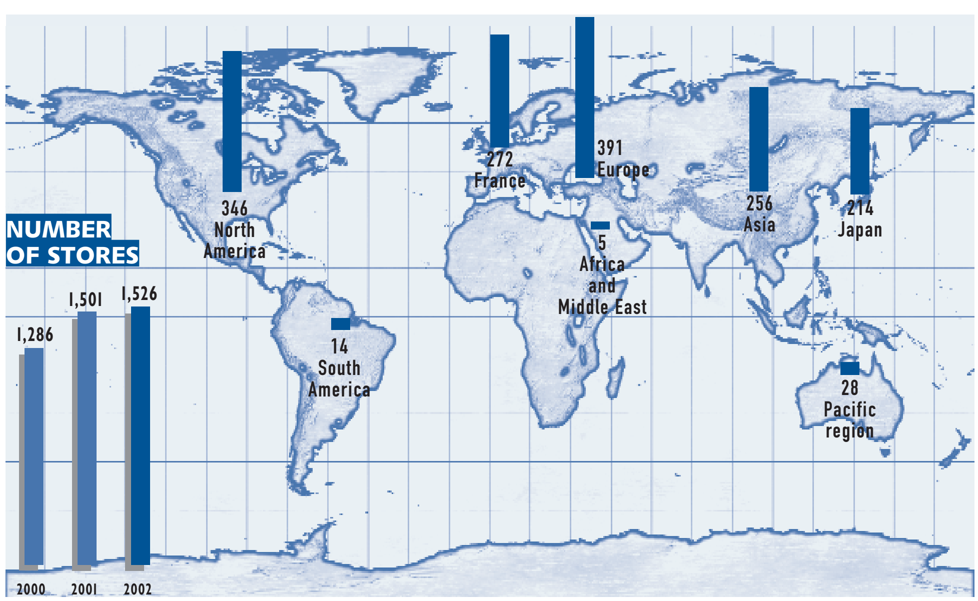
2001



2002



STORE NETWORK AT DECEMBER 31, 2002



THE LVMH SHARE

AN UNFAVORABLE CONTEXT

In spite of lower interest rates and fiscal stimulus measures, all three of the world's principal economic zones were simultaneously affected for varying reasons by a slowdown in activity. This depressed environment together with the threat of a geopolitical conflict led to declines in major equity markets for the third consecutive year. The CAC 40 fell 34%, the Eurostoxx 50 lost 37% and the Dow Jones Industrial Average declined 17% in particular.

OUTPERFORMED THE CAC

After climbing sharply at the beginning of the year, LVMH's share price followed the overall market trend beginning in May, though it resisted better than the market average. Thus, LVMH outperformed the CAC 40 by 29% in 2002, closing the year at 39.15 euros.

LVMH's market capitalization stood at 19.2 billion euros at year-end, making it the eleventh largest on the Paris stock exchange. LVMH is included in the principal French and European indices used by fund managers: CAC 40, DJ EuroStoxx 50, MSCI Europe, FTSE Eurotop 100, Euronext 100.

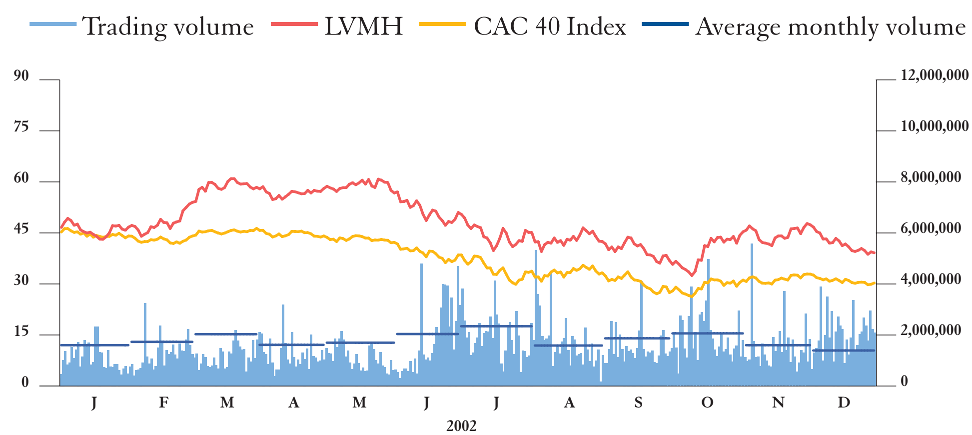
LVMH shares are traded on the Premier Marché of Euronext Paris (Reuters code LVMH.PA, Bloomberg code MC FP and Isin code FR0000121014). In addition, options based on LVMH shares are traded on the Paris Monep options exchange.

A PROGRESSING DIVIDEND

In euros	2002	2001	2000	1999	1998
Net dividend*	0.80	0.75	0.75	0.68	0.62
Dividend including tax credit*	1.20	1.125	1.125	1.02	0.93
Payout rate	48%	110%	43%	46%	58%

**Adjusted for a five-for-one stock split in July 2000 and a one-for-ten bonus allotment in June 1999.*

THE LVMH SHARE AND THE PARIS CAC 40 INDEX SINCE JANUARY, 2002



AN APPRECIABLE YIELD FOR THE SHAREHOLDER

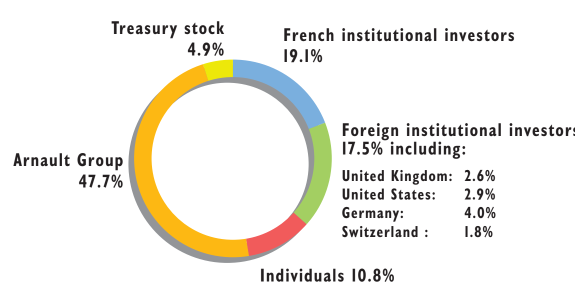
An LVMH shareholder who invested 1,000 euros on January 1, 1998 would have 1,513 euros at December 31, 2002 factoring in a one-for-ten stock allotment in June 1999 and reinvested dividends. His initial investment would, therefore, have grown an average 8.6% a year.

STOCK BUY-BACK PROGRAM

LVMH has implemented a stock buy-back plan to buy back up to 10% of its capital. This plan was approved at the Shareholders' Meeting of May 15, 2002 and was registered with the Commission des Opérations de Bourse (COB). From January 1 to December 31, 2002, LVMH SA sold a net total of 14,143,571 of its own shares. The current stock buy-back plan was registered with the COB under No. 02-453 on April 25, 2002.

CAPITAL STRUCTURE

(Euroclear France survey on bearer shares at year-end 2002)



BREAKDOWN OF CAPITAL AND VOTING RIGHTS AT DECEMBER 31, 2002

Shareholders	Number of shares	Number of voting rights	% of capital	% of voting rights
Financière Jean Goujon (1)	207,821,325	407,303,575	42.42%	58.71%
Others (2)	282,116,085	286,441,631	57.58%	41.29%
Total	489,937,410	693,745,206	100.00%	100.00%

(1) At December 31, 2002 the Arnault group held a 47.70% equity stake, including its 42.42% stake in Financière Jean Goujon.

(2) At December 31, 2002, there were 24,123,009 shares of treasury stock with no voting rights.

SHAREHOLDER RELATIONS

BECAUSE THEIR TRUST IS ESSENTIAL TO ITS STRATEGY AND LONG-TERM DEVELOPMENT, LVMH PAYS PARTICULAR ATTENTION TO ITS RELATIONS WITH SHAREHOLDERS AND CONTINUALLY STRIVES TO MEET THEIR NEEDS.

REGULAR AND THOROUGH REPORTING

LVMH uses a variety of communication means in order to provide its investors with regular, clear and transparent reporting. The annual report is available to anyone on request. Both the abbreviated annual report, published in March, and the six-month interim report presenting the June 30th results are widely circulated as soon as the results are announced.

For those shareholders who want to find LVMH on the web, its new website, www.lvmh.com, provides quicker access to information while evoking an innovative and creative luxury image. The medium offers the advantage of immediate updates on a regular basis. It is ideal for obtaining news about the Group and its brands at any time. The section devoted to shareholders is easier to use than before. It targets the financial community by providing complete and clear information in real time. There are always titles such as the current stock price, schedules of important upcoming events (earnings announcements, shareholders' meetings, dividend payments), news releases and publications. Earnings announcements and annual shareholders meetings are systematically rebroadcast over the internet, both live and recorded.

LVMH also organizes meetings in France for shareholders, financial advisors and asset managers.

THE FRENCH SHAREHOLDERS' CLUB – AN EFFORT TO FORM CLOSER TIES

LVMH has also formed the Shareholders' Club especially for its individual French speaking shareholders who are particularly interested in getting better acquainted with the Group. Club members can learn more about the Group, its activities and its brands and take advantage of special offers on certain products distributed in France.

The Club issues a personalized card to its members bearing an authentication number which is valid for two years.

Members can access a dedicated telephone service that provides help with membership procedures and follow-up on special product offers.

Club members also receive a magazine, *Apartés*, which LVMH publishes in French. This revue provides news about the Group, articles on recent events, and interviews. It also lets shareholders order LVMH products deliverable in France

including some designed exclusively for the Club like reserve vintages. There are discount subscription offers to *La Tribune*, *Investir*, *Connaissance des Arts* and *Le Monde de la Musique*. The Club also provides special access to certain places suitable for visits like wineries and wine cellars and VIP passes to art exhibits funded by LVMH as part of its corporate sponsorship program. The "Matisse-Picasso" exhibit shown at the Grand Palais last autumn was an immense success with our shareholders.

AGENDA

Thursday, March 6, 2003
Annual 2002 earnings released

April 2003
First quarter 2003 sales

Thursday, May 15, 2003
Annual Shareholders' Meeting

June 2003
Final dividend payment 2002

July 2003
Second quarter 2003 sales

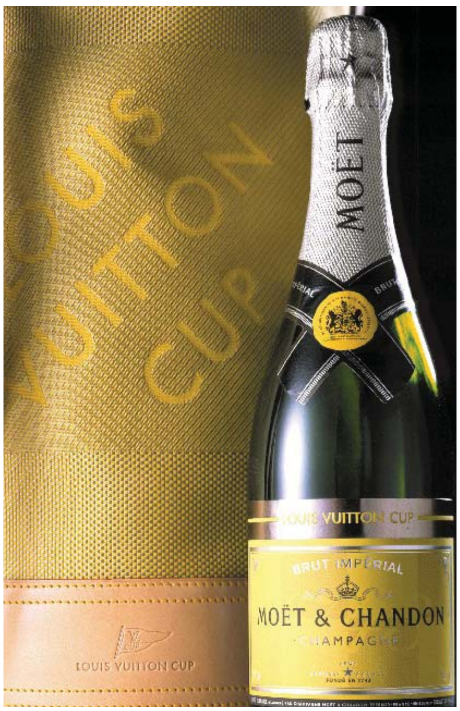
Thursday, September 11, 2003
Six-month interim results 2003 released

October 2003
Third quarter 2003 sales

January 2004
Fourth quarter and annual 2003 sales

WINES AND SPIRITS

CHRISTOPHE NAVARRE: MOËT HENNESSY REBOUNDED IN 2002, REACHING NEW HIGHS. WE OWE THIS RESULT TO THE QUALITY OF OUR PRODUCTS AND ADVERTISING CAMPAIGNS, OUR TALENTED TEAMS, A FIRM PRICING POLICY AND TIGHTER CONTROL OVER OUR DISTRIBUTION. TO CONSOLIDATE OUR POSITION OF WORLD LEADER IN PRESTIGIOUS WINES AND SPIRITS, WE ARE MAINTAINING OUR POLICY OF CONCENTRATING RESOURCES ON OUR LEADING BRANDS AND KEY MARKETS. IN AN UNCERTAIN BUSINESS CLIMATE, THE STRENGTH OF THE MOËT HENNESSY BRANDS IS AN ADDITIONAL ASSET THAT SHOULD MAKE 2003 ANOTHER GREAT VINTAGE YEAR.



HIGHLIGHTS

The Wines and Spirits business group's net sales were up 2% over 2001 while operating income rose 11%. The growth in net sales was impacted by a negative currency effect in the fourth quarter. This had a limited impact on operating income as a result of an effective hedging policy. Net sales grew by 11% on a constant consolidation and currency basis.

The rebound in champagne consumption continued throughout 2002, particularly in the United States, the United Kingdom, and Japan. On a constant consolidation basis, sales volume grew 14%.

As a result of the rapid implementation of effective action plans, the volume of still and sparkling wines sold in Argentina and Brazil rose 6% despite the economic crisis, the monetary consequences of which had an impact on earnings.

Hennessy continued to grow with a 6% increase in sales volumes, and further consolidated its market share in the premium market segment. Japan's difficult situation was offset by the continued sales momentum and success of Hennessy cognacs in the United States and other Asian countries, particularly China.

PRINCIPAL DEVELOPMENTS

To generate greater synergies in its product marketing in the United States, Moët Hennessy consolidated the distribution of its brands with those of Diageo in order to have dedicated teams with an exclusive distributor in certain key states. This realignment will accelerate the sales growth of these brands and better meet the needs of retailers and consumer demand in the United States.

In Germany, Switzerland and Latin America, **Veuve Clicquot's** distribution networks have been combined with those of Moët & Chandon and Hennessy.

In order to strengthen its portfolio of premium brands of spirits, Moët Hennessy acquired a 40% stake in Millennium, which owns the prestigious vodka brand **Belvedere** and the distribution rights of **Chopin**. This company originated the high-end vodka category in the United States.

Moët Hennessy's brands continued their innovation program to develop new ways to consume their products. The introduction of **Veuve Clicquot's** *Paint Box*, the design of special packaging for **Moët & Chandon's** *Brut Impérial* to celebrate the Louis Vuitton Cup, and **Hennessy's** successful launch of *Fine de Cognac* in Europe are some of the initiatives taken in 2002. This program was supported by significant advertising investments.

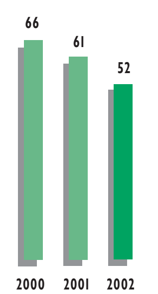
OUTLOOK

Moët Hennessy will pursue its strategy to focus on its leading brands and most profitable markets, notably the United States and Japan for champagne as well as high-potential countries i.e. China, Russia, Korea and Taiwan, which are growth drivers for cognac. The management of the still and sparkling wine businesses in the new world will continue to be closely monitored to limit the impact from currency and economic fluctuations.

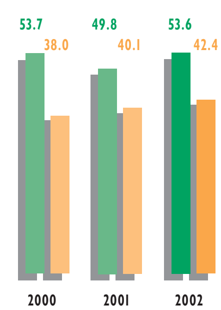
Moët Hennessy will increase the efficiency of its distribution networks and the investments made to advertise its leading brands. It also intends to consolidate its market positions and further improve its profitability.

EUR million	2000	2001	2002
Net sales	2,336	2,232	2,266
Income from operations	716	676	750

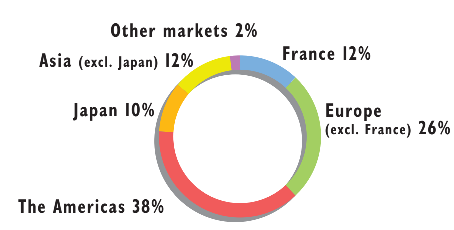
Investments
EUR million



Sales volume
CHAMPAGNE
COGNAC
Millions of bottles



Net sales by geographic region
in %



FASHION AND LEATHER GOODS

YVES CARCELLE: DURING A TURBULENT 2002, LOUIS VUITTON, OUR FLAGSHIP BRAND, STRENGTHENED ITS LEADERSHIP, EXPANDED ITS GEOGRAPHIC COVERAGE, AND BOOSTED ITS EXCEPTIONAL PROFITABILITY. OUR NEWER AND SMALLER BRANDS, WHICH COUNT AMONG THE VECTORS FOR OUR FUTURE GROWTH, DEMONSTRATED THEIR CAPACITY TO RESPOND AND RESIST IN A DIFFICULT ENVIRONMENT. HAVING ACHIEVED OUR OBJECTIVES FOR 2002, WE APPROACH 2003 WITH CONFIDENCE. OUR PEOPLE ARE ONCE AGAIN DETERMINED TO MAKE A DIFFERENCE, NO MATTER WHAT THE ENVIRONMENT.

HIGHLIGHTS

Net sales for Fashion and Leather Goods business group rose 16%, including the impact of the consolidation of Donna Karan and the full consolidation of Fendi.

Income from operations rose slightly in a difficult economic and monetary climate, to which was added the integration of new brands. Even though the challenging environment affected the entire industry, **Louis Vuitton**, the group leader and the world's leading luxury brand, again succeeded in increasing its operating income and margin.

Louis Vuitton net sales were up 7% on a constant currency basis. The strong results reflect the company's policy of innovation and the very strong demand from its local customers, both in Japan and the West. Its performance is particularly remarkable in Japan, where sales were up 15% in yen, and in North America, where they rose 12% in dollars. Fourth-quarter sales at Louis Vuitton grew by an exceptional 23% in constant currencies, and set a new record for December.

The business group's other brands stood up well overall despite their greater sensitivity to the economic downturns in some markets. Noteworthy are **Marc Jacobs** performance in the United States and successful breakthrough in Japan, **Berluti's** strong development, **Christian Lacroix** progress in Japan and the success of **Céline's** new lines of leather goods.

PRINCIPAL DEVELOPMENTS

Louis Vuitton added to its distribution network worldwide throughout 2002, ending the year with 299 retail stores. A net seven new stores were opened in the second half, including a global store in Kobe, Japan and, in an unprecedented success story, an exceptional store in Tokyo's Omotesando district, the largest Louis Vuitton store in Japan. Louis Vuitton also opened its first stores in Israel (Tel Aviv), Russia (Moscow) and the Netherlands (Amsterdam).

Louis Vuitton's new products created a sensation among its customers, contributing 11% to net sales for the year. Its *Tambour* watch, on sale since mid-September, has opened up a promising new segment. Now available in 60 stores, over 6,500 units of this watch have been sold with over 5,000 more on order. The *Monogram Mat*, unveiled in July, was an instant success. Louis Vuitton also created a complete *LV Cup* line to celebrate the elimination races for the America's Cup and a collection of *Monogram Vernis Fluo* handbags developed with designer Bob Wilson.

In 2002, the recently acquired **Fendi** and **Donna Karan** brands focused primarily on reorganizing their retail networks and adapting their manufacturing and logistical infrastructures. **Pucci** opened a store on avenue Montaigne in Paris and its first collection designed by Christian Lacroix was enthusiastically received.

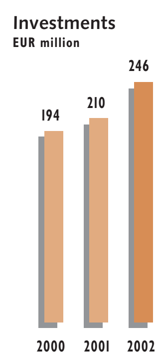
OUTLOOK

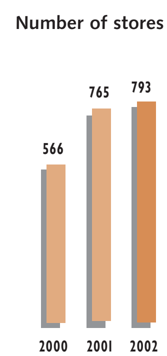
Louis Vuitton will continue to expand its retail network in 2003 with plans to open major stores at avenue Montaigne in Paris, in the United States and elsewhere in Europe and Asia. The brand will expand its presence in China and Korea and establish a presence in India.

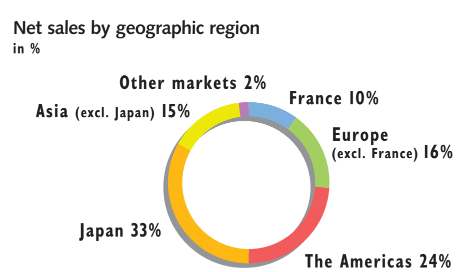
Some of the new items slated to come out in 2003 include the *Monogram* line of handbags designed in collaboration with Japan's famous artist, Takashi Murakami, plus an *Epi souple* collection, and the expansion of Louis Vuitton's watch and jewelry line. The *Tambour* watch will be sold in an additional 60 stores as well.

Construction continues on **Louis Vuitton's** second production facility at Ducey in France's Manche region to meet growing demand.

EUR million	2000	2001	2002
Net sales	3,202	3,612	4,194
Income from operations	1,169	1,274	1,297







PERFUMES AND COSMETICS

PATRICK CHOËL: THE DYNAMIC EFFORTS OF OUR TEAMS IN 2002 LIMITED THE IMPACT OF THE CONTINUED WEAKNESS OF THE NORTH AMERICAN MARKET AND ENABLED US TO ACHIEVE RAPID GROWTH IN EUROPE AND ASIA. WE MET OUR OBJECTIVES FOR THE FOURTH CONSECUTIVE YEAR WITH SALES GROWTH IN EXCESS OF GROWTH IN THE SELECTIVE RETAIL MARKET. ADDITIONALLY, IN 2002, OUR INCOME FROM OPERATIONS ROSE FASTER THAN SALES. IN 2003, AS ECONOMIC CONDITIONS REMAIN DIFFICULT, WE INTEND TO REPEAT THIS PERFORMANCE, HELPED NOTABLY BY AN INTENSE PROGRAM OF INNOVATIONS.

HIGHLIGHTS

Net sales for the Perfumes and Cosmetics business group were up 5%, or 8% on a constant currency basis. Growth was especially remarkable in the Asian markets of Japan, Korea and China, as well as in Europe, including Russia, a market where significant growth confirmed its potential.

Income from operations rose by 8%, growing faster than net sales as announced in the objectives we set at the start of 2002. Operating cash flow was greater than 150 million euros.

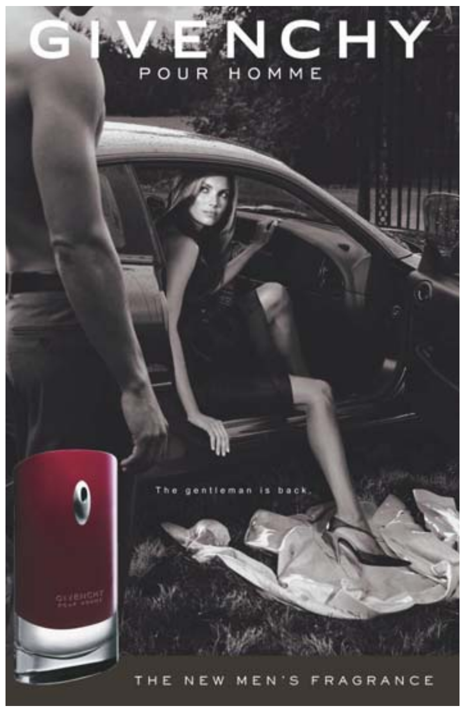
Loewe Perfumes, which was previously consolidated in the Fashion and Leather Goods business group, joined the Perfumes and Cosmetics division in 2002 and strengthened its market position in Spain where the brand is the leader in the luxury market. In order to concentrate its investments in the most profitable strategic businesses, the group sold off the US start-ups, Urban Decay and Hard Candy at the end of the year.

PRINCIPAL DEVELOPMENTS

Parfums Christian Dior again improved its performance, particularly as a result of the very successful year-end introductions of the *Dior Addict* women's fragrance, *Diorskin* make-up foundation, and the *Maximeyes* line of eye makeup. Confirming its standing as a classic in the women's fragrance market, *J'adore's* sales were comparable to last year.

Parfums Givenchy's profitability rose sharply. The brand successfully unveiled two new perfumes, *Eau Torride* for women and *Givenchy pour Homme* for men which, in just a few months, earned an excellent sales score in the men's category.

In the absence of any major new product introductions, **Guerlain** spent 2002 expanding its *Issima* line of skincare products, notably with *Issima Success Laser*. Sales for the brand rose significantly in Japan, a priority market together with France.



Parfums Kenzo confirmed its new momentum and continued to improve operating income based on the steady growth of *Flower*, the successful re-introduction of *Parfum d'Eté*, and the selective expansion of the *Kenzoki* wellness product line.

Net sales of the recently acquired US and French companies substantially improved, despite a large exposure in the United States. **BeneFit**, **Fresh** and **Make Up For Ever** achieved particularly strong growth. The group of American licensees more than doubled growth with the successful expansion of the Marc Jacobs line and the launching of the first perfumes from designer Kenneth Cole.

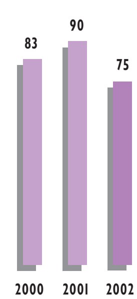
OUTLOOK

The Perfumes and Cosmetics business group will benefit from a very high rate of innovation in 2003. These initiatives include new fragrances to be rolled out by **Givenchy**, **Guerlain** and **Kenzo**. At the beginning of the year, **Parfums** **Christian Dior** introduced *Capture R60/80*™, an extremely innovative line of anti-aging skincare products and the culmination of a major project in its laboratories.

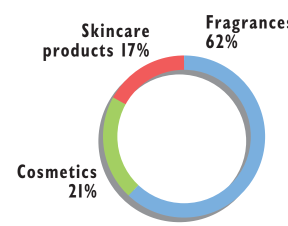
The threefold objective of the Perfumes and Cosmetics group in 2003 is to achieve better-than-market growth in sales, to increase income from operations by more than sales, and to continue to generate a positive cash flow.

EUR million	2000	2001	2002
Net sales	2,072	2,231	2,336
Income from operations	184	149	161

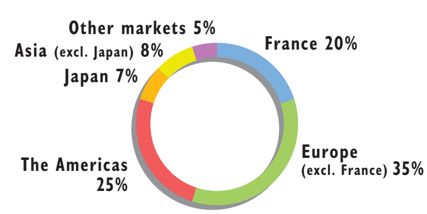
Investments
EUR million



Net sales
by product category



Net sales by geographic region
In %



WATCHES AND JEWELRY

PHILIPPE PASCAL: LVMH'S WATCH AND JEWELRY BRANDS MADE ADVANCES IN 2002, AGAINST THE BACKDROP OF A SUBSTANTIAL DOWNTURN IN THE GLOBAL MARKET. WE MAINTAIN OUR STRATEGIC COURSE AND OUR AMBITION OF BECOMING A KEY PLAYER IN THIS SECTOR, STILL RELATIVELY NEW FOR LVMH. WE NOW HAVE ALL THE NECESSARY ADVANTAGES: EXPERIENCED PEOPLE IN OUR TEAMS AND OUR MARKETS, CLEAR STRATEGIES FOR EACH BRAND, AND GROWING CREATIVE SPIRIT—ALL SUPPORTED BY WELL-TARGETED CAPITAL EXPENDITURES.

HIGHLIGHTS

The Watches and Jewelry business group boosted sales and marketing support for its own brands in 2002. As a result, LVMH brands reported net sales of 540 million euros, a 4% increase over 2001. Despite an unfavorable economic and monetary climate, sales of LVMH brands again grew in local currencies in all geographic regions, while increasing market share. At the same time, the business group continued to withdraw from certain manufacturing and distribution activities on behalf of third parties. As net sales from this activity were down sharply, consolidated sales for the Watches and Jewelry group rose 1%.

Ateliers Horlogers, formed in 2001, added production capacity to meet the strong demand for **Christian Dior Watches** and to keep pace with the very successful introduction of the Louis Vuitton *Tambour* watch, which is exclusively sold in the brand's own stores.

De Beers L.V. opened its first boutique in London at the Piccadilly end of Old Bond Street in late November 2002. Both the collections and the innovative store format were very well received by the press and customers.

PRINCIPAL DEVELOPMENTS

The Watches and Jewelry group continued to consolidate its distribution network, notably by opening up China and India to its **TAG Heuer** and **Christian Dior Watches** brands. The retail organization now covers all of the principal geographic regions, and the group implemented a program late in the year to boost the productivity of its shops and retail network.

TAG Heuer returned to growth with a more selective retailing effort and a new advertising campaign entitled "What are you made of?" It also improved the high-end image of its line, supported by its traditional models (*Monza, Monaco* and others) and its gold collections. In December, the *Micrograph FI*, to be launched in 2003, won the 2002 Geneva Grand Prize for Watchmaking in the design category.

Sales of **Christian Dior Watches** improved sharply with the support of a very powerful advertising campaign for its *Riva* and *Malice Sparkling* models.

Zenith Manufacture repositioned itself in fine watchmaking and returned to growth, despite halting production of quartz watches and a few difficulties in procuring certain components.

Chaumet continued to grow by concentrating its capital spending in a few markets. This strategy was reflected in the opening of two shops in Tokyo's Ginza and Omotesando districts in October.

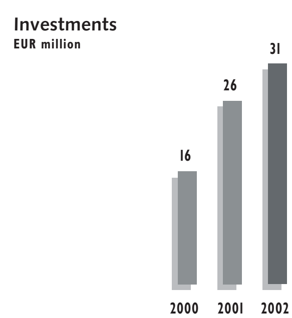
The innovation program developed by LVMH's brands has posted a number of successes. **Ebel** has boldly demonstrated its expertise by introducing a very creative and remarkable collection of fine jeweled watches, the *Joyaux de l'Océan*. **Fred** successfully unveiled a new line of watches called *Move One*. **Omas** greatly enhanced its visibility with a successful rollout of its *Ingegno Scrittorio* collection of ballpoint pens designed in honor of Leonardo De Vinci.

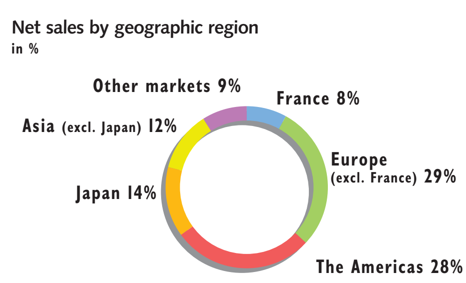
OUTLOOK

Despite a very sluggish economic climate, the group maintains its growth objectives with selectively targeted capital expenditures. The companies and retail networks of the Watches and Jewelry group all plan to improve productivity as well.

Each watch brand will have major announcements at the Basel Watch and Jewelry Trade Show in April 2003. **Chaumet** is adding a new *Frisson* collection to its jewelry line and is working with the architect Jean-Michel Willmotte to renovate its shops. **TAG Heuer** is strengthening its advertising campaign with the addition of golf champion Tiger Woods to the brand's lineup of legendary ambassadors.

EUR million	2000	2001	2002
Net sales	614	548	552
Income from operations	59	27	(13)





SELECTIVE RETAILING

PIERRE LETZELTER : DESPITE A CHALLENGING WORLD ECONOMY IN 2002, WE MET OUR FORECAST AND POSTED AN OPERATING PROFIT. WE OWE OUR SUCCESS IN REACHING OUR OBJECTIVES TO THE ENERGIES AND TALENTS DISPLAYED BY OUR TEAMS AS THEY WORKED TO ACHIEVE OUR PRIORITIES. WITH THE UNCERTAINTIES FACING US AT THE START OF 2003, EACH OF OUR SELECTIVE RETAILING COMPANIES CONTINUES TO BUILD ON ITS STRENGTHS TO MEET THE NEW CHALLENGES AND OPPORTUNITIES OF THE COMING MONTHS UNDER THE BEST POSSIBLE CONDITIONS.

HIGHLIGHTS

The 5% decline in total net sales for the Selective Retailing business group masks contrasting situations. While the travel retail businesses were penalized by the decline in tourism in 2002, **Sephora** continued to grow in Europe and the United States. The division posted a modest operating income in line with its objectives. DFS and Sephora successfully continued their efforts to improve results.

DFS recorded lower sales in 2002 despite a slight increase in the fourth quarter compared with a very sluggish year-end in 2001. Efforts to make the product line more competitive in various destinations produced results. DFS returned to the break-even point at the operating level as a result of strict cost-cutting measures, the closing of stores that performed poorly in 2002's difficult economy, and the renegotiation of some airport concession fees.

Miami Cruiseline reported improved sales and operating income in a growing cruise market. Advances in merchandising and cost-cutting measures proved to be effective.

Sephora's net sales rose 10% worldwide excluding Japan and on a constant currency basis, a notable performance since it opted to slow down the pace of new store openings on both sides of the Atlantic. In Europe, 2002 saw the implementation of a plan to improve operations, which contributed to a sharp rise in operating income. In the United States, Sephora boosted its same-store sales by 25%. This was the second consecutive year it significantly outperformed the selective retail market, which proves the commercial success of its format. The company exceeded its targets for improving operating income in the United States.

In a poor business climate for department stores, **Le Bon Marché** posted significant increases in net sales. The fashion accessories sector and La Grande Epicerie de Paris performed especially well. **La Samaritaine** implemented a multi-year recovery plan designed to give it the stature and image of a department store primarily focused on fashion and the female customer.

PRINCIPAL DEVELOPMENTS

DFS has just opened a new Galleria in Singapore. It also opened a store at Japan's Okinawa airport and renewed its concession agreements in Guam and New Zealand.

Sephora added 15 stores to its European network in 2002, including its first branded store in Athens and three new stores in Prague, which successfully launched its entrance in the Czech Republic and confirmed the concept's potential in Eastern Europe. The store network grew slightly in the United States with two net additions.

OUTLOOK

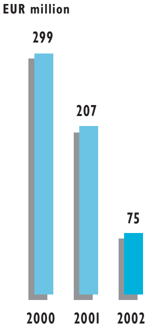
Sales at **DFS** are expected to trend in line with the slow recovery in international travel. Against this still difficult backdrop, DFS will continue with its restructuring program and its efforts to reduce costs and optimize its product selection.

Sephora continues to fine tune the strategy and quality of its organization and stores to better serve customers. Improving the profitability of its operations remains a priority, and it will continue to concentrate new store openings in those cities and countries where the Sephora format has the most potential. The growth in net sales on a same-store basis and cost cutting measures being implemented in the United States will bear fruit over the coming months. The objective for 2003 is to earn an operating profit and positive cash flow, as is the case already in Europe, where Sephora will continue with its profitable growth strategy.

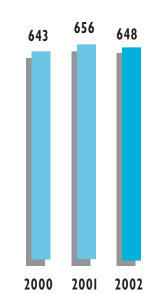
In 2003, **Le Bon Marché** will renovate its women's fashion sales space and **La Samaritaine** will undertake the second phase of its gradual transformation by expanding the sales space devoted to ready-to-wear apparel.

EUR million	2000	2001	2002
Net sales	3,294	3,493	3,337
Income from operations	(65)	(213)	20

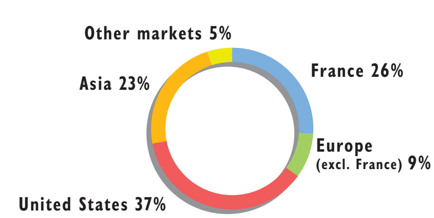
Investments
EUR million



Number of stores



Net sales by geographic region
in %



CONSOLIDATED STATEMENT OF INCOME FOR 2002

(EUR millions except EPS)	2002	2001	2000
Net sales	**12,693**	**12,229**	**11,581**
Cost of sales	(4,563)	(4,654)	(4,221)
Gross margin	**8,130**	**7,575**	**7,360**
Marketing and selling expenses	(4,705)	(4,568)	(4,206)
General and administrative expenses	(1,417)	(1,447)	(1,195)
Income from operations	**2,008**	**1 560**	**1,959**
Financial expense - net	(294)	(459)	(421)
Dividends from nonconsolidated investments	8	21	45
Other income or expense - net	(405)	(455)	109
Income before income taxes	**1,317**	**667**	**1,692**
Income taxes	(350)	(192)	(633)
Income (loss) from investments accounted for using the equity method	(18)	(42)	(34)
Net income before amortization of goodwill, minority interests and unusual items	**949**	**433**	**1,025**
Amortization of goodwill	(262)	(168)	(141)
Minority interests	(131)	(99)	(179)
Unusual items	–	(156)	17
Net income	**556**	**10**	**722**
Net income before minority interests	**687**	**100**	**964**
Net income before amortization of goodwill and unusual items	**818**	**334**	**846**
Earnings per share before amortization of goodwill and unusual items	**1.67**	**0.68**	**1.75**
Earnings per share	**1.14**	**0.02**	**1.49**
Number of common shares and share equivalents (1)	488,852,554	488,064,659	484,800,930
Fully diluted earnings per share before amortization of goodwill and unusual items	**1.67**	**0.68**	**1.75**
Number of common shares and share equivalents after dilution (1)	488,852,554	488,072,374	484,886,474

(1) Figures have been adjusted to reflect the five-for-one stock split of July, 2000.

● Consolidated net sales for 2002 were 12,693 million euros, a 4% increase from the previous year. The figure only partially reflects what really occurred, since currency fluctuations against the euro, particularly the drop in the yen and then the US dollar, limited the increase, which amounted to 9% at constant exchange rates.

● Net sales of Wines and Spirits rose 2%. Excluding the impact of the Pommery disposal in the first half and at constant exchange rates, the actual growth was 11%. These figures reflect the strong recovery in demand for champagne, notably in the United States and in Europe, as well as further expansion of cognac sales in Asia, excluding Japan, and in the United States. They do not include Millennium, which was consolidated using the equity method.

● Net sales for the Fashion and Leather Goods business group increased 16%, a performance chiefly reflecting a 7% rise in Louis Vuitton sales at constant exchange rates, notably in Japan and the United States. The overall change in Fashion and Leather Goods sales includes the effects of the Donna Karan consolidation as of January 1, 2002 and the full consolidation of Fendi, which was consolidated on a proportionate basis at 50% in 2001. Sales were up 5%, after excluding the effects of changes in consolidation and at constant exchange rates.

Perfumes and Cosmetics net sales rose 5%, or 8% at constant exchange rates and including the integration of Loewe perfumes in 2002. This increase reflects both the success of recent new products and expanded sales in all markets, particularly in Europe. Only the United States reported a decline in sales.

Watches and Jewelry net sales rose 1%, or 3% at constant exchange rates, with significant advances in Japan and other Asian countries. This performance occurred against a backdrop of revamped product lines, marketing repositioning and a shutdown of our manufacturing and distribution activities on behalf of other brands.

Selective Retailing net sales declined 5% overall, but this figure masks very different situations among the individual companies. Sales at DFS fell 9% at constant exchange rates because of a continued unfavorable parity between the yen and the dollar for Japanese customers. Sephora's sales rose 7% in local currencies, with the United States recording a 28% increase. Miami Cruiseline and Bon Marché also reported growth, while net sales at La Samaritaine were down owing to a thorough revamping of the product range and disruption caused by the renovation work.

Net sales from other activities before intercompany eliminations were 163 million euros, down from 244 million euros in 2001, essentially due to the deconsolidation of Phillips at year-end 2001.

● Changes in the Group's consolidation, its businesses and in the monetary environment during 2002 caused a slight shift in the contribution of each business group to total net sales at current exchange rates. Selective Retailing's share fell from 29% to 26% of the total while Fashion and Leather Goods rose from 29 to 33%. The percentages of the other business groups remained stable, with Wines and Spirits at 18%, Perfumes and Cosmetics at 18% and Watches and Jewelry at 4%.

● Changes in net sales by geographic region along with the changes in consolidation scope described above, i.e. the disposal of Pommery, the consolidation of Donna Karan and full consolidation of Fendi, kept the breakdown of net sales by currency practically unchanged, even though the yen and US dollar weakened against the euro. In 2002, the breakdown remained as follows with the euro at 32%, the US dollar at 33%, the yen at 16% and other currencies at 19%, including 5% for the Hong Kong dollar.

● Gross profit was 8,130 million euros, representing 64% of net sales, a 2 percentage point increase from 2001due to the increase in the gross margin of the Selective Retailing and the favorable effect of currency hedges.

● Marketing and selling expenses rose 3% to 4,705 million euros, a figure that changes little on a comparable structural and currency basis. This figure reflects the increasing selectivity in our advertising campaigns and a relative decline in the number of new store openings compared with 2001.

● Administrative expenses declined 2% from 2001 to 1,417 million euros, and 4% on a comparable structural and currency basis. This reflects the efforts made to improve productivity in all activities.

● Income from operations grew 29% to 2,008 million euros. This increase, which far exceeds that of net sales, stems from the Group's improved gross margin and its control of marketing and administrative expenses as mentioned above.

Income from operations for the Wines and Spirits segment climbed 11% to 750 million euros, a confirmation of growing volumes and margins.

Income from operations for Fashion and Leather Goods rose 2% to 1,297 million euros after climbing 9% in 2001. Sales were penalized for several months in the wake of the September 11th, 2001 terrorist attacks, making any comparisons with the previous year look worse.

Perfumes and Cosmetics reported a 8% increase in income from operations to 161 million euros. The upward trend, which occurred mainly in the second half, confirms the success of the new products launched over this period.

The Watches and Jewelry business group reported a 13 million euro loss from operations, due primarily to the aforementioned shutdown of manufacturing and distribution activities on behalf of other brands and the cost of advertising campaigns, supporting several new product launches.

The Selective Retailing activities earned a 20 euro million income from operations versus a 213 million loss in 2001. The improvement was due to the lower break-even point at DFS, which has now returned to breakeven at an operating level, the closing of Sephora in Japan and Germany, and the sharp turnaround in Sephora's results in the United States, which are now close to break-even.

The Other Activities segment posted a 207 million euro operating loss in 2002, an improvement from the 353 million loss reported in 2001. This reflects the results from the Press and Media businesses, which recorded a loss due to the abrupt decline in financial advertising revenue, the results from the e-luxury.com website whose business is growing rapidly while still being unprofitable and the Group's central expenses. These activities also included operating losses at Phillips in 2001.

Net financial expenses were reduced to 294 million euros in 2002 from 459 million euros in 2001. The decrease reflects lower interest rates and the positive cash flow generated from the disposal of the Group's equity stake in Gucci in 2001 and asset sales conducted in 2002. It also reflects the strong increase in cash flow from operations compared to 2001.

● Other income and expenses primarily include the following items: a 55 million euro gain from the disposal of Pommery, Hard Candy and Urban Decay as well as various properties and equity stakes in Fininfo and Grand Marnier; an additional 200 million euro provision for the depreciation of the equity stake in Bouygues; 116 million euros in non-recurring asset depreciation, which included 41 million euros for inventory and 55 million euros for intangible assets; 17 million euros net gain from the sale of LVMH shares and changes in provisions on these shares; and finally an amount of 161 million euros relating notably to provisions for restructuring of Moët Hennessy's retail network in some regions, the final cost for disposing of the residual shareholding in Phillips and the closing of certain stores.

- The average 2002 tax rate of 27% is lower than that reported in 2001 due to the use in 2002 of the tax losses from certain activities.

- The Group share from equity accounted investments was a loss of 18 million euros. This primarily reflects LVMH's share in the results of Millennium and Bonhams, as well as its 50% stake in its joint venture with De Beers. In 2001, it also included LVMH's share in e-luxury.com's results.

- Net income before amortization of goodwill and unusual items rose to 818 million euros, from 334 million euros at year-end 2001.

- Goodwill amortization was 262 million euros, up from 168 million euros the previous year. This increase results from the reduction of the amortization period for DFS to 20 years and changes in consolidation scope, particularly the integration of Fendi and Donna Karan.

- Minority interests rose from 99 to 131 million euros, primarily due to Wines and Spirits results, in which Diageo holds a 34% interest.

- The Group reported a net income of 556 million euros; it was 10 million in 2001 after 156 million euros of unusual items.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

ASSETS *(EUR millions)*	2002	2001	2000
Current assets			
Cash and cash equivalents	812	795	695
Short-term investments	60	622	1,326
Treasury shares	544	1,046	1,289
Trade accounts receivable	1,327	1,538	1,638
Deferred income taxes	555	544	266
Inventories	3,427	3,655	3,382
Prepaid expenses and other current assets	1,202	1,352	1,596
	7,927	**9,552**	**10,192**
Investments and other assets			
Investments accounted for using the equity method	68	77	21
Unconsolidated investments and other investments	869	1,386	1,892
Treasury shares	362	318	156
Other non-current assets	511	467	307
Property, plant and equipment - net	3,850	4,208	3,367
Brands & other intangible assets - net	4,199	4,308	3,415
Goodwill - net	3,631	3,516	3,842
	13,490	**14,280**	**13,000**
Total	**21,417**	**23,832**	**23,192**

● LVMH lightened its balance sheet and improved its financial condition in 2002. Strong cash-flow from operations, asset disposals and the decline of the US dollar against the euro all contributed to a very significant reduction of net financial debt.

● The Group's balance sheet total stood at 21.4 billion euros at December 31, 2002, a 10% contraction from 23.8 billion euros a year earlier.

● Fixed assets represented 13.5 billion euros, or 63% of the total compared with 14.3 billion, or 60%, at year-end 2001.

● Tangible and intangible assets together decreased to 11.7 billion euros from 12.0 billion at year-end 2001. The decrease is the result of asset disposals, such as Pommery and several real estate assets, as well as the impact of currency variations. The initial consolidation of the equity stake in Donna Karan and the substantially lower capital expenditures concentrated on the store network, raised fixed assets by a relatively small amount.

● Long-term investments fell to 1.8 billion euros from 2.2 billion the year before. This decrease reflects primarily the consolidation of Donna Karan and the change in value of the equity stake in Bouygues, partially offset by the increase in LVMH long-term treasury shares.

● Inventories stood at 3.4 billion euros versus 3.7 billion euros at year-end 2001. The change reflects brisk fourth quarter sales and successful inventory controls in most of the Group's activities despite the gradual reconstitution of Louis Vuitton inventories.

● Cash and short-term investments totaled 0.9 billion euros against 1.4 billion euros at December 31, 2001. After adding the LVMH short-term treasury shares not allocated to option plans, this amounts to a book value of 1.2 billion euros.

LIABILITIES AND STOCKHOLDERS' EQUITY *(EUR millions)*	2002	2001	2000
CURRENT LIABILITIES			
Short-term borrowings	2,304	3,765	5,333
Accounts payable	1,429	1,401	1,305
Accrued expenses and other current liabilities	2,533	2,622	2,371
Income taxes	61	-	318
Current portion of long-term debt	274	238	235
	6,601	**8,026**	**9,562**
NET DEFERRED INCOME TAXES	**125**	**169**	**110**
LONG-TERM LIABILITIES			
Long-term debt, less current portion	4,554	5,402	3,498
Other long-term liabilities	1,073	1,250	1,164
Repackaged notes	222	284	346
	5,849	**6,936**	**5,008**
MINORITY INTERESTS IN SUBSIDIARIES	**1,772**	**1,800**	**1,481**
STOCKHOLDERS' EQUITY			
Common stock	147	147	147
Additional paid-in capital and retained earnings	7,145	6,894	7,017
Cumulative translation adjustment	(222)	(140)	(133)
	7,070	**6,901**	**7,031**
TOTAL	**21,417**	**28,832**	**23,192**

- Group stockholders' equity before appropriation of earnings rose to 7.1 billion euros. Minority interests were unchanged at 1.8 billion euros, with the acquisition of minority shareholders at Fendi offset by minority interests in the net income for the year.

- Total stockholders' equity and minority interests was thus 8.8 billion euros, or 41% of total assets.

- Medium and long-term liabilities totaled 6.0 billion euros at the year-end, including 4.8 billion euros in financial debt. Their relative share of the balance sheet total fell slightly to 28%.

- Long-term resources rose to 14.8 billion euros and exceeded total fixed assets.

- Current liabilities stood at 6.6 billion euros at December 31, 2002 versus 8.0 billion euros at the end of 2001, due primarily to the reduction of short-term debt to 2.6 billion euros, down from 4.0 billion euros at year-end 2001. Their share of the balance sheet total fell to 31% from 34% at year-end 2001.

- Short and long-term financial debt, net of cash and short-term investments, totaled 6.5 billion euros at December 31, 2002. This represents 73% of stockholders' equity and minority interests versus 95% at December 31, 2001.

- The reduction of net financial debt by 1.8 billion euros is evidence that, in 2002, the Group vigorously pursued its debt reduction program, initiated in late 2001 with the sale of its stake in Gucci.

- After deducting the market value of its equity stake in Bouygues and treasury shares not allocated to option plans, net financial debt was 5.8 billion euros or 66% of stockholders equity and minority intersts.

- The share of long-term financial debt rose to 74% of total net financial debt.

- Confirmed lines of credit totalled approximately 4.6 billion euros, only 0.9 billion euros of which has been drawn. Thus, the unused remainder in confirmed lines of credit more than adequately covers the commercial paper program whose outstanding amount has been reduced to 1.4 billion euros from 2.8 billion euros a year earlier.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR millions)	2002	2001	2000
I. Operating activities			
Net income	556	10	722
Minority interests	131	90	242
Equity interest in undistributed earnings of associated companies, less dividends received	17	46	36
Depreciation and amortization	1,019	1,356	635
Change in provisions	(478)	658	(267)
Change in deferred taxes	(142)	(304)	35
(Gain) loss on sale of fixed assets or treasury shares	415	(937)	(189)
Net cash provided by operating activities before changes in current assets and liabilities	**1,518**	**919**	**1,214**
Inventories	33	(358)	(190)
Trade accounts receivable	64	128	(54)
Accounts payable	82	(25)	98
Other current assets and liabilities	257	(90)	(209)
Net change in current assets and liabilities	**436**	**(345)**	**(355)**
Net cash provided by operating activities	**1,954**	**574**	**859**
II. Investing activities			
Purchases of brands and other intangible assets	(80)	(80)	(63)
Purchases of property, plant and equipment	(479)	(904)	(794)
Proceeds from sale of fixed assets and other investments	177	149	86
Acquisition of other investments	(92)	(445)	(399)
Reclassifying between investments and short-term investments	–	(677)	817
Proceeds from sale of unconsolidated investments	92	2,122	1,195
Change in other non-current assets	(182)	(431)	(119)
Net effect of acquisitions & disposals of consolidated companies	(160)	(628)	(547)
Net cash provided by (used in) investing activities	**(724)**	**(894)**	**176**
III. Financing activities			
Proceeds from issuances of common stock	13	38	11
Change in treasury shares	516	(13)	(339)
Dividends and interim dividends paid by the parent company (including related tax)	(349)	(343)	(322)
Dividends and interim dividends paid to minority interests of consolidated subsidiaries	(23)	(171)	(70)
Proceeds from short-term borrowings and long-term debt	523	2,469	2,256
Principal repayments on short-term borrowings and long-term debt	(2 408)	(2,294)	(1,286)
Change in quoted short-term investments	182	880	(1,071)
Net cash provided by (used in) financing activities	**(1,546)**	**566**	**(821)**
IV. Effect of exchange rate changes	**(18)**	**2**	**(22)**
Net increase/decrease in cash and cash equivalents	**(334)**	**248**	**192**
Cash and cash equivalents at beginning of year (net of bank overdrafts)	**878**	**630**	**438**
Cash and cash equivalents at end of year (net of bank overdrafts)	**544**	**878**	**630**
Non cash transactions:			
- increase of capital through conversion of debt	–	–	–
- lease financing operations	3	16	7

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

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

● The consolidated statement of cash flows, as shown opposite, details the principal cash flows for the year 2002.

● The Group's net cash provided by operating activities before changes in current assets and liabilities amounted to 1,518 million euros in 2002, a 65% increase over the 919 million euros recorded the year before.

● The net change in working capital requirements generated a cash flow of 436 million euros. This strong performance was the result of tight management of inventory and accounts receivable, particularly within the Fashion and Perfumes and Cosmetics activities. Accounts payable also made a positive contribution of 82 million euros to the change in cash.

● In total, net cash provided by operating activities was 1,954 million euros, well above the 574 million euros generated in 2001.

● Net cash used in investing activities : the balance between acquisitions and capital expenditures on one hand and disposals on the other hand, represented an outflow of 724 million euros.

● The Group's capital expenditures represented 559 million euros in cash, down from 984 million in 2001. The 43% decrease from last year reflects the one-off exceptional real estate acquisitions in 2001, greater selectivity in investments, and a focus on the Group's leading brands, starting with Louis Vuitton.

● Financial investments (acquisition of other investments and change in other non-current assets) totaled 274 million euros for the full year and the net effect of acquisitions and disposals of consolidated companies another 160 million euros. Specifically, the impact on the Group's cash of the installment payments for Prada's stake in Fendi totaled 180 million euros and, together with the amount allocated to acquire Millennium, exceeded the proceeds from the disposal of Pommery.

● Inversely, proceeds from asset disposals (fixed assets and unconsolidated investments) amounted to 269 million euros. This sum reflects primarily the sale of real estate assets as well as shares in Fininfo, Grand Marnier and Gant.

● The Group's sale of treasury shares, net of acquisitions, generated 516 million euros in proceeds during the year.

● In 2002, LVMH S.A. paid 349 million euros of dividends, excluding treasury shares, which included 246 million distributed in June as the final 2001 dividend payment, and 103 million in December as an interim dividend for 2002. Additionally, the minority shareholders of consolidated subsidiaries received 23 million euros in dividends.

● The cash surplus, after all operating and investing activities and after dividend payouts, was 1,387 million euros.

● This positive cash balance allowed the Group to pay down a very significant 2,408 million euros of existing borrowings and financial debt, while limiting the amount of new borrowings.

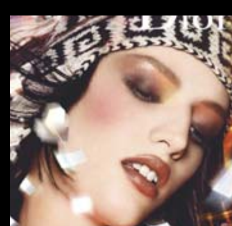
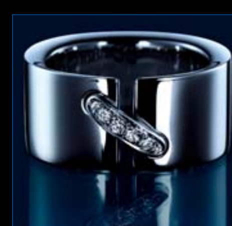
● New borrowings and financial debt provided 523 million euros. The Group continued to broaden its investor base and to pursue opportunities with private placements of 236 million euros under its Euro Medium-Term Notes program. Debt reduction was directed at short-term borrowings as a priority, with the amount of commercial paper outstanding decreasing by 1,390 million euros in 2002.

● At the close of the year, cash and cash equivalents amounted to 544 million euros.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(EUR millions)	Number of shares	Capital	Additional paind-in & reserves	Cumulative translation adjustement	Total
As of December 31, 2001	**489 901 115**	**147**	**6 894**	**(140)**	**6 901**
Final dividend paid on 2001 income			(246)		(246)
and related taxation					-
Long term investment in LVMH shares			44		44
Employee stock option plans	36 295				0
Net income			556		556
Interim dividend paid on 2002 income			(103)		(103)
Foreign currency translation				(82)	(82)
As of December 31, 2002	**489 937 410**	**147**	**7 145**	**(222)**	**7 070**

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