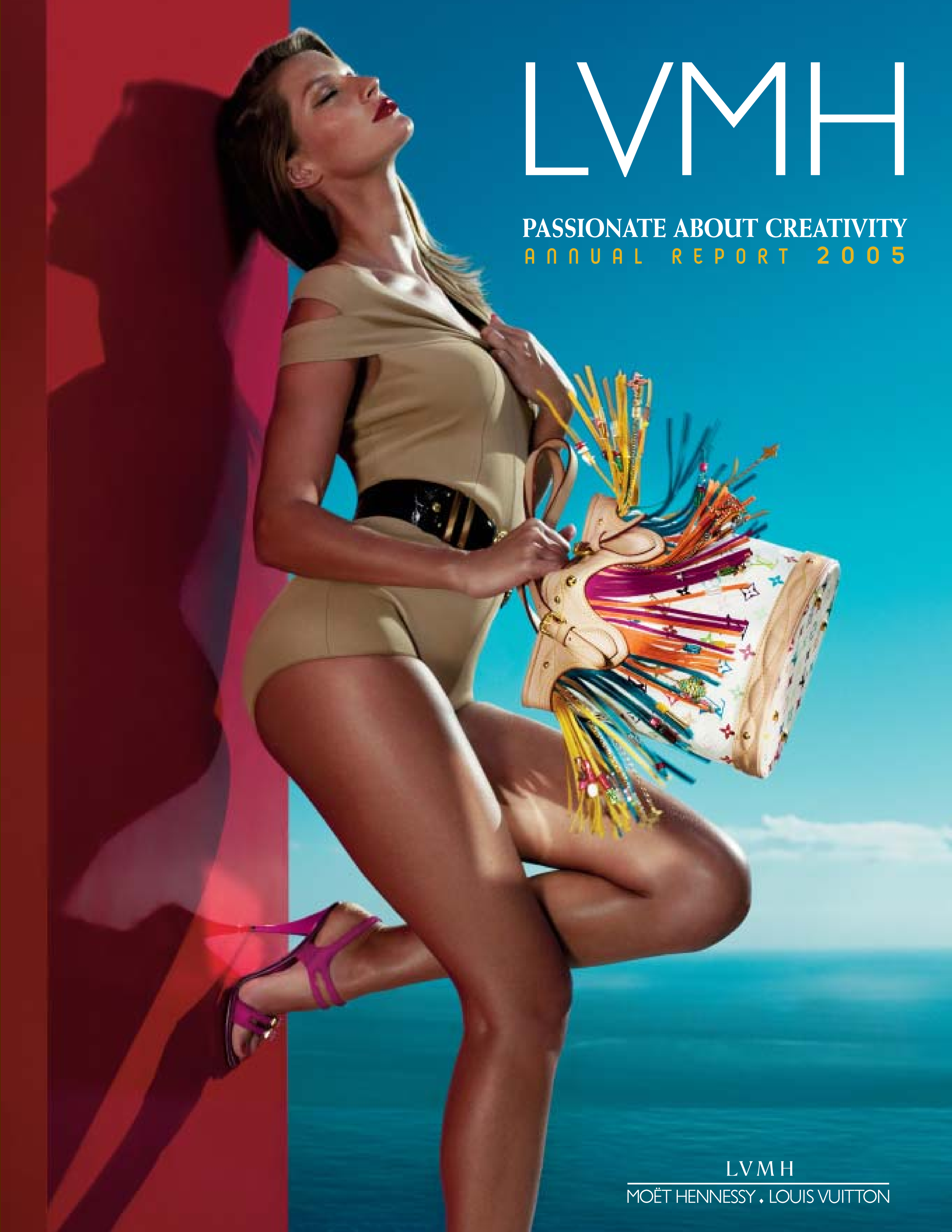
LVMH

PASSIONATE ABOUT CREATIVITY

ANNUAL REPORT 2005



LVMH

MOËT HENNESSY . LOUIS VUITTON


LOUIS VUITTON

LVMH 2005
PASSIONATE ABOUT CREATIVITY

Cover photo

The Louis Vuitton ad campaign for spring-summer 2006, signed by Mert Alas and Marcus Pigott, is incarnated by Brazilian supermodel Gisèle Bündchen.
The graphic images, presented against the backdrop of a surreal blue sky, reflect the esthetic quality conceived by Marc Jacobs for the 2006 spring-summer women's ready-to-wear collection and spotlight the new Louis Vuitton leather goods line.

CONTENTS

LVMH 2005 PASSIONATE ABOUT CREATIVITY

EDITORIAL

A coherent universe of men and women passionate about their business and driven by the desire to innovate and achieve.
An unrivalled group of powerfully evocative brands and great names that are synonymous with the history of luxury.
A natural alliance between art and craftsmanship where creativity, virtuosity and quality intersect.
A remarkable economic success story with near 60,000 employees worldwide and global leadership in the manufacture and distribution of luxury goods.
A unique blend of global vision and dedication to serving the needs of every customer.
The successful marriage of cultures grounded in tradition and elegance with the most advanced marketing, industrial organization and management techniques.
A singular mix of talent, daring and thoroughness in the quest for excellence.
A unique enterprise that stands out in its sector.
Our philosophy can be summarized in two words—**creative passion.**

2005 has once again demonstrated the strength of our star brands which have continued to gain market share, largely due to their proven ability for continual innovation. In addition, the year has illustrated our capacity to gradually bring the brands in which we have placed our longer-term ambitions closer to achieving "star brand" status.

CHAIRMAN'S MESSAGE BERNARD ARNAULT

CULTIVATING EXCELLENCE AND **DARING TO BE EXCEPTIONAL**

LVMH, the world's leading luxury products group in a growing market, continues to widen its competitive margin. The Group achieved record revenues in 2005, improved operating margin and increased net profit by 21%. The LVMH share price rose by more than 33% over the last year - a strong vote of confidence from the financial markets in our strong and consistent strategy.

A further year of strong growth

When we announced our first half results, we were optimistic about the second half of the year. In fact, LVMH's performance in 2005 has fulfilled our expectations. Our revenues increased in all geographic markets. If the United States and Asia were the main drivers of growth, Europe, in spite of less than robust environment, equally contributed. Similarly, all our business groups increased profit from recurring operations and Group cash flow from operations was further strengthened.

Star brands increase market share

This year has once again demonstrated the strength of our star brands - our key profit drivers and corner-stones of our success. These star brands have continued to gain market share, largely due to their proven ability for continual innovation.
In 2005, Louis Vuitton launched three new leather goods lines, whose success exceeded all expectations. In addition, the brand expanded its ranges of watches and jewelry, and ventured into new territory with its first ever collection of sunglasses. Miss Dior Chérie and Dior Homme, two perfumes arising from creative talent of the Dior Couture designers, whose ambition is to be well placed among the brand's best-sellers, also surpassed their objectives. These are aiming to be among the Brand's best-sellers. TAG Heuer illustrated its legendary capacity for innovation when it presented some revolutionary movements at the Salon de l'Horlogerie (watch-making exhibition). The birth of Dom Pérignon Vintage 1998 was universally greeted as an historic vintage. Group savoir-faire in the business of wines and spirits has enabled them to become pioneers in the United States with the launch of 10 Cane, the first luxury rum on the market. This has opened up opportunities for a whole new category of very high-end products. Sephora strengthened its position as an expert in beauty on both sides of the Atlantic by continuing to develop an ever more innovative, exclusive and daring product and service offering.

Emerging brands advance down the road to excellence

2005 also demonstrated our capacity to gradually bring the brands in which we have placed our longer-term ambitions closer to achieving "star brand" status. With the support of the Group, these brands are following their intended route step by step as they confirm their true potential. Fendi, the Italian star is one of the most advanced. Our high expectations and investments in Fendi were fully justified as the brand gained in popularity, its revenue grew substantially and its results showed a marked improvement. All the elements are now in place for the brand to flourish.

Exceptional locations

2005 was a year packed with new developments and events. Starting with the most spectacular was Louis Vuitton, a brand of unparalleled global success, whose influence reached new heights. In October, the curtain rose on "Maison" on the Champs-Élysées after a long period hidden behind event-driven billboards which helped keep the mystery of its refurbishment. The new "Maison" was a commercial and media sensation. The success of the event and the discovery of the enormous accomplishment placed our brand even further under the spotlight. The Louis Vuitton "Maison", a complete revolution in more ways than one, has succeeded in bringing together craft, fashion, art and culture. Much more than just an unusual building, it is a place of exception which expresses the essence of a brand born in 1854 whose creations have become an extraordinary incarnation of contemporary energy and desire, not by renouncing its heritage but by reveling in it.

On the same avenue, the Champs- Élysées, the new Maison Guerlain is also more than just a point of sale; it is a building worthy of its status as a great perfumer, whose walls reverberate with its history and its exceptional and creative heritage. In this radiant backdrop, Guerlain offers its customers a range of unique products and services that no other brand in the perfumery business is able to match. In Rome, Fendi renovated an historic palace and rechristened it with the name of the brand. Besides being a flagship boutique whose decor pays homage to the city where it was born, the "Palazzo" is home to Fendi's headquarters, its fur workshops and its creative studios. Gaining inspiration from the boutique in Rome, an equally flamboyant store was opened in New York in November. These locations, as exceptional as they are, should not detract from the constant hard work of our teams, who enable us to open or renovate a significant number of sites each year throughout the world. Our distribution network currently totals more than 1,700 stores. This figure gives an idea of the ability of our brands to attract and seduce clients from all different walks of life who share a common quest for exceptional quality, a refined way of living, and who are looking to fulfill their dreams in places that express the excellence and modernity of the luxury industry.

Strong attributes for 2006

In 2006, we will continue to benefit from the numerous developments of the past year and to maintain a consistent strategy that focuses on the growth of our star brands. We will also maintain all efforts dedicated to the evolution of our emerging brands and will accelerate the developments of those that show the strongest potential.

Despite currency uncertainties, the economic climate is buoyant thanks to the growth of all the large world economies and to the development of emerging countries. We will reinforce the presence of our brands across the larger markets and pursue the conquest of new territories - namely Asia, which holds considerable growth prospects for luxury products, as well as Russia and the most advanced countries of Central and Eastern Europe, where the economies are developing at a fast pace.

Innovation, the main engine of our success, will remain a core part of our growth strategy.

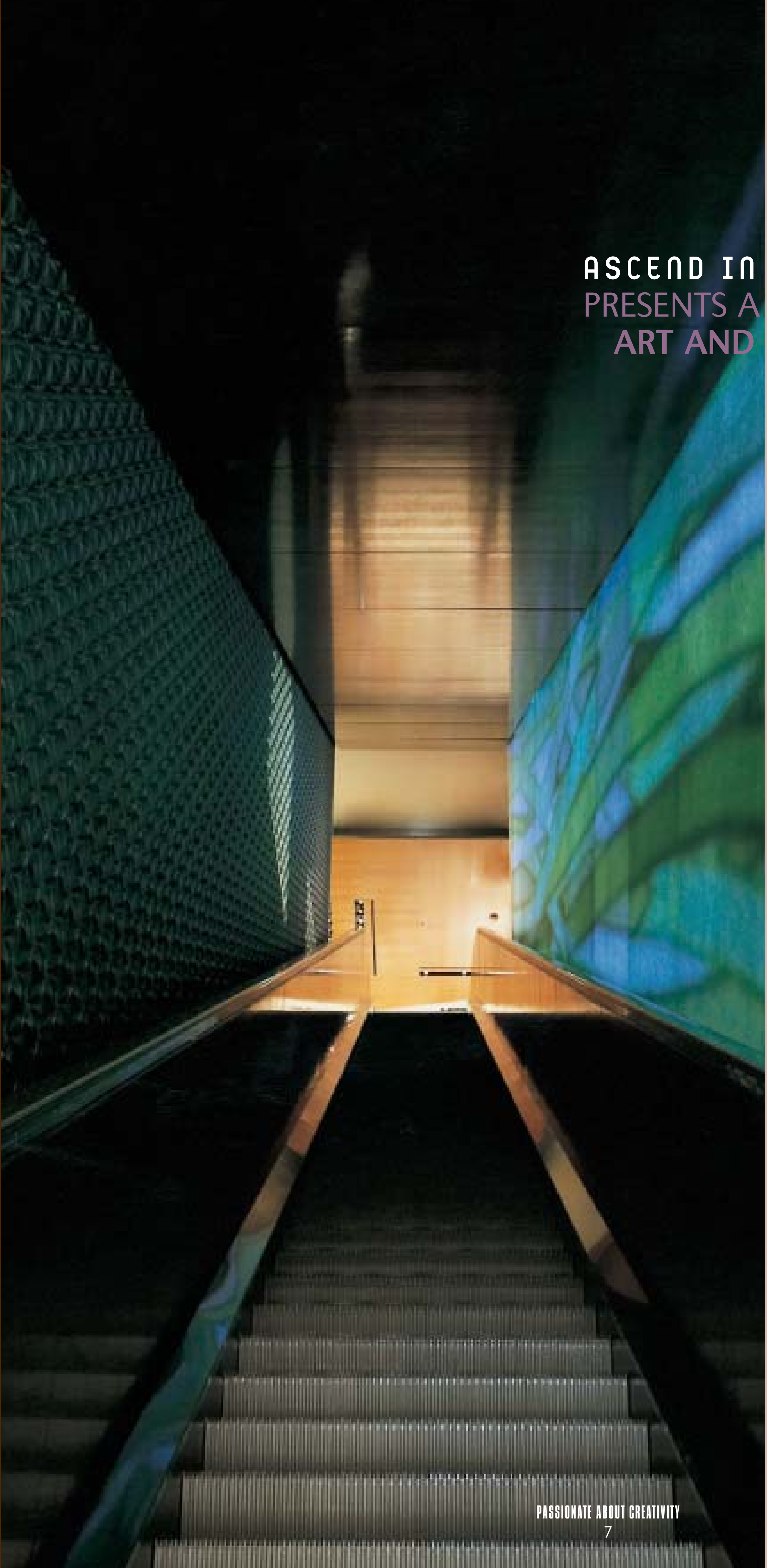
One doesn't become leader by sheer coincidence and one certainly doesn't remain a leader without being audacious. The future success of our Group and the ever increasing gap between traditional development and the exceptional journey of LVMH is entirely down to the huge talent of our teams. Cultivating excellence and daring to become the exception are inscribed in our values and are part of our vocation.

Louis Vuitton will launch new lines in innovative leather goods. Among other initiatives, Dior will launch major new skin care and makeup ranges, while Guerlain and Givenchy will introduce a new feminine perfume. TAG Heuer and Zenith will accelerate their policy of innovation and Dior Watches will capitalize on the enormous success of its new Christal line by enhancing it with new models. With these strong perspectives, we have, once again in 2006, set an objective of very significant growth in our results.

Continuing an exceptional adventure

In a world where new territories are opening up and will open up to the world of luxury, LVMH holds the key attributes to pursue dynamic growth and reinforce its luxury market leadership. It not only has the financial resources but also the pure passion instilled in our employees to master new areas, innovate and excel. One doesn't become leader by sheer coincidence and one certainly doesn't remain a leader without being audacious. The future success of our Group and the ever increasing gap between traditional development and the exceptional journey of LVMH is entirely down to the talent of our teams. Cultivating excellence and daring to become the exception are inscribed in our values and are part of our vocation. Excellence is a heritage that our employees are constantly striving for and building on, and one that provides the key to LVMH's success. The exception is a challenge to which they are ready, willing and more than capable of rising.

Bernard Arnault
Chairman & Chief Executive Officer



ASCEND IN STYLE LOUIS VUITTON PRESENTS A DIALOGUE BETWEEN ART AND FASHION AT ITS MAISON DES CHAMPS-ÉLYSÉES

Behind its historic 1931 façade, the Maison Louis Vuitton on the Champs-Élysées has created a leading-edge architectural space, one that Louis Vuitton wanted to be as innovative as possible. On entering the building, visitors discover a series of spiral terraces, which subtly evoke oriental rice paddies and serve as the guide towards the different universes of the world's premier luxury brand.

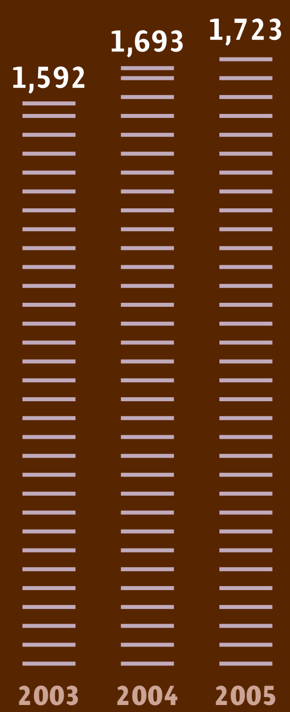
The design and the rich details of the décor at Maison Louis Vuitton incorporate the symbols of Parisian architecture and the 150 years of the brand's history. Certain elements of its visual identity, particularly the patterns of the Monogram fabric, are continually reinterpreted.

At this extraordinary location, which is a masterpiece in itself thanks to the talents of architects Eric Carlson and Peter Marino, Louis Vuitton presents the works of several contemporary artists, highlighting the ties between the brand and the world of art and culture.

Among many other experiences, visitors must take the monumental escalator that leads to the top level, allowing them to view the contribution of Tim White-Sobieski. The American video maker has created a luminous work, projected on twelve, specially designed fiber optic panels. Never before has video art been presented on such a scale—technical prowess in the service of art.

FINANCIAL HIGHLIGHTS

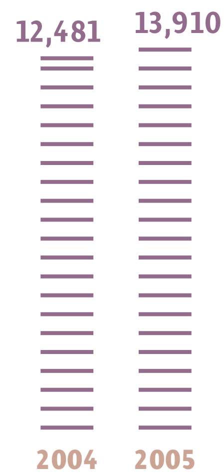
NUMBER
OF STORES



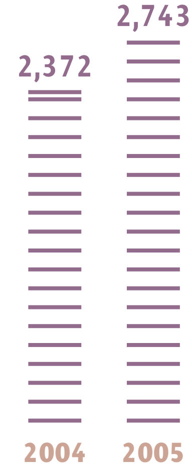
STORE NETWORK
AT DECEMBER 31, 2005

France	278
Rest of Europe	422
North America	377
South America	18
Africa and Middle East	9
Asia (excl. Japan)	329
Japan	262
Pacific Region	28

REVENUE
(EUR million)



PROFIT FROM
RECURRING OPERATIONS
(EUR million)



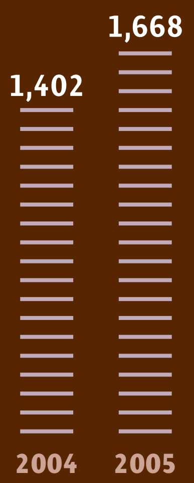
REVENUE BY BUSINESS GROUP

(EUR million)	2004	2005
Wines and Spirits	2,259	2,644
Fashion and Leather Goods	4,366	4,812
Perfumes and Cosmetics	2,128	2,285
Watches and Jewelry	493	573
Selective retailing	3,276	3,648
Other activities and eliminations	(41)	(52)
Total	12,481	13,910

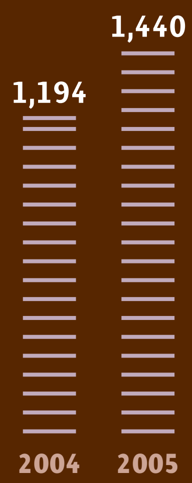
PROFIT FROM RECURRING OPERATIONS
BY BUSINESS GROUP

(EUR million)	2004	2005
Wines and Spirits	813	869
Fashion and Leather Goods	1,309	1,467
Perfumes and Cosmetics	150	173
Watches and Jewelry	7	38
Selective retailing	238	347
Other activities and eliminations	(145)	(151)
Total	2,372	2,743

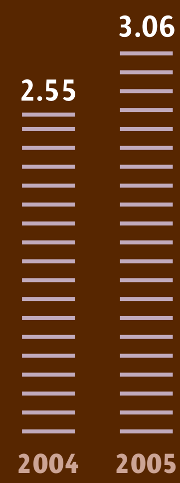
NET PROFIT
(EUR million)



GROUP SHARE OF NET PROFIT
(EUR million)



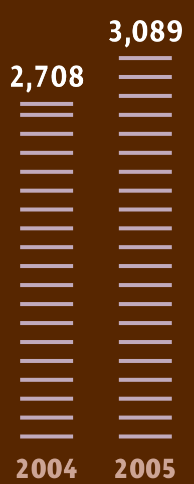
BASIC GROUP SHARE OF NET PROFIT PER SHARE
(in euros)



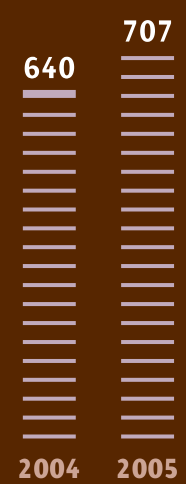
REVENUE BY GEOGRAPHIC REGION OF DELIVERY
in %

France	15%
Rest of Europe	20%
United States	27%
Japan	14%
Rest of Asia	17%
Other markets	7%

CASH FLOW FROM OPERATIONS
(EUR million)



CAPITAL EXPENDITURES (1)
(EUR million)



REVENUE BY CURRENCY
in %

Euro	30%
US Dollar	32%
Yen	15%
Hong Kong Dollar	3%
Other currencies	20%

(EUR million and %)	2004	2005
Total equity (2)	8,675	10,484
Net financial debt to equity ratio	61%	41%
Net financial debt to adjusted equity	55%	41%

(1) Acquisitions of tangible and intangible fixed assets.
(2) Includes minority interests.

Interview with
Antonio Belloni
GROUP MANAGING DIRECTOR of LVMH

In your opinion, what were the highlights of 2005?

Antonio Belloni: What stands out for me was the success of our star brands which again increased their visibility and market share. This is, of course, our top priority. But I would also like to note the progress of several companies, which are clearly demonstrating their ability to become growth drivers and achieve the status of star brand within the Group. Fendi is one of those companies. Its sales are growing rapidly in leather goods and furs, its historic areas of activity, where its know-how, creativity and virtuosity are incomparable. With the excellent results achieved by its team in recent years and the support of LVMH, the brand now has over 100 company-owned stores worldwide. It is truly changing its dimensions and status. Fendi has changed course and we are going to accelerate its development.

The Carrera Calibre 360 is a perfect illustration of the heritage and the innovative capacity of TAG Heuer.

What are the emerging brands in sectors other than Fashion and Leather Goods?

A.B.: In all our businesses, our teams have achieved excellent results. For example, I can cite Krug in the Wines and Spirits business group, which has just ended a remarkable year, demonstrating the relevance of its new strategy and the seductive appeal that its exceptional vintages have for a well informed public, particularly in the United States, but also in Japan, Italy and England. Krug is on track to meet the criteria for a star brand soon. In Perfumes and Cosmetics, the rise of Guerlain should be noted. I believe that the reopening of its store on the Champs-Élysées, a mythic location in luxury perfumes, is a striking symbol of its new vitality. In watches, TAG Heuer continues to perform very well and is becoming a leader by combining the spirit of innovation, which is its genetic heritage, with technological performance and a more upmarket positioning. Finally, we should mention Sephora, whose success in Europe and the United States continues and which has just successfully entered China.

Last year, you mentioned China and India as vectors for geographic expansion. No one doubts this anymore for China. Is it just as clear for India?

A.B.: Like China ten years ago, India is becoming one of the emerging powers. This market is still modest, but the affluent classes represent 1% of the population, which is ten million potential consumers, and the purchasing power of the middle class is constantly growing, along with their taste for luxury items. India's openness to the West has certainly been gradual, but it suggests a promising market in the future for luxury brands. Louis Vuitton, which has a long history of relations with the Maharajas, who love luxury and are loyal special-order customers, owns stores in New Delhi and Mumbai, and plans to open a store in Bangalore. TAG Heuer and Montres Dior are already present in India at prestigious sales points. Moët Hennessy is also present in the country and Parfums Christian Dior is taking its first solid steps.

What other markets offer interesting potential?

A.B.: There are also high-growth markets closer to us geographically—Russia and Central Europe. Louis Vuitton, already present in Moscow, will move to the Ukraine and Hungary in 2006. Sephora is extremely successful in Poland, the Czech Republic and the Balkan countries. The Wines and Spirits business group has strong prospects for growth in Russia and Central Europe. In keeping with our tradition as pioneers, we are approaching each of these emerging markets with a rigorous strategy adapted to the local culture and environment. What is important is that we establish solid foundations on which we can build.

1 2

1. To construct the extraordinary ribbon of gold that welcomes visitors to the mezzanine in the new Maison Guerlain des Champs-Élysées, 350,000 mosaic marble tiles decorated with fine gold were cut and assembled.
2. Fendi, 2005 spring-summer collection.

CORPORATE **GOVERNANCE**

The objectives of the Board of Directors, the strategic body of LVMH, are to ensure the sustainable development of the value of the company, to adopt the major strategies that guide its management, to verify the fair and accurate presentation of information about the company, and to protect its corporate assets. As part of its mission, the Board of Directors supports the priority objective of LVMH management, which is, as it always has been, to ensure the continuous growth of the Group and a steady increase in value for its shareholders.

The Board of Directors has adopted a Charter that spells out the membership, mandates, operations and responsibilities of the Board of Directors.

The Board of Directors has two Committees, the membership, role and mandates of which are defined by internal procedural rules.

The Board of Directors' Charter and the rules of the Committees are provided to every candidate for the position of director, and to the permanent representative of any legal entity, before he assumes his duties.

Board of Directors

The Board of Directors is made up of 17 members, 6 of whom are independent and free of any interests with respect to the Company.

Members of the Board of Directors must personally own at least 500 shares of LVMH.

The Board of Directors met four times in 2005, with an average attendance rate of 82%. The Board approved the annual and interim financial statements and reviewed the Group's major strategic guidelines, budget, the implementation of a stock subscription option plan and the allotment of bonus shares, authorization for third party guarantees, as well as various agreements with affiliated companies.

LVMH paid a total of 1,080,000 euros in directors' fees to the members of its Board of Directors. These fees were distributed among the directors and advisors in accordance with a distribution key defined by the Board of Directors that takes into account the duties performed on the Board and in the Committees.

Executive Management

The Chairman of the Board of Directors also serves as Chief Executive Officer of the company. The Chief Executive Officer's powers are not limited in any way.

In agreement with the Chairman and Chief Executive Officer, the Board of Directors has appointed a Managing Director who has the same powers as the Chief Executive Officer.

Performance Audit Committee

The Performance Audit Committee is primarily responsible for ensuring that the accounting principles followed by the Company are in compliance with International Financial Reporting Standards (IFRS) and for reviewing the corporate and consolidated financial statements before they are submitted to the Board of Directors.

It is currently made up of 3 directors, 2 of whom are independent. Its members and Chairman are appointed by the Board of Directors.

The Audit Performance Committee met five times in 2005. All the meetings except for one were attended by all members, as well as by the Auditors, the Chief Operating Officer, the Chief Financial Officer, an Advisor to the Chairman, the Management Control Director, the Internal Audit Director, the Accounting Director, the General Counsel and, depending on the issues discussed, the Director of Environment, the Director of Financing, and the Treasurer.

In addition to reviewing the corporate and consolidated financial statements, the work of the Committee focused primarily on compliance with IFRS, the application of the French Financial Security Law, the currency hedging policy, analysis of the Group's brands and goodwill, the results of the related impairment tests and the environmental protection policy.

Nominating and Compensation Committee

The responsibilities of the Nominating and Compensation Committee are listed below:

- recommendations on the distribution of Directors' fees paid by the Company, as well as compensation, in-kind benefits and stock options granted to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Managing Director(s) of the Company,
- opinions on candidates for the positions of Director, Advisor to the Board or membership on the Executive Committee of the Group or

the general management of its principal subsidiaries, on the compensation and in-kind benefits granted to the Directors and Advisors of the Company by the Company or its subsidiaries, and on fixed or variable, immediate or deferred compensation and incentive plans for senior executives of the Group.

The Committee has 3 members, 2 of whom are independent. Its members and its Chairman are appointed by the Board of Directors.

The Committee met twice in 2005 with all its members in attendance. It issued recommendations on compensation and the awarding of stock options to senior executives, and issued an opinion on the compensation awarded to some Directors by the Company or its subsidiaries.

Advisory Board

The Shareholders' Meeting may, on the recommendation of the Board of Directors, appoint a maximum of nine Advisors.

The Advisors are drawn from the shareholders based on individual merit, and form an Advisory Board.

They are appointed for a three-year term that ends immediately after the Shareholders' Meeting called to approve the financial statements for the previous fiscal year, which is held during the year in which an Advisor's term expires.

Advisors are invited to attend Board of Directors' meetings and participate in the deliberations in an advisory capacity; their absence does not affect the validity of these proceedings.

Compensation Policy

Part of the compensation paid to members of the Executive Committee and key operations personnel is based on the generation of cash, operating profit, and the return on capital employed for the business groups and companies headed by the respective executives, as well as on their individual performance. The variable portion generally represents between one-third and one-half of their compensation.

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

BOARD OF DIRECTORS

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim*
Vice Chairman

Antonio Belloni
Group Managing Director

Delphine Arnault

Jean Arnault

Nicolas Bazire

Nicholas Clive Worms*

Diego Della Valle*

Albert Frère

Jacques Friedmann*

Pierre Godé

Gilles Hennessy

Patrick Houël

Arnaud Lagardère*

Lord Powell of Bayswater

Felix G. Rohatyn

Hubert Védrine*

ADVISORY BOARD MEMBER

Kilian Hennessy*

PERFORMANCE AUDIT COMMITTEE

Antoine Bernheim*
Chairman

Nicholas Clive Worms*

Gilles Hennessy

NOMINATING AND COMPENSATION COMMITTEE

Antoine Bernheim*
Chairman

Albert Frère

Kilian Hennessy*

** Independent Director.*

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman & Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development & Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion & Leather Goods

Pierre Godé
Advisor to the Chairman

Jean-Jacques Guiony
Finance

Patrick Houël
Advisor to the Chairman

Concetta Lanciaux
Advisor to the Chairman, Synergies, Human Resources

Christophe Navarre
Wines & Spirits

Patrick Ouart
Advisor to the Chairman

Philippe Pascal
Watches & Jewelry

Daniel Piette
Investment funds

Bernard Rolley
Operations

Pierre-Yves Roussel
Strategy and operations

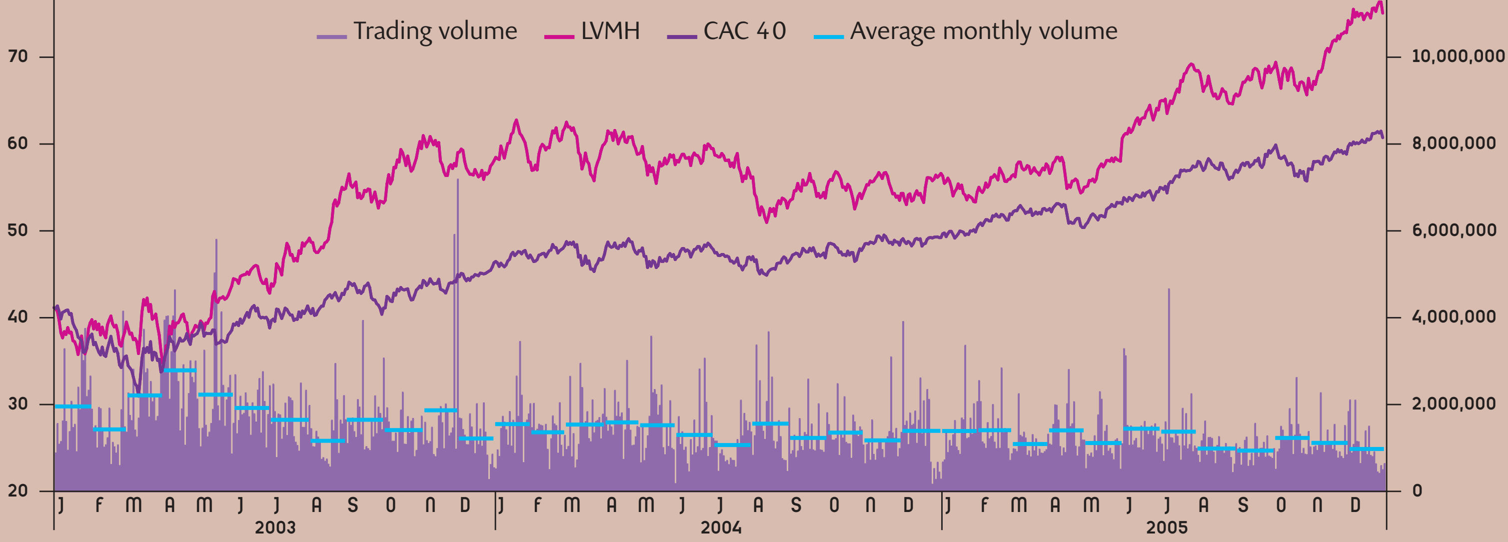
GENERAL SECRETARY

Marc-Antoine Jamet

STATUTORY AUDITORS

DELOITTE & Associés represented by Thierry Benoît and Alain Pons

ERNST & YOUNG Audit represented by Jeanne Boilet and Gilles Galippe



COMPARISON OF LVMH SHARE PRICE AND THE CAC 40 SINCE JANUARY 1, 2003

THE **LVMH** SHARE

Agenda

Thursday, March 2, 2006
Publication of 2005 annual results

April 2006
Publication of first-quarter 2006 revenue

Thursday, May 11, 2006
Annual Shareholders' Meeting

Thursday, May 18, 2006
Payment of the dividend for 2005

July 2006
Publication of second-quarter 2006 revenue

September 2006
Publication of 2006 half-year results

October 2006
Publication of 2006 third-quarter revenue

January 2007
Publication of 2006 revenue

STRONG PROGRESS IN THE LVMH SHARE PRICE Buoyed by a favorable macro-economic environment in 2005—historically low long-term interest rates, sustained growth in the global economy, the appreciation of the dollar versus the euro—the European stock markets also benefited from improved corporate earnings and the resumption of acquisitions. The DJ-Eurostoxx 50 and CAC 40 indexes rose by 21.3% and 23.4% respectively between January 1 and December 31, 2005.

Against this backdrop, the LVMH share, reflecting the Group's strong growth in revenue and earnings, rose to just over 33% between January 1 and December 31, 2005. This performance, which was better than that of the CAC 40 by about 10 points over the same period, confirmed the share's superior performance over the index, which it has outpaced by nearly 38 points over the last three years.

The LVMH share closed 2005 at €75.05 euros. LVMH's market capitalization therefore increased to €36.8 billion, ranking LVMH tenth in the CAC 40.

LVMH is included in the main French and European indexes used by fund managers: CAC 40, DJ-EuroStoxx 50, MSCI Europe, FTSE-Eurotop 100, Euronext 100.

LVMH is listed for trading on the Eurolist of Euronext Paris (Reuters code: LVMH.PA; Bloomberg code: MC FP; ISIN code: FR0000121014). In addition, negotiable options on LVMH shares are traded on the Monep market in Paris.

LVMH is one of the French companies recognized by the three main socially responsible investment indexes (American, French and European).

TOTAL RETURN FOR THE SHAREHOLDER An LVMH shareholder who had invested €1,000 on January 1, 2003 would have capital of €1,940 as of December 31, 2005, based on reinvested dividends. In three years, his investment would have given him an average annual return of nearly 25%.

CAPITAL STRUCTURE
(Euroclear France survey on bearer shares as at December 31, 2005)

Groupe Arnault	47.5%
Treasury stock	3.9%
French institutional investors	17.1%
Foreign institutional investors	24.0%
including: United States 5.5%	
United Kingdom 4.0%	
Germany 3.5%	
Switzerland 3.2%	
Individuals	7.5%

The French Shareholders' Club—an initiative to strengthen ties

Dedicated to individual French speaking shareholders who show a special interest in the life of the Group, the LVMH Shareholders' Club gives its members a better understanding of the Group, its businesses and its brands. The magazine "Apartés", published in French for Club members, lets them order products to be delivered to addresses in France, subscribe at special rates to *La Tribune*, *Investir*, *Connaissance des Arts* and *Le Monde de la Musique* and to be special guests at certain sites adapted for tours (caves and cellars) and benefit from VIP passes to art exhibitions funded by LVMH ("Klimt, Schiele, Moser, Kokoshka, Vienna 1900" in 2005).

MARKET CAPITALIZATION

Million euros	
December 31, 2003	28,269
December 31, 2004	27,608
December 31, 2005	36,770

Contact information

Investor and Shareholder Relations
Tel.: 33 1 44 13 21 21
Fax : 33 1 44 13 21 19

A PROGRESSING DIVIDEND

	2005	2004	2003
Net dividend (€)	1.15	0.95	0.85
Growth for the year	*21.1%*	*11.8%*	*6.3%*
Payout ratio*	39%	39%	41%

** As a percentage of Group share of net profit in 2004 and 2005 and of net income before amortization of goodwill in 2003.*

BREAKDOWN OF CAPITAL AND VOTING RIGHTS
at December 31, 2005

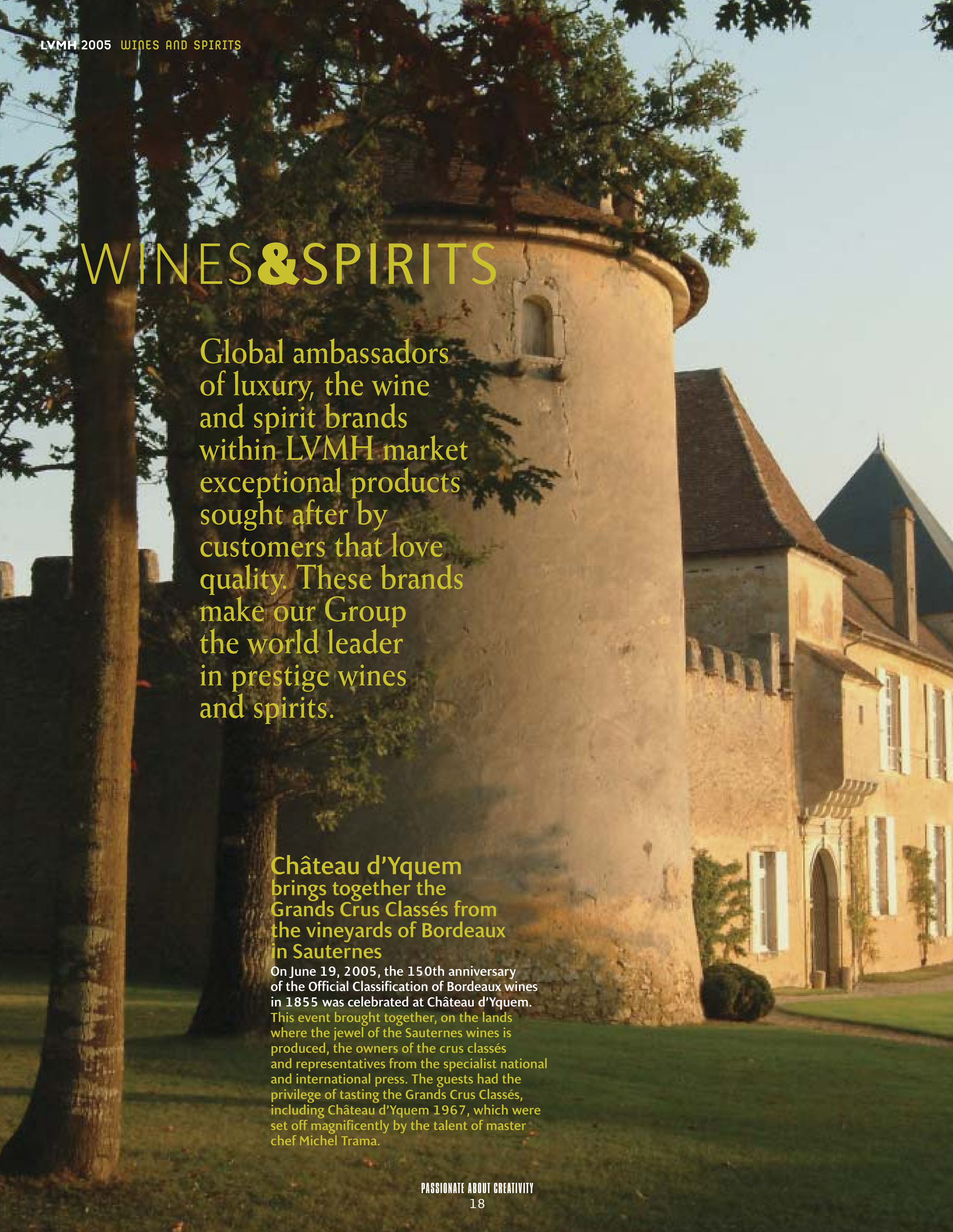
	Number of shares	Number of voting rights	% of capital	% of voting rights
Groupe Arnault	232,819,190	440,934,905	47.52%	63.87%
Others (1)	257,118,220	249,430,315	52.48%	36.13%
Total	489,937,410	690,365,220	100.00%	100.00%

(1) As at December 31, 2005, there were 19,293,947 non-voting shares of treasury stock.

LVMH 2005 REVIEW OF OPERATIONS


Dior


(S') offrir
du LUXE…
toujours.

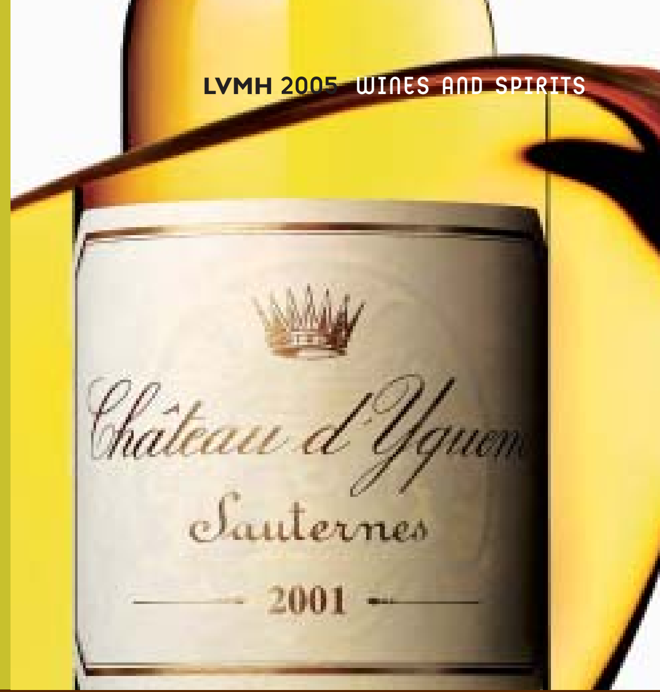


WINES&SPIRITS

Global ambassadors of luxury, the wine and spirit brands within LVMH market exceptional products sought after by customers that love quality. These brands make our Group the world leader in prestige wines and spirits.

Château d'Yquem brings together the Grands Crus Classés from the vineyards of Bordeaux in Sauternes

On June 19, 2005, the 150th anniversary of the Official Classification of Bordeaux wines in 1855 was celebrated at Château d'Yquem. This event brought together, on the lands where the jewel of the Sauternes wines is produced, the owners of the crus classés and representatives from the specialist national and international press. The guests had the privilege of tasting the Grands Crus Classés, including Château d'Yquem 1967, which were set off magnificently by the talent of master chef Michel Trama.



Highlights

The **Wines and Spirits** business group recorded organic revenue growth of 11%, and profit from recurring operations increased by 7%, despite a climate of unfavorable exchange rates.

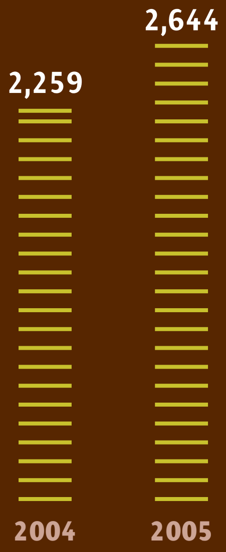
Revenue of all Champagne and Wines posted organic growth of 10%.

Hennessy cognac confirmed its momentum with volumes that increased by 9%. Cognac and spirits organic revenue increased by 13%.

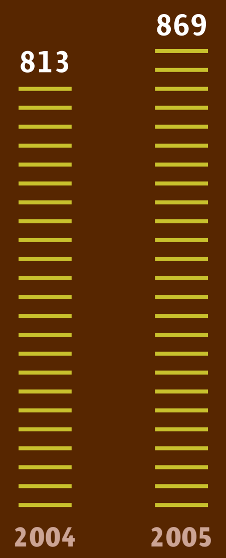
Moët Hennessy acquired the Scottish company Glenmorangie plc. in early 2005 and then took over the distribution of its malt whisky brands virtually worldwide.

Moët Hennessy gained operational control of Millennium (Belvedere and Chopin vodkas) by acquiring the remaining 30% of its capital.

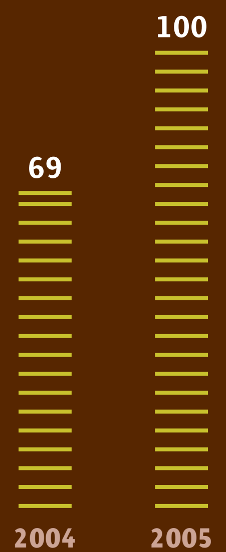
REVENUE
EUR million



PROFIT FROM RECURRING OPERATIONS
EUR million



INVESTMENTS
EUR million



REVENUE
BY GEOGRAPHIC REGION
in %

France	9%
Rest of Europe	27%
United States	33%
Japan	9%
Rest of Asia	13%
Other markets	9%

Christophe Navarre

President of the Wines and Spirits Business Group

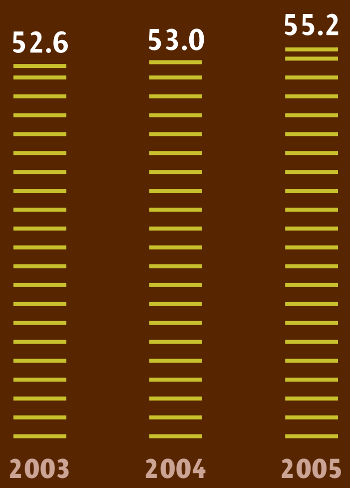
Our business group will continue its value strategy in order to strengthen its leadership in the high-end wines and spirits segments, which are among the most dynamic in the market.

Our employees, on whom the quality of our performance primarily depends, have proven expertise and a strong culture of innovation. Our balanced portfolio includes emblematic brands and rising stars. Our distribution network has been considerably strengthened in recent years. We are fully ready for the coming challenges.

The spirit of enterprise which is constantly nurtured within our teams will enable us to gain market share in key countries and attract new clients, who are important growth drivers in rapidly developing markets such as China and the Central European countries.

SALES VOLUMES
millions of bottles

Champagne



Cognac

Moët & Chandon invents « Nectar on Ice »

Nectar on Ice is a new way of enjoying champagne as a long drink. Made of 8 centiliters of Nectar Impérial, three ice-cubes and two lime zests, this original creation is for people who like cocktails, especially in the United States.

« Byblos by Dom Pérignon » or the meeting of two legends

An extremely limited edition, the result of an association between the world's most legendary champagne and the most chic and glamorous hotel on the Côte d'Azur: 10 numbered jeroboams of Dom Pérignon Vintage 1995, dressed in exceptional finery and dipped in a bath of white gold. The elegance of a haute couture garment.

LVMH's **wines and spirits** brands are served by a powerful international distribution network. The Group's strategy is focused on the high-end market segments. Number one in the world of champagne, LVMH also has a sparkling and still wines business produced outside France in the most renowned winegrowing regions. The Group is also world leader in cognac with Hennessy and, as a means of complementing this historic business, is expanding in the area of luxury spirits.

THE WINES AND SPIRITS BUSINESS GROUP STRENGTHENS ITS LEADERSHIP POSITION Thanks to the strategy put in place by its teams, in 2005, the Wines and Spirits business group continued to strengthen the leadership role of its star brands in key markets. Further advances were made possible by the good performances of the brands and by the efficiency of Moët Hennessy's powerful global distribution network.

The 4% growth in sales volumes of champagne was accompanied by price increases in all key markets and the continued strategy of improving the product mix. The growth of Hennessy cognac is particularly noteworthy in higher-end products and key markets such as the United States and China.

CHAMPAGNE AND WINES: ADDITIONAL ADVANCES FOR THE GROUP BRANDS In Champagne, **Moët & Chandon** confirmed its robust position, consolidating its ranking as world leader. The brand consolidated its positions in its traditional markets in Western Europe and recorded double-digit growth in new markets such as Eastern Europe and Asia. Growth proved to be particularly noteworthy in Japan and China, which are new, rapidly developing regions for champagne. The vitality of Moët Rosé, whose revenue continued to grow significantly in all markets, has also boosted Moët & Chandon's performance.

Dom Pérignon saw sustained growth in its revenue and prices in its three major markets, the United States, Japan and Europe. The exceptional quality of the Dom Pérignon 1998 vintage, which was unveiled in 2005, was greeted with unanimous approval.

2005 was a flourishing year for **Ruinart**, both in terms of commercial success and in terms of image. The brand reaped the fruits of its value strategy which focused on premium vintages and developed its international stature: now with a strong footing in England, Germany and Italy, Ruinart has become one of the leading champagne brands in Russia and has started its conquest of Japan and the United States.

Mercier, whose strategy is primarily focused on the French market, continued its expansion in traditional restaurants thanks to its original "Places for All Times" (*"Les lieux de Toujours"*) program.

Veuve Clicquot performed extremely well with particularly sustained growth, not only in the United States where there is strong demand for the brand but also in the United Kingdom, Italy, Australia and Japan. The great success of the non-vintage Veuve Clicquot Rosé, a new champagne launched in Japan in 2004, was confirmed in 2005. It will be launched worldwide in 2006 to fully exploit the growth of a market segment which is currently the most dynamic for champagne.

Glenmorangie integrates Moët Hennessy's distribution network

Glenmorangie's integration, throughout the course of 2005, has gone well. Priority was given to the rapid development of synergies with the Moët Hennessy teams. Distribution of the Glenmorangie whisky brands was therefore resumed and integrated into the Moët Hennessy network in almost every country in the world. This initiative resulted in improved margins in most of the major markets. The Glenmorangie brand has, incidentally, improved its positioning and increased its prices in most of the key markets, a strategy that will continue in 2006. It was also launched in new rapidly developing markets in Central Europe, Eastern Europe and Latin America.

Cognac and chocolat: a happy union advocated by Hennessy

Cognac and chocolate, made sublime by human hand—these two are made for each other. This rich blend of flavors is what Hennessy wants to recommend to its consumers. A glass of X.O with specially selected chocolates; enjoying Paradis Extra along with a pastry that is created specifically for it... new tasting rituals for a unique experience. The Hennessy teams are now working to establish this new ritual in prestigious establishments in France and Belgium.

Krug once again had an excellent year, confirming the success of its repositioning and its ability to appeal to a public that is more open than it used to be. By concentrating its investments in its strategic markets, i.e. the United States, Japan, Italy and England, Krug recorded growth both in terms of volume and value. Its growth has proved to be particularly noticeable in the United States with double-digit increases in volume for the fourth consecutive year, against a background of significant price increases.

Moët Hennessy Wine Estates, which has included our wines from the New World (Australia, New Zealand, California, Argentina and Brazil) since January 1, 2004, obtained double-digit growth in sales for a second straight year. The United States, which is the world's leading market for wines, has greatly contributed to this advance. Moët Hennessy Wine Estates also benefited from the growth in wine consumption in Asia and Northern Europe. Sparkling wines sold under the Chandon brand have consolidated their leadership positions in the "super premium" category in their respective local markets. Still wines such as Terrazas de los Andes in Argentina and Cloudy Bay in New Zealand continued to gain momentum and expanded their distribution on international markets.

Château d'Yquem strengthened its status in 2005 as the most prestigious Sauternes wine due to the marketing of a highly anticipated historic vintage, the Château d'Yquem 2001, whose expertly orchestrated launch was enthusiastically received by buyers all over the world. For the second consecutive year Château d'Yquem presented its *primeur* 2004 to the national and international wine and spirits clients, a campaign that was an undisputed success.

COGNAC: HENNESSY INCREASES ITS STRONG POSITION

Hennessy, the undisputed leader in cognac, saw 9% growth in sales volumes for 2005.

In the United States, the house's leading market, Hennessy remains the leader in the cognac category in terms of volume and value. The brand took advantage of three vectors for growth: the increase in consumption of V.S, continued double-digit growth for V.S.O.P and the implementation of high-quality operations that have enabled the Prestige range to enjoy great success in high-end establishments.

In Asia, 2005 saw exceptional growth, particularly in China, a country that is increasingly positioning itself as a significant growth driver and is already the biggest market of X.O for Hennessy. In Japan, where the market for brown spirits is down, Hennessy maintained its value strategy focused on X.O and the Prestige range which have posted double-digit growth.

In the European countries, Russia is confirming its potential. Hennessy is exploiting its strong appeal there and is showing significant profitability. Hennessy V.S is maintaining its exceptional market share in Ireland.


X.O
PRODUCT OF FRANCE
COGNAC
Hennessy

Limited Edition

The fineness of bubbles, the lightness of champagne and the purity of crystal. To adorn "Crystallised Moët", the great Champagne house partnered with Swarovski to transport us to a glamorous sparkling world which lights up those festive moments.

THE WINE AND SPIRITS GROUP ADDS TO ITS PORTFOLIO OF BRANDS AND STRENGTHENS ITS DISTRIBUTION NETWORK In early 2005 Moët Hennessy acquired Glenmorangie plc., a company with three international brands of very high-quality Scotch malt whisky, **Glenmorangie**, **Glen Moray** and **Ardbeg**. Moët Hennessy also acquired operational control of the Millennium company, which will boost the global expansion of the vodka brand **Belvedere**.

The Wines and Spirits business group continued to strengthen its global distribution network by creating new subsidiaries in Europe and continuing the integration of the network in the United States through the creation of Moët Hennessy USA. In the United States, all brands are now benefiting from the attention and strength of a dedicated team at the American distributors.

STRONG IMPETUS FOR INNOVATION The capacity for innovation, which is highly cultivated by the LVMH wine and spirit brands since it is a key factor in growth, was particularly evident in 2005.

This can be seen for instance in the success of the seasonal **Moët & Chandon** limited edition offerings in partnership with Swarovski—*Moët Flower* in the spring, *Moët Summer* in the summer and *Moët Crystallised* at the end of the year—giving the brand a great deal of visibility in the principal image-creating points of sale worldwide.

Faithful to its creative core and its daring image, **Veuve Clicquot** launched the *Clicquot Traveller*, an elegant isothermal bag containing a bottle of Brut Carte Jaune and two flutes. The house also modernized the presentation of its vintages and continued its partnership with Pucci for La Grande Dame.

For its Prestige range, **Hennessy** is devising innovative ways of enjoying the experience based on the creation of a tasting ritual at select points of sale and high-end establishments. An exceptional launch was reserved for the limited edition of Private Reserve 1865.

INCREASED INFLUENCE Communications efforts aimed at boosting the influence of the brands of the business group were continued throughout the year.

Moët & Chandon's communications strategy was redeveloped around a new global positioning at the international level that exploits the theme "Be Fabulous", a strong expression of the brand values of flair, leadership and universality. Launched in late 2005 in Europe and in Asia, the first global communications campaign for the brand will be extended to the United States and Japan in early 2006.

For the launch of the **Dom Pérignon** 1998 vintage, Karl Lagerfeld was commissioned to conduct the first global communications campaign for the brand, which was presented at a global launch event in June 2005 in New York. Dom Pérignon's new image gives it all-round visibility: an international publicity campaign, exhibitions in the shop-windows of wine merchants and department stores, a dedicated website, reporting of the event in the international press.

The effectiveness of **Hennessy**'s publicity campaigns has helped greatly to stimulate growth. In the United States, a diversified high-quality promotional program has been implemented. In China, the brand supports V.S.O.P Privilège, its principal vector for growth, by making major marketing investments, including a strong publicity campaign launched during the Chinese New Year celebrations.

OUTLOOK In 2006, the Wines and Spirits business group will continue unabated with its value strategy. This strategy will continue to rely most notably on a constant willingness to train staff, major publicity and promotional investments and a policy of sustained prices. An emphasis on innovation and brand image reinforcement will be maintained in strategic markets.

The portfolio of brands, distributed by teams with proven expertise, will strengthen LVMH's leading position in the world of luxury wines and spirits.

Moët Hennessy launches a luxury rum in the United States

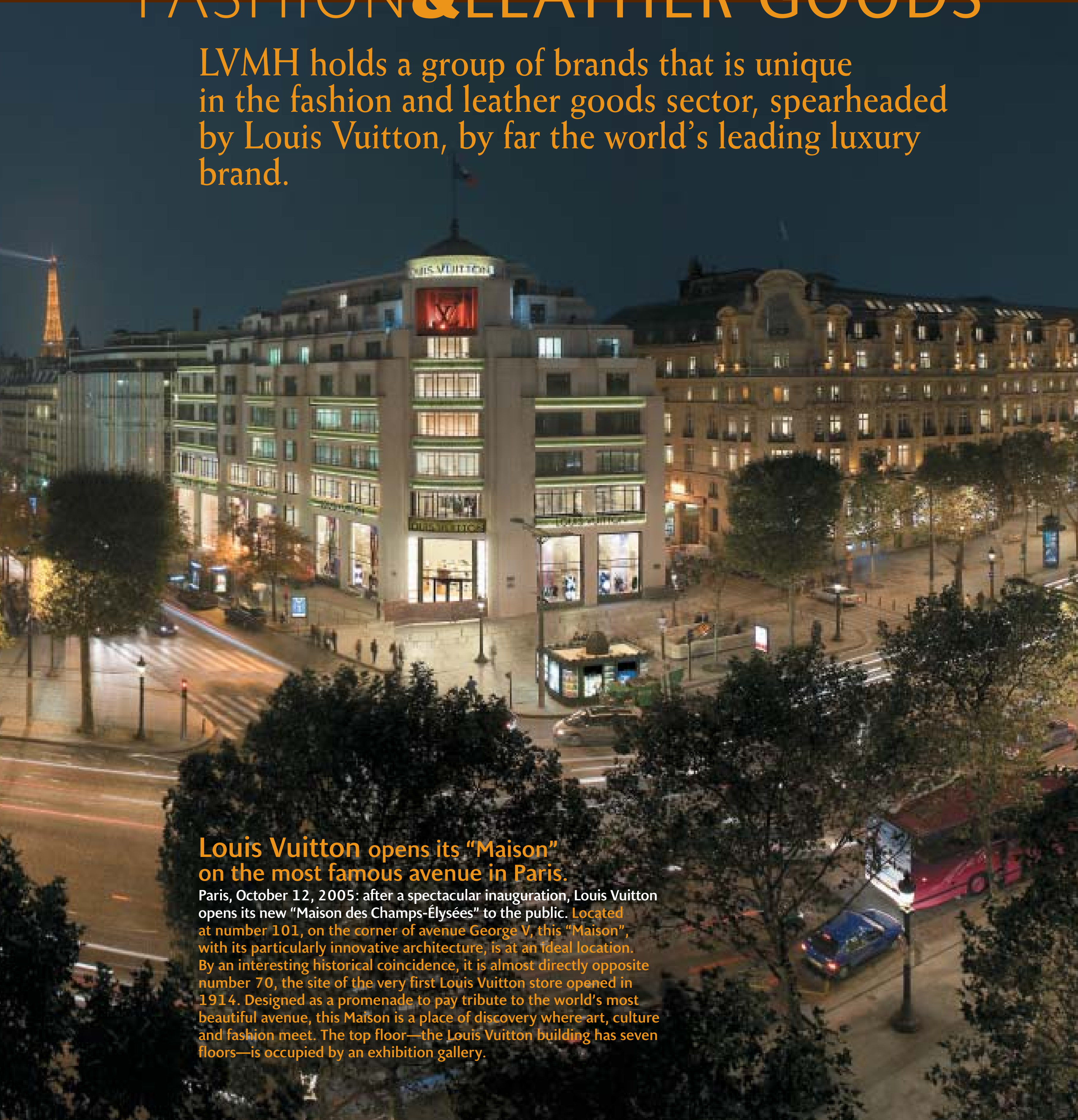
Moët Hennessy's appetite for creativity and innovation is most notably expressed through the launch on the US market of a new ultra-luxury product: 10 Cane, an artisanal rum made from the first press of sugar cane. 10 Cane is produced on the island of Trinidad, an ideal location due to the quality of its volcanic soil and its perfect sunshine. It benefits from Moët Hennessy expertise at each stage of production. Its ambition is to be the world's best rum. 10 Cane was launched in New York in the spring of 2005 and then in the rest of North America.

La Grande Dame adorned in luxury and sensuality

Following the success of the limited edition of La Grande Dame clothed by Pucci in 2004, Veuve Clicquot recreated this event by continuing this partnership. In 2005, an innovative, sophisticated and sensual item was created: a combination with the colors of the design specially created by Pucci for the 1996 vintage of La Grande Dame and perfectly adapted to fit the particular curves of the bottle. This isothermal "sheath" keeps the bottle at tasting temperature for approximately two hours. This beautiful item comes with a fabric sleeve that protects and complements it.

FASHION & LEATHER GOODS

LVMH holds a group of brands that is unique in the fashion and leather goods sector, spearheaded by Louis Vuitton, by far the world's leading luxury brand.



Louis Vuitton opens its "Maison" on the most famous avenue in Paris.

Paris, October 12, 2005: after a spectacular inauguration, Louis Vuitton opens its new "Maison des Champs-Élysées" to the public. Located at number 101, on the corner of avenue George V, this "Maison", with its particularly innovative architecture, is at an ideal location. By an interesting historical coincidence, it is almost directly opposite number 70, the site of the very first Louis Vuitton store opened in 1914. Designed as a promenade to pay tribute to the world's most beautiful avenue, this Maison is a place of discovery where art, culture and fashion meet. The top floor—the Louis Vuitton building has seven floors—is occupied by an exhibition gallery.

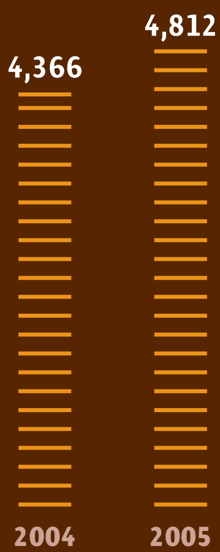
Highlights

In 2005, the **Fashion and Leather Goods** group recorded organic revenue growth of 12% and an increase of 12% in its profit from recurring operations. It continued to gain market share.

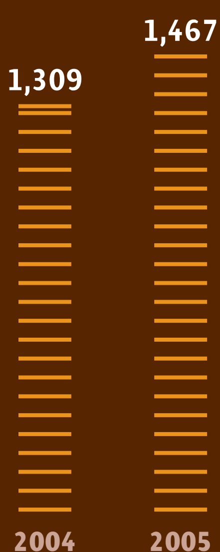
For **Louis Vuitton**, 2005 was a year of *savoir-faire* and innovation. After one year of renovation and expansion, its historic workshop in Asnières reopened its doors in January. The Maison Louis Vuitton on the Champs-Élysées, inaugurated in October, enjoyed unprecedented success. Over the year, the brand launched three new lines of leather goods and its first collection of sunglasses.

The sharp increase in Fendi's revenue was driven by its new strategy and confirms its excellent outlook for the medium term. "Palazzo Fendi", the symbol of its new vitality and drive to accelerate the growth of the Italian brand, opened in Rome in May 2005.

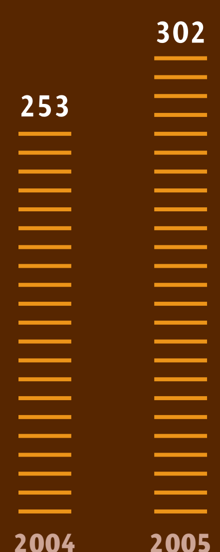
REVENUE
EUR million



PROFIT FROM RECURRING OPERATIONS
EUR million



INVESTMENTS
EUR million



REVENUE BY GEOGRAPHIC REGION
in %

France	9%
Rest of Europe	17%
United States	22%
Japan	30%
Rest of Asia	18%
Other markets	4%

Yves Carcelle

President of the Fashion and Leather Goods business group

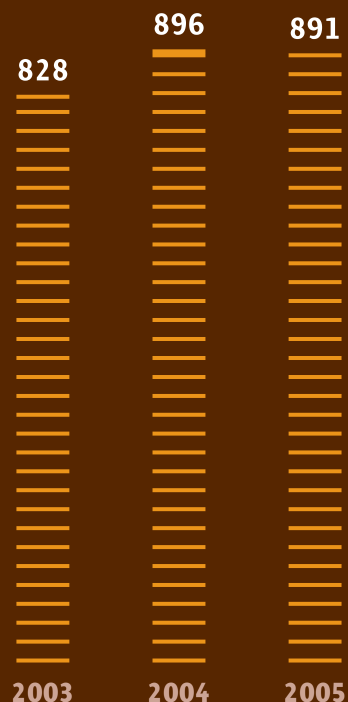
2005 was an excellent year for Louis Vuitton, which continued to strengthen its leadership position and extend its global image.

As it continued to advance over the globe, our star brand took full advantage of market growth and the taste for luxury goods in new countries.

Fendi's growth justifies the efforts made to develop the brand and reflects the work achieved by its teams. Fendi is definitely on track and it should not be too long before it is firmly placed within the virtuous circle of profitable growth.

The other brands, which are smaller or less advanced in their strategic repositioning process, still have work to do. They are receiving special attention to help them focus on their priorities and achieve their objectives.

NUMBER OF STORES



Louis Vuitton, Donna Karan, Fendi, Loewe, Celine, Kenzo, Marc Jacobs, Givenchy, Thomas Pink, Pucci, Berluti, Rossimoda and Stefanobi make up the **Fashion and Leather Goods** business group. This extraordinary set of brands from both sides of the Atlantic has 891 stores throughout the world. While it respects the identity and creative positioning of these brands, LVMH supports their growth by offering shared resources to the companies. The activity of the Internet site Eluxury.com in the United States is also consolidated within the Fashion and Leather Goods business group.

In 2005, LVMH again gained market share in the high quality fashion and leather goods sector. This progress was generated by the excellent performance of Louis Vuitton and by the growth in several brands developed within the business group that recorded double-digit organic growth in revenue.

The Fashion and Leather Goods business group continued improving its retail network. Strategic stores, in terms of their size, location and potential, were opened in Europe, the United States, and Asia.

LOUIS VUITTON CONTINUES TO WIDEN THE GAP

Louis Vuitton again recorded double-digit organic revenue growth in 2005. With a strong performance in North America, continued steady growth in Europe, accelerated sales in Japan, and the confirmed success of the brand in Asia, particularly in the Chinese market, the business group's star brand continued to gain market share.

This strong revenue growth continues to generate exceptional profitability, driven by the extraordinary appeal of the brand, the very high quality of its products, and the excellent responsiveness of the company's global organization.

Louis Vuitton increased the size of its retail network to 345 stores by the end of 2005. The network benefited from five new stores and fifty major renovations. Throughout the year, major openings were held throughout the world-in Hong Kong, Beijing, Las Vegas, Okinawa and elsewhere. But the highlight of the year was undeniably the October 2005 opening of the Maison Louis Vuitton des Champs-Élysées in Paris, the most surprising luxury store in the world. This opening, preceded by a spectacular inauguration and widely covered by the international media, was an additional opportunity to place Louis Vuitton under the spotlights.

In the fall of 2005, Louis Vuitton launched a new version of its Internet site. Based on the success of its exclusive online boutique on Eluxury.com in the United States, the brand is now offering French consumers the opportunity to buy leather goods, watches and accessories online from its own site.

Treasures "made in Champs-Élysées"

To celebrate the opening of its Maison des Champs-Élysées and pay tribute to the most famous avenue in the world, Louis Vuitton produced a limited series of exceptional products. Miniatures, footwear, leather goods, watches and jewelry, all concrete illustrations of the scope of its know-how and the talent of its artisans.

LOUIS VUITTON DEMONSTRATES AN EXCEPTIONAL CREATIVE VITALITY Inspired by the *savoir-faire* of its artisans, 2005 also provided further proof of **Louis Vuitton** capacities for creation and renewal. The *Monogram Cerises* line early in the year, followed by the *Denim* and *Antigua* lines and the creation of a Cruise leather goods collection are just a few illustrations of the exceptional vitality of the brand and the success of the Marc Jacobs creations.

Louis Vuitton also enhanced its traditional lines, which continue to confirm their success. The new *Manhattan* model in the *Monogram* fabric is a best-seller. The *Damier* leather goods line posted an excellent performance in 2005. Ready-to-wear lines and footwear recorded strong growth. In the watch segment, the successful development of *Tambour*, with *Lovely Tambour*, *Tambour Régate* in the Louis Vuitton Cup line, and *Tambour Diving*, was enhanced with the launch of the *Speedy* watch. The *Emprise* jewelry collection introduced in 2004 performed very well. Finally, in the fall of 2005 Louis Vuitton launched its first sunglasses collection, unveiled for the public at the opening of the Maison des Champs-Élysées.

With the deployment of two very strong promotional campaigns spearheaded by international star Uma Thurman, Louis Vuitton's communications strengthened its image worldwide. The visibility it received from the first stages of the Louis Vuitton Cup, the preparatory regattas for the America's Cup 2007, also increased its media presence.

FENDI: AN EXCELLENT TREND **Fendi** achieved an excellent performance in 2005, the year of its 80th anniversary. The Italian brand recorded double-digit growth in revenue, which, combined with a strengthened organization and higher productivity in its stores, generated a substantial improvement in its profitability.

Sales of leather goods surged thanks to the vitality of the traditional *Selleria* and *Double F* lines and the success of the new designs. The *Spy* line, in particular, has been so successful that there are customer waiting lists. Fur and footwear sales also jumped significantly.

Fendi continued to improve its retail network. This work included the renovation of twenty stores using the new concept, which is lighter, contemporary and luxurious, adopted to express the values of the Italian brand. The 80th anniversary celebration was marked by the inauguration of the Fendi Palace in Rome, the focus of intense media coverage, followed by the opening of a flagship store in New York. These two events, which received heavy press coverage, along with the quality of its advertizing campaigns, contributed to the increase in the recognition for the brand worldwide. Flagship stores also opened in Osaka and Hong Kong (renovation).

TRENDS FOR THE BUSINESS GROUP'S OTHER BRANDS **Donna Karan** enjoyed the fruits of the efforts made to improve its creations. Sales of accessories, products with a strong growth potential for the brand, recorded very strong growth. Donna Karan is also benefiting from the increased selectivity of its retail network and the gradual deployment of a new exclusive boutique concept in a size better adapted to its offering, which is more productive while creating greater value for its image.

In 2005, Donna Karan improved its profit from recurring operations, confirming the relevance of its new strategy and the quality of the organizational work initiated by its teams since it joined the LVMH group.

Celine expanded its retail network, particularly with the opening of a boutique in Florence and a second flagship store in Tokyo. The brand also expanded in Korea. It continued to enhance its leather goods lines, primarily its best sellers *Boogie* and *Poulbot*. Ivana Omazic joined the Celine team as Art Director.

Louis Vuitton enters new territory

As required by a tradition of perfection, Louis Vuitton devoted more than two years to in-house research on the design of its first sunglasses collection. Made from sheets of colored acetate (a cotton derivative), Louis Vuitton sunglasses are sculpted, and then hand polished. The lenses are the result of a unique combination of treatments that offer both perfect comfort and the highest level of UV protection. Immediately recognizable, they are perfect examples of the in-depth expertise of the specialist working in collaboration with the talent of designer Marc Jacobs—a perfect balance between luxury and fashion.

Fendi in its Palace

The prestigious "Palazzo", the new five-story building opened in the center of Rome in May 2005, houses Fendi headquarters, its fur workshops, its design and creation studios and the largest of its 113 boutiques worldwide. The boutique offers 700 square meters of space, and the stunning décor highlights the splendors of the Eternal City, the cradle of the brand. This building is both a symbol of renewal and an important step in accelerating Fendi's growth. A second flagship store of the same size was opened in New York in November.


FENDI

Monogram in confetti to illuminate summer 2006

With patterned perforations and colored lining, Marc Jacobs has reinterpreted the Monogram fabric for the summer of 2006. The new Monogram Perforé line picks up the vibrant colors of the ready-to-wear collection. The fuchsia pigments on this model, as well as green and orange, have been specially developed for the lining, which is revealed through the perforations in the historic fabric and traces a sparkling pointillist design.

Perforated means performance since the fabric requires a precise cutting technique depending on the size and position of each stitch. 2,600 perforations were needed for the model worn by supermodel Gisèle Bündchen.

Loewe continued to capitalize on its Spanish roots and its exceptional expertise in working with the finest leathers. Its most successful lines of leather goods *Senda* and *Amazona* recorded strong performances. The management of the brand was strengthened in early 2006 with the arrival of a new President, Mr. Alberto Puyol Pineda, who has extensive experience in international brand development.

2005 confirmed the vitality of the new creative momentum generated by the arrival of Antonio Marras in 2003 as the Artistic Director of **Kenzo**. The new ready-to-wear line *Défilé*, which has capitalized on the media success of its fashion shows, has recorded a very promising start. Kenzo also signed new partnerships for Women's footwear and tableware.

The arrival of Riccardo Tisci as the new creative director for **Givenchy** women's universe was greeted with extensive press coverage. The first women's ready-to-wear collection was very favorably received. Today, one of Givenchy's priorities is the development of accessories.

Thomas Pink recorded a good year, marked by the success of its new collections, particularly the *Traveller* line, the continued deployment of its new store concept and its continued growth in Asia (Shanghai, Bangkok). In 2006, the brand will continue to expand in those markets and strengthen its presence in the United States.

Marc Jacobs continued its rapid expansion, again recording strong revenue growth. An icon in the United States, the brand also expanded in Japan and Asia and is preparing to enter Europe in 2006.

Pucci had an excellent year highlighted by the development of its retail network and the arrival of the talented new designer, Matthew Williamson. His mission will be to strengthen the creation of the most emblematic products that offer the greatest potential for sales of Pucci ready-to-wear lines and accessories.

Berluti performed very well, both commercially and artistically. The brand launched two new footwear lines *Rapiécés* and *Intérieurs/Extérieurs*, and a highly original collection of light luggage. It also expanded its commercial presence in the United States and China.

OUTLOOK In 2006, the objective of the Fashion and Leather Goods business group is to continue to increase market share through a policy of continued innovation and the expansion of its retail network.

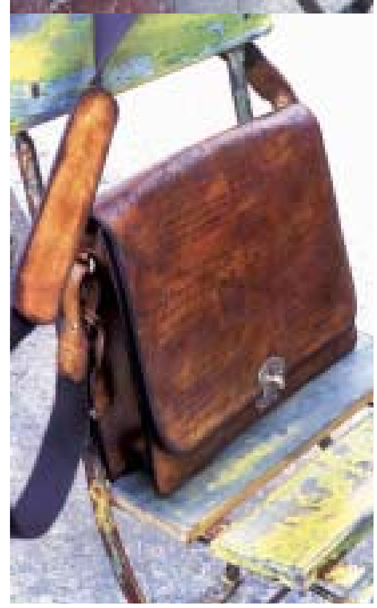
During the ready-to-wear shows, **Louis Vuitton** will unveil new, high-impact leather products: *Suède*, *Monogram Perforé*, new colors for the *Denim* fabric… The brand plans to continue to expand and improve its store network. It will strengthen its international presence by establishing itself in four new countries.

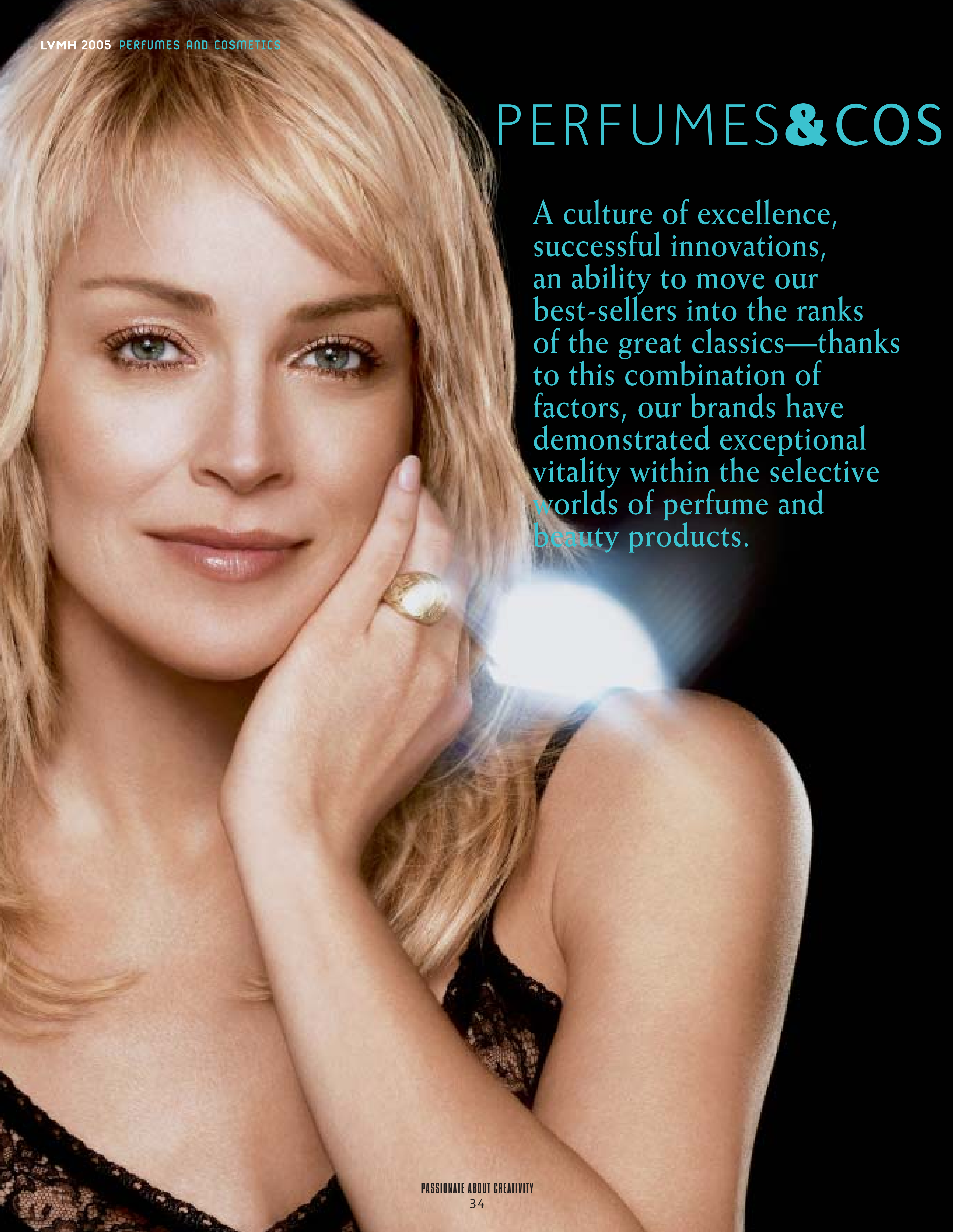
Fendi, which has now established a solid basis for its development, will increase its growth and further improve profitability in 2006.

The other brands of this business group will continue their efforts to improve the various components of their business model.

Berluti: bags also have a soul

Deux jours, Trois nuits, Insouciant, Écritoire… The name of each of the bags created by Olga Berluti reflects its function and the world to which it aspires. Light bags for travelling or strolling through the streets carrying indispensable items, these innovative and timeless articles form a poetic collection that evoke the emotion of the luxury travel of yesteryear. Smooth or engraved with a scalpel, the Venezia leather from which they are made is imbued with essential oils, making them extremely supple and giving them colors with unique depths and shimmering patinas – a formula known only by Berluti.





PERFUMES&COS

A culture of excellence, successful innovations, an ability to move our best-sellers into the ranks of the great classics—thanks to this combination of factors, our brands have demonstrated exceptional vitality within the selective worlds of perfume and beauty products.

METICS

Sharon Stone, Parfums Christian Dior face for Capture Totale

October 4, 2005 press conference, LVMH auditorium: 400 journalists came from around the world. They discovered, dressed in Dior from head to foot, the new and magnificent face for the Capture skincare line. For the first time, international star Sharon Stone is lending her image to a line of cosmetics. She said yes to Dior, "a brand", she explained to her audience, "which has always made me dream, because it incarnates the beauty, sensuality, and fantasy of the French woman".

Highlights

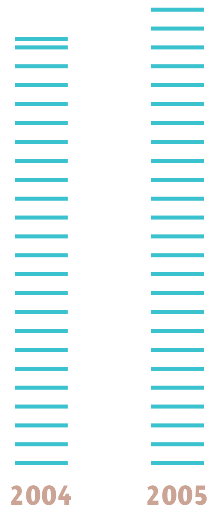
The **Perfumes and Cosmetics** business group recorded organic revenue growth of 7%, higher than the market average, driven by all its brands, while profit from recurring operations rose 15 %.

The growth in the **LVMH brands** was fuelled by successful perfume launches, excellent performances achieved in makeup lines, and the development of skincare lines.

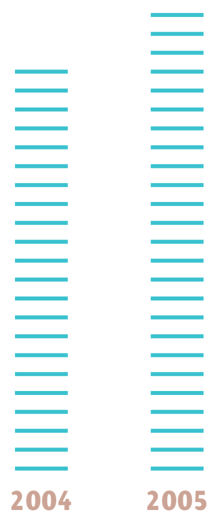
The LVMH brands took advantage of the dynamic performance in the Asian markets. In Europe, despite a less favorable economic and consumer context, our star brands gained market share by focusing on their very high-end positioning. In the United States, the selective redeployment of distribution continued with positive results, an indicator of future qualitative growth.

The **young cosmetics companies**, currently in the development phase, maintained their rapid growth rate.

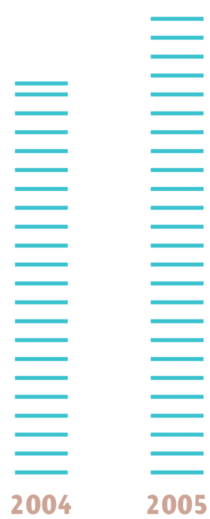
REVENUE



PROFIT FROM RECURRING OPERATIONS



INVESTMENTS



REVENUE BY GEOGRAPHIC REGION

BREAKDOWN OF REVENUE BY PRODUCT CATEGORY

Strategy and objectives

of the Perfumes and Cosmetics business group

Our major perfume brands hold a competitive advantage—they are anchored in the world of luxury, with an increasingly elite positioning.

In fact, in contrast to a market cluttered with new product launches that are frequently short-lived and confusing to consumers, the ambition of the LVMH brands is to establish true, long-lasting high-end winners and to offer only new products that incarnate the nobility of great perfume creation.

In the high-growth makeup and skin care segments, our French brands and young cosmetics companies owe their success to the continuous nurturing of creativity and to the expertise of the LVMH research and development teams working for them.

The exceptional momentum of this business group should accelerate in 2006.

LVMH is a major global player in the sector of selective **perfumes and cosmetics,** with the major French houses of Christian Dior, Guerlain, Givenchy and Kenzo. In addition to these world-renowned brands, this business group also includes BeneFit Cosmetics and Fresh, two young, highly innovative and rapidly growing American companies, the prestigious Italian brand Acqua di Parma, Parfums Loewe, developed for the Spanish fashion and leather goods company, and Make Up For Ever, a French brand specializing in professional makeup products, which has successfully started to expand its original customer base.

"Dior Princess Ring", a jewel of beauty

A reinterpretation by John Galliano of a ring by Victoire de Castellane, the creator of Dior jewelry, the Princess Ring hides a beauty secret—when opened, its stopper reveals a duo of colors for the lips or eyes. Worn on a finger, hooked to a bag or adapted as a charm, it is irresistible.

GROWTH THAT OUTPACED THE MARKET AND STEADY GAINS IN PROFITABILITY In an environment marked by fierce competition, the Perfumes and Cosmetics business group recorded in 2005 organic revenue growth which outstripped the market average. This trend was particularly strong for **Parfums Christian Dior,** the star brand of this business group.

While the major French brands of LVMH continued to gain market share thanks to their strong policy of innovation and to their great classics, the smaller companies also maintained a rapid rate of growth.

These performances allowed the Perfumes and Cosmetics business group, in line with its objectives, to record good growth in profit from recurring operations within a context of steady commercial and promotional investments.

Constructed around the iris, the new men's fragrance from Dior emanates from a universe of luxury dominated by quality, dignity and precision detail.
The originality of the fragrance and the quality of the materials used place it within the tradition of fine perfume-making.
This is an instantaneous classic built on contemporary codes.

PARFUMS CHRISTIAN DIOR—STRONG, HIGH-QUALITY AND PROFITABLE GROWTH With growth much higher than the average in its competitive market, **Parfums Christian Dior** continued to gain market share. The brand increased its influence in Asia, recording a remarkable performance in Japan, where it continues to enjoy the strongest growth among international brands, and achieved spectacular success in the Chinese markets. In the United States, where the focus is to build a lasting, attractive image of quality, it recorded strong growth within the much more elitist distribution network which now lies at the heart of its strategy. Europe, despite the sluggish climate of most markets in 2005, also contributed to its growth. By emphasizing its status as a luxury brand from the world of high fashion through its creations and the quality of its retail presence, Dior has strengthened its leadership in France and is increasing its market share in several European countries.

The brand achieved clear successes in all product categories: it outstripped market growth in perfumes, for both men and women; for the third consecutive year, it turned in an extraordinary performance for makeup; and, finally, the skincare segment was substantially enhanced and benefits from new, more modern and luxurious packaging.

In the perfume segment, the highlights of the year were the success of *Miss Dior Chérie* and *Dior Homme*. These two modern expressions of the brand, developed in synergy with Fashion, attracted a new category of young customers searching for real luxury products in reaction against the downscale trend affecting the market. In Asia, the launch of *Dior Addict 2* was received enthusiastically.

The exceptional creativity of the colors, textures and presentation displays deployed for Dior makeup was also a contributing factor to its success. New products represent about 25% of revenue for this segment. *Diorskin Airflash* and its aerosol mist, a real technological innovation, has revolutionized the application of foundation, moving it to the realm of pleasure while at the same time allowing for customized coverage. Other star products in makeup include *Princess Ring*, launched in the spring of 2005, or the *Backstage* line, coming directly from fashion trends and the ambiance of the fashion shows.

In skincare, 2005 was marked by the expansion of the *Capture* anti-aging line with three major initiatives: the launch of *Capture Sculpt 10*, a customized lift and firming program, the re-launch of *Capture R60/80™* in a formula that combines luster with wrinkle reduction, and *Capture Anti-Taches D-30*, a new line to eliminate age spots. Dior also introduced its new *Hydraction* line, which the brand intends to make a cornerstone of its offering and which will hopefully provide the springboard that it needs to become a key player in the moisturizing segment, just as it is in the anti-aging market with its *Capture* line.

Parfums Christian Dior again increased profitability in 2005, while increasing promotional expenditures and intensifying efforts to enhance the quality of its presence at points of sale.

GUERLAIN CONFIRMS ITS NEW MOMENTUM **Guerlain** turned in an extremely dynamic performance in 2005, extending the growth seen in 2004. This trend confirms the relevance of its strategy to focus on its historical values as a great perfume-maker. The brand continues to gain market share in its strategic countries, particularly in France and in Asia, where its growth was one of the most remarkable in its sector of competition. Its growth was particularly strong in continental Asia (China, South Korea, and Taiwan) and in the Middle East.

In the absence of a major new perfume, growth was primarily driven by the makeup and skincare segments. Guerlain recorded an exceptional year in makeup with its flagship lines *Terracota* and *Météorites* and particularly benefited from the worldwide success of its new lipstick *KissKiss*. 2005 was also marked by the accelerated growth in the skincare line, the launch of two new formulations of *L'Instant de Guerlain* for men and women, the highly anticipated and reported opening of the Maison Guerlain on the Champs-Élysées in Paris, and the deployment of the new sales concept in department stores.

These performances and efforts to boost profitability enabled Guerlain to generate a strong increase in its profit from recurring operations.

A new case for Guerlain, an expression of its status as a great perfume maker and a showcase for its extraordinary heritage.

Summer 2005: renovated and expanded (600 square meters on three floors completely dedicated to the world of perfume and beauty), 68 Champs-Élysées, which houses a boutique and an Institute, has once again become the address where history, expertise, elegance and the art of living incarnated by Guerlain intersect. The fixtures and décor of this building, opened by the Guerlain family in 1914 and classified as an Historic Monument, were entrusted to architect Maxime d'Anjeac and interior designer Andrée Putman. Even as they honored the legacies of their predecessors, they gave Maison Guerlain a new life. Within this unique location, the brand proudly displays its extraordinary heritage and offers exclusive creations and exceptional services to its customers.

KissKiss from Guerlain: Prize for excellence and an object of desire

Its precious colors, its underlying texture, its delicate scent with violet and red fruits, its jeweled case and pure sculptured lines as if modeled by a handprint, earned it the 2006 Prix D'Excellence de la Beauté.


Dior
MISS DIOR
CHÉRIE
Tout le charme de Dior dans un parfum.
www.dior.com
Miss Dior
Chérie

TRENDS FOR THE BUSINESS GROUP'S OTHER BRANDS

In 2005, **Parfums Givenchy** saw a growth in revenue with a significant increase in the second half. The *Very Irresistible Givenchy* perfume line was the primary engine for this growth. The introduction of *Very Irresistible pour Homme* and *Very Irresistible* Eau de Parfum, the new women's version, contributed to the company's strong growth worldwide. The makeup and skincare lines recorded particularly satisfying performances in Russia, Japan and Latin America.

Parfums Kenzo continued to grow with very positive results in Japan and on the American continent. In Europe, Spain, Russia and the United Kingdom recorded the best growth. The brand benefited from the successful launch of the women's perfume *SummerbyKenzo*. The *FlowerbyKenzo* line was enhanced with a new edition launched for Christmas—*FlowerbyKenzo Oriental*. The *Kenzoki* skincare line continued to grow.

Make Up For Ever, one of the favorites of professional makeup artists, continued to expand its popularity with consumers. The brand posted a good year in 2005 with a strong improvement in its profitability.

Acqua di Parma and the young American brands **BeneFit Cosmetics** and **Fresh** maintained their double-digit growth. **BeneFit Cosmetics** recorded one of the most dynamic performances in its market segment in the United States and the United Kingdom, and is becoming a makeup leader. Its initial deployment in the Asian markets (South Korea, followed by the Chinese markets) was also extremely promising. **Parfums Loewe** strengthened its position in the Spanish market and continued its international growth.

OUTLOOK The Perfumes and Cosmetics business group has good prospects for growth and gains in market share in 2006.

Parfums Christian Dior intends to accelerate its growth by capitalizing on all the initiatives that will strengthen its positioning as a luxury brand. This policy will particularly be implemented through the launch of major skincare and makeup products and through special support for its star lines *J'Adore, Poison, Miss Dior Chérie, Dior Homme* and *Fahrenheit*.

Guerlain also intends to accelerate its growth. The launch of a major new women's perfume and the new major skincare product *Orchidée Impériale*, along with the expansion of the *KissKiss* line, will be the highlights of the year.

Parfums Givenchy plans to launch an extremely original initiative in the first half of the year—vintage versions of its *Amarige, Organza* and *Very Irresistible* lines and, in the second half, a new women's perfume. **Parfums Kenzo** will propose editions of its flagship line *FlowerbyKenzo*, interpreted by artists and a new women's perfume will be launched in the second half of the year.

Parfums Givenchy launches its first Vintages

Flowers, like the vine, are an expression of the soil from which they come and, in certain years, the crop is exceptional. This was the case in 2005 for the wild mimosa of Tanneron in southern France, the jasmine from Tamil Nadu in southern India, and the rose from Bulgaria. Parfums Givenchy has selected them and has reserved the crop for Amarige, Organza and Very Irresistible respectively. Each of these perfumes has been reworked to sublimate the olfactory qualities of the flower that forms the core note. These precious Vintages, which perfume lovers will be able to discover exclusively at the best retailers in 2006, are housed in flasks and packaging that are equally exceptional.

The Poudres de Diamant from Make Up For Ever,

with concentrates of ultra-fine mother-of-pearl, were one of the major successes of 2005, both with makeup artists and consumers.

FlowerbyKenzo : limited edition by artists.

WATCHES&JEWELRY

TAG Heuer creates the event in Shanghai

The second Formula 1 *Grand Prix* in China was held on October 16, 2005 in Shanghai. TAG Heuer, the official partner of the McLaren Mercedes stable and the historic racing timekeeper created the event in the largest shopping center in Shanghai. In 2005, TAG Heuer, as well as the Dior and Zenith watches launched their sales offensive in China, a rapidly expanding market that is becoming a strong growth driver.

In just a few years, LVMH has become one of the most dynamic players in the watchmaking and jewelry sectors. With its iconic product lines and the strong innovation within its brands, our business group regularly gains market share and improves profitability.

HIGHLIGHTS

The **Watches and Jewelry** business group recorded organic revenue growth of 17%, significantly higher than the market average for both watches and jewelry, and substantially improved its profit from recurring operations.

Based on its strong capacities for innovation and a targeted advertising policy, TAG Heuer continued to grow and strengthen its competitive positions.

Manufacture Zenith expanded its business in the high-end watch segment and enjoyed a robust increase in revenue.

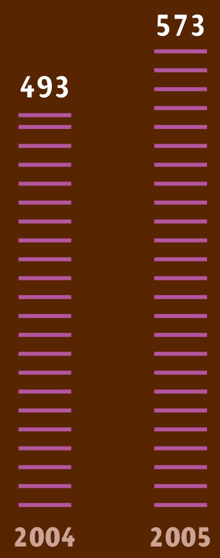
Chaumet, the jeweler, continued to post steady growth for both jewelry and watchmaking in its target countries.

Launched in the second half of the year, Dior's Christal watch, created in collaboration with John Galliano, the Dior couture designer, recorded a very promising start.

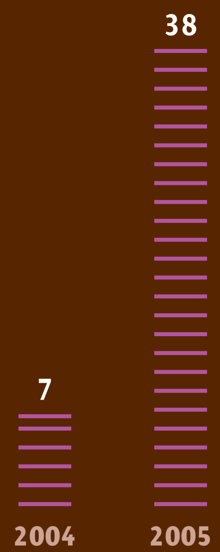
New distribution agreements are in place in China, a major growth driver, for TAG Heuer, Zenith and Montres Dior.

The first De Beers boutiques opened in the United States.

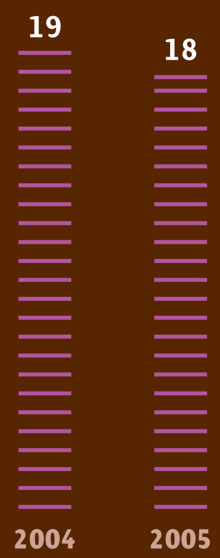
REVENUE
EUR million

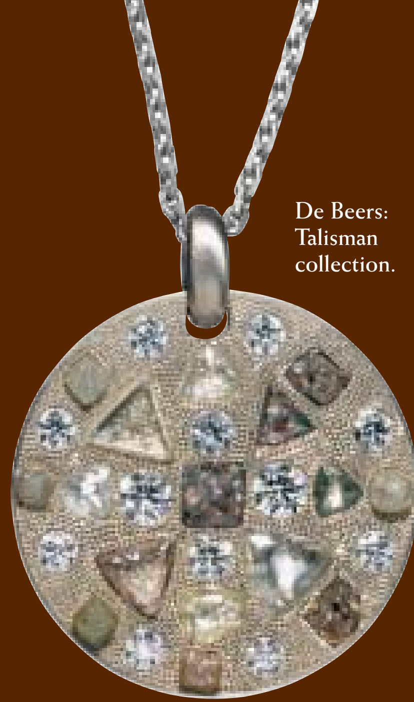


PROFIT FROM RECURRING OPERATIONS
EUR million



INVESTMENTS
EUR million





De Beers: Talisman collection.

Philippe Pascal

President of the Watches and Jewelry business group

The strong growth in revenue recorded by our business group is the result of exceptional creativity in watchmaking and jewelry.

It is also the result of global sales momentum driven by ambitious and experienced teams, and effective targeting of marketing expenditures. We focus our energies and resources on levers that create value. Our brands are growing in both the major markets and in new, high-potential regions.

New product launches planned in 2006 and the continued improvement of margins in a context of strong markets will allow our business group to maintain the strategic course of significant and profitable growth.

REVENUE BY GEOGRAPHIC REGION
in %

France	8%
Rest of Europe	23%
United States	24%
Japan	16%
Rest of Asia	15%
Other markets	14%

The most recent of the LVMH business groups holds a portfolio of leading **watches and jewelry** brands with clear and complementary positionings: TAG Heuer, the world leader in prestige sports watches and chronographs; Zenith, a high-end watch maker famous for its El Primero movement; Dior Watches, with collections inspired by the designs of the fashion house; Chaumet, the historic and prestigious jeweler in Place Vendôme; Fred, the designer of contemporary jewelry; and Omas, the Italian designer of writing instruments. De Beers*, a joint venture formed in July 2001, confirms its positioning as a diamond jeweler.

The robust financial recovery recorded in 2004 continued in 2005. In line with its objectives, the Watches and Jewelry business group recorded organic revenue growth that was much higher than that of its competitors. This performance allowed LVMH to gain market share in both the watch and jewelry segments. The American continent, Asia and Japan were the strongest growth zones in 2005. New distribution agreements were signed in China for TAG Heuer, Zenith and Dior, accelerating their development.

Improved margins, cost control and growth in revenue were the driving forces behind a very significant gain in profitability and a fivefold surge in profit from recurring operations.

TAG HEUER—CHAMPION OF ITS CATEGORY ▮ **TAG Heuer**, the world leader in sports watches and chronographs, achieved remarkable growth and became a star brand for LVMH. In the market segment for watches priced between 400 and 4,000 euros, the brand, which combines prestige and performance, was a champion of growth. This very strong performance, particularly in the United States and Asia, enabled it to gain market share. The momentum that this brand continues to enjoy demonstrates its amazing vitality and is a sign of excellent prospects in the medium term.

The new 2005 models in the *Aquaracer*, *Link* and *Carrera* lines, as well as the first golf watch designed with the world's top player, Tiger Woods, recorded remarkable performances.

The support from the unique team of brand ambassadors, also including international stars Brad Pitt and Uma Thurman, tennis champion Maria Sharapova, auto racers Jeff Gordon, Juan Pablo Montoya and Kimi Räikönen, strengthened TAG Heuer's positioning in the areas of elegance and sports, as well as its male/female product mix.

In keeping with its leading-edge spirit and its policy of technological innovation, TAG Heuer developed new movements that will be launched in 2006. The 360 caliber, the first automatic movement able to measure one-hundredth of a second, was the major innovation in 2005.

At the 5th Geneva Grand Prix for Watchmaking, TAG Heuer was awarded the 2005 Ladies Watch Prize for its *Diamond Fiction* model. This was the third prize in five years won by TAG Heuer at this prestigious competition.

TAG Heuer launches the first professional golf watch

The first professional golf watch was designed and developed by TAG Heuer after more than a year of close collaboration with Tiger Woods, the best golfer in the world and the brand ambassador. It meets the most demanding requirements of pro golfers in terms of ergonomics, resistance, weight and comfort.

** De Beers LV activities are consolidated in Other activities of LVMH.*

Star Tourbillon from Zenith: the first "high-fashion" chronograph

A star among stars, the first high-fashion watch from Zenith is absolute elegance and the ultimate luxury: a tourbillon movement adorned with high-caliber pure diamonds and a total weight of 9.8 carats. This watch masterpiece allies two technical achievements—the El Primero movement from Zenith and the tourbillon, the highly complex watch mechanism that Zenith is the first house to offer to women. And because technical perfection does not exclude dreams, a star of diamonds replaces the bridge of the tourbillon, while 117 diamond baguettes adorn the case and 112 round diamonds decorate the face.

ZENITH ACCELERATES ITS GROWTH ▌ By combining watch-making expertise, a spirit of luxury and modern aesthetics, Manufacture **Zenith** has confirmed its potential. Again in 2005, it significantly boosted its revenue and gained market share in the high-potential segment of upmarket watches. The recently designed *Open* concept, which reveals the heart of its famous El Primero movement, became the flagship line. Highly recognizable, this line was successfully developed in the *Chronomaster* and *Port-Royal* ranges and gave rise to a women's version.

Since 2004, Zenith has also earned a solid position in the market for highly complex watch movements by developing an offering of Tourbillons. The *Starissime*, the first women's Tourbillon, was launched in 2005.

DIOR WATCHES—THE SUCCESS OF CHRISTAL ▌ **Dior Watches** continued to boost its image with the assistance of designers from the fashion house. After the introduction of the automatic *Chiffre Rouge* line (Dior Homme by Hedi Slimane), the *D de Dior* jewelry line (designed by Victoire de Castellane), the high-potential *Christal* line designed by John Galliano was successfully rolled out in September. With this watchmaker's collection, a highly original alliance of steel, crystal and diamonds, Dior now has an emblematic product that very clearly differentiates the brand in the fashion watch market.

CHAUMET CAPITALIZES ON ITS ICONIC LINES. ▌ Rigorously maintaining its strategic target, **Chaumet** continued its highly sustained and targeted growth in its priority countries and cities. In Japan, France, South Korea, London, Geneva, Taiwan, Russia and Dubai, each store improved productivity.

After Osaka at the end of 2004, Taipei was the site of a new store opened in 2005.

The iconic lines *Class One* and *Liens*, both now available in watches and jewelry, were revitalized with original and accessible designs. The *Frisson* line of prestigious jewelry was reinterpreted to form the basis of a jewelry collection. Chaumet also expanded its offering of watches with the introduction of the automatic Chronograph *Dandy*.

TRENDS FOR THE BUSINESS GROUP'S OTHER BRANDS ▌ **Fred** continued its targeted expansion in Japan, where the brand is highly successful, as well as in France and South Korea. The *Success*, *Move One* and *Pretty Woman* collections were enhanced with new designs.

While continuing its very steady growth in Japan, **De Beers** opened two stores in the United States, on Fifth Avenue in New York and Rodeo Drive in Los Angeles, as well as a store located in the Printemps department store in Paris. The brand also launched *Radiance* and *Talisman*, two new diamond collections ranging from high-end jewelry to jeweled items.

Omas, the Italian specialist in writing instruments, is making progress in Italy and the United States. After the legendary 360 pen, the historic *Arte Italiana* line has just been relaunched.

OUTLOOK ▌ Organic revenue growth and rigorous management are the priorities of each company and each market of the business group in 2006. Growth will be fostered by a major program of innovations, which will focus primarily on the iconic lines of each brand. **TAG Heuer** will deploy its technological expertise to revitalize its legendary *Carrera* (Calibre 360), *Monaco* (Monaco 69) and *Aquaracer* (Calibre S) lines. Manufacture **Zenith** plans to enhance its *Open* product offer, and will introduce a sports line at the Basel Trade Show along with the *Traveller*, a very complicated movement with minute repeater. **Dior Watches** will expand its *Christal* line, and launch new versions of *Chiffre Rouge* and *D de Dior*. **Chaumet** plans to introduce a new "Catch-me" *(Attrape-moi)* jewelry collection and expand its watch offering for *Dandy*.

In terms of markets, the most significant investments will be made in the United States, Greater China and Japan. New sales resources have been set up in India, the Middle East and Russia.

Fred: white gold, diamond, sapphire and peridot Night ring.

The Chrono Dandy from Chaumet —masculine elegance:

When the famous jeweler in Place Vendôme defines masculine elegance, it packages beautiful mechanisms in a very Parisian style that is both finished and assertive.

The Dandy style is now available and Chaumet is preparing some complex mechanisms for it expected in 2006.

SELECTIVE RETAILING

Highlights

The **Selective Retailing** group posted organic revenue growth of 13% and a marked improvement in its profit from recurring operations.

DFS is reaping the rewards of efforts to develop its Asian customer base and posted strong growth in revenue and profitability.

Sephora had an excellent year in Europe and North America and established a presence in Asia, becoming the only player in the perfume selective retailing segment to operate successfully on three continents.

The online sales site sephora.fr was launched in June 2005.

Le Bon Marché completed the extensive renovation work in its women's fashion section, a major step in the transformation of the department store that began fifteen years ago.

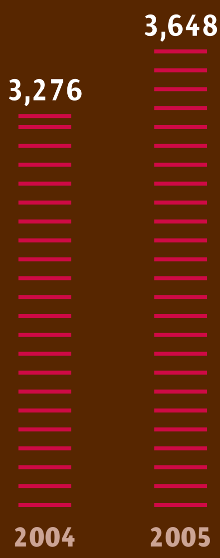
Established on three continents, our selective retailing businesses participate fully in promoting a commercial environment appropriate for the status and image of excellence embodied by luxury brands.

Five years of strong growth: Sephora makes strides in beauty in the United States.

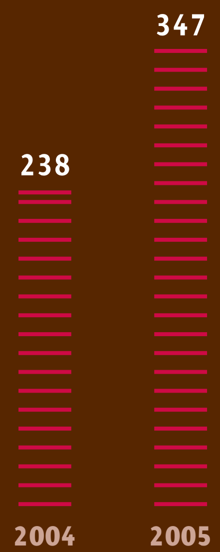
In the United States, Sephora's commercial concept is providing a new freedom in the purchase of perfumes and cosmetics.

The remarkable success of this innovative approach is reflected in five consecutive years of double-digit growth in revenue. Across the Atlantic, Sephora is attracting young, demanding customers who are looking for creative, trendy brands and beauty products with high added value.

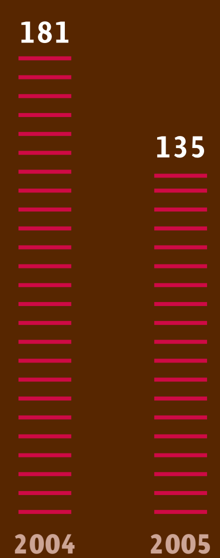
REVENUE
EUR million



PROFIT FROM RECURRING OPERATIONS
EUR million



INVESTMENTS
EUR million



REVENUE
BY GEOGRAPHIC REGION
in %

France	24%
Rest of Europe	8%
United States	40%
Japan	3%
Rest of Asia	21%
Other markets	4%

Strategy and objectives

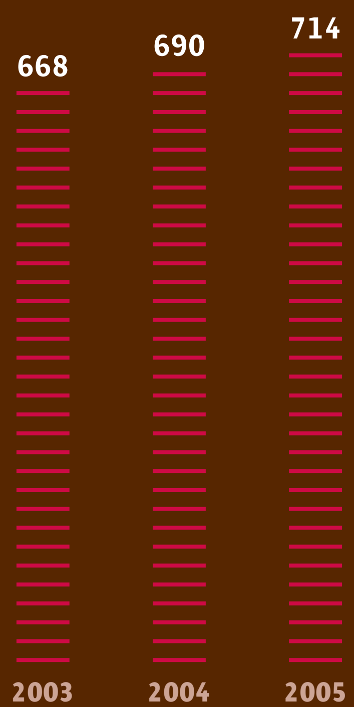
of the Selective Retailing business group

Within their respective market segments, our teams are working to become the best partners to the luxury brands that they promote and sell throughout the world.

By cultivating their distinctive features, our businesses continue to make progress and add new customers.

Factors that allow them to maintain loyal customers and gain market share include a dedication to serving the needs of each customer segment, whose culture and expectations are sometimes different, a strong capacity to innovate and adapt, as well as an extremely demanding policy with regard to the quality of their offering and service. By focusing on perfecting their growth model and improving the efficiency of their organization, they are boosting their competitiveness and continue to improve profitability.

NUMBER OF STORES



The **Selective Retailing** businesses developed within LVMH are present in Europe, North America and Asia. They operate in two segments: distribution to international travelers, which is the business of DFS and Miami Cruiseline, leaders in their markets, and selective retailing concepts represented by Sephora, the most innovative company in the beauty segment, and Le Bon Marché, the prestigious Parisian department store on the Left Bank.

In 2005, the Selective Retailing businesses expanded their growth in all regions of the world. The overall results improved significantly, demonstrating the effectiveness of the projects completed in order to improve the profitability of each brand and, in particular, the increased competitiveness of our businesses within their respective markets.

For reasons of safety and precaution, la Samaritaine closed its store to the public in June 2005. Based on the conclusions of several studies and after consulting employee representatives, it was decided that the store should remain closed during restructuration and renovations, expected to last approximately 6 years, to bring the building into compliance. It is the intent of management that after such time, the commercial nature of the site will be continued through the creation of a major commercial complex of high architectural interest adapted to an urban environment and the needs and lifestyle of the 21st century.

DFS EXPANDS ITS CUSTOMER BASE Driven by the improvement in its performance on a same-store basis and by the full-year activity of the Okinawa Galleria opened at the end of 2004, **DFS** recorded double-digit revenue growth. Its profitability surged thanks to this momentum and to continued, rigorous cost management.

The Galleria opened in Okinawa, Japan, is a strategic store, representative of a key step in the development of DFS. Within a single location, it houses an exceptionally attractive set of brands and offers our Japanese customers, whose demand for luxury products is very strong, a quality of service and atmosphere that can meet the most demanding expectations. This space, with a particularly luxurious offering and décor, is representative of the DFS strategy to achieve a more upmarket positioning.

2005 was also marked by an increase in the flow of Chinese travelers. In order to anticipate and meet the demands of these new customers, who constitute a strong growth driver, DFS has specially adapted the product and service offerings of its stores in Hong Kong and Singapore, and in other destinations popular with these travelers. The opening of a store at the Hainan Airport, a tropical island where tourism is booming, will allow DFS to strengthen its presence in this region with high growth potential.

MIAMI CRUISELINE ENHANCES ITS POSITIONS **Miami Cruiseline** continues to increase its sales and profitability, thanks to the improved visibility of its shipboard boutiques and the higher quality of its product offering. The American company, which holds strong positions in the cruise market, continues to refine its sales strategies and to optimize the quality of the service it offers to its customers. Against a backdrop of strong growth in the cruise market, all these initiatives generated a substantial increase in average purchases per passenger.

SEPHORA INCREASES ITS MOMENTUM AND EXPANDS INTO THE ASIAN CONTINENT **Sephora** has completed an historic year, gaining market share and exceeding its revenue and earnings targets both in Europe and the United States. The cash flow generated in each of these regions will finance business expansion in Asia. As of December 31, 2005, Sephora had a global network of 558 stores.

Sephora continued its European expansion with a net total of 10 new stores. In France, a market with few changes, its dynamic vitality and strong policy of innovation generated exceptional revenue growth in its competitive market. The e-commerce site sephora.fr was launched in June 2005 with immediate success. Sephora also confirmed its momentum in Poland where it holds very strong positions. In 2005, a joint venture with the Spanish department store group, El Corte Inglés, was also implemented: two stores were opened as part of this collaborative project, along with four Sephora "corners" within El Corte Inglés stores.

In the United States, Sephora recorded double-digit revenue growth for the fifth consecutive year. Twenty-four stores, including one in Union Square, New York, were opened (net) across the Atlantic in 2005. The website sephora.com continued to boost its brand recognition with American consumers and confirmed its success with a very sharp jump in its revenue.

Finally, in 2005, Sephora began its successful expansion into China in April and opened three stores in Shanghai.

In the first sixty days after the Sephora corner opened in the El Corte Inglés store of Serrano in Madrid, it was ranked as first in terms of sales forty times.

"Beautés en Tête"

As part of its efforts to strengthen communications, Sephora appeared for the first time on TV screens in France. **Its program "Beautés en Tête" features women who discuss beauty and resulted in casting throughout France. The program, which was broadcast on Saturday and Sunday from May to June and from September to December 2005, will continue in 2006.**

A DISTINCTIVE, BOLD AND HIGH-QUALITY OFFERING **Sephora** emphasized its policy of innovation in Europe and continued to reinforce its positioning as a beauty expert, founded on three pillars: a very broad offering of selective brands, the introduction of "trend-setting" makeup lines and exclusive skincare products that meet the real expectations of customers, and the development of innovative services within the stores. All these initiatives were approved by the press, which reported them widely.

In the United States, in keeping with its spirit of discovery, Sephora continued to identify and carry creative and leading-edge cosmetics brands to meet the demands of the exacting customers who shop at its stores.

In 2005, Sephora continued the successful development of its own brand, which offers high-quality products at attractive prices and, as a result, gained new market segments.

As required for quality of service and assistance, in all countries where it does business, Sephora invests heavily in training its beauty counselors. There is a Sephora school on each of the three continents where the brand is growing.

LE BON MARCHÉ: SOLID GROWTH, PROFITABLE DEVELOPMENTS **Le Bon Marché** recorded significant growth in revenue and profit from recurring operations in 2005. This growth was achieved on solid bases, as confirmed by customer studies that show a strong loyalty to the prestige department store concept that forms the identity of Le Bon Marché.

The major project initiated three years ago to reconfigure and renovate the spaces devoted to women's fashion was completed in 2005. The "Apartment of Fashion", which defines the concept of these sections, is now deployed over nearly 6,550 square meters on the first floor of stores 1 and 2. Its rooms with different ambiences serve as a showcase for the designer collections and welcome customers in a serene, refined and friendly atmosphere. Customer reaction and increased activity in the department since September are signs of the success of this investment and suggest the essential contribution it will make to the growth of the store over a full year.

OUTLOOK In 2006, **DFS** activities will benefit from the renovation of the Guam Galleria and renewed airport concessions at major tourist destinations.

Miami Cruiseline will maintain its marketing efforts and rigorous management and will continue to boost its performance.

Sephora will expand its policy of innovation and exclusivity designed to achieve strong growth in revenue and earnings. It will continue to expand vigorously in countries where Sephora is already successfully established as well as in new high-potential markets, particularly in Central Europe.

Le Bon Marché will continue to cultivate its unrivaled assets in the world of Paris department stores.

15 years of creation: the great store on the Left Bank remembers

2005 marked the fifteenth year of renovations at Le Bon Marché. One after the other, its main sections, L'Entretemps, Balthazar, Le Théâtre de la Beauté *(Theater of Beauty)*, gourmet breaks and, the latest to date, the Apartment of Fashion, were rejuvenated. The department store remembers and is publishing 500 copies of a superb "anniversary portfolio" illustrated with unpublished drawings by Jean-Philippe Delhomme. Fifteen years of new sections, advertizing, cultural exhibits, contemporary art, friendship with the designers, exposure to the world and backstage passions. This adventure is far from over and Le Bon Marché will continue to surprise us.


© Jean-Philippe Delhomme pour Le Bon Marché.

SUSTAINABLE DEVELOPMENT
OUR COMMITMENTS

Social Policy

To encourage all our employees to reach their full career potential and achieve their aspirations, develop the diversity and the wealth of human resources in our companies in all the countries where we operate, and encourage initiatives in these areas. Outside our own company, to contribute to the knowledge and preservation of our businesses and our know-how as artisans and designers.

A Commitment to Citizenship

To implement a patronage program for the benefit of the largest number, the components of which reflect and transmit our fundamental values. To provide active support for major causes, fund humanitarian projects and public health challenges, and develop initiatives for young people.

Environment

To work together to preserve the resources of the planet, to design and develop products that respect the environment, to report on our policies and projects and the progress achieved in meeting our objectives. To contribute to environmental protection above and beyond the factors directly related to our operations, by entering into active partnerships with cooperating business groups, local authorities and associations.

Economic Performance

To combine economic growth and respect for sustainability criteria, which are represented for our luxury businesses by the values of creativity and excellence. To apply our creative passion to a genuine *art de vivre* to which our customers aspire. To strengthen our position as a global leader, and to be the benchmark in the management and development of luxury brands.

The values of LVMH

Innovation and creativity.
Because our trades, so akin to art, are creative, because technological innovation plays an essential role in their timelessness.

Excellence.
Because the best elements of luxury embodies craftsmanship, and because we always owe quality to our customers.

Brand image enhancement.
Because this image is an inestimable and irreplaceable asset and because each message must be worthy of the brand.

Entrepreneurship.
Because our leadership position naturally requires that we have a long-term vision and set the most ambitious goals for our teams.

Leadership-Be the best.
Because we owe it to our shareholders.

A CORPORATE COMMITMENT POLICY

LVMH is a group composed of about fifty brands operating in the luxury goods industry. Over the past several years, the Group has implemented an innovative internal and external corporate policy that encourages employee commitment. LVMH defends responsible corporate citizen values. Integrity, fairness, solidarity and the respect of ethical rules in the managing of its brands, as well as the professional development of women and men are some of the many requirements that the Group imposes daily on itself and shares with all its employees worldwide. Implementing these values is a constant responsibility for the managers and executives of the Group companies.

DEVELOPING TEAMS FOCUSED ON EXCELLENCE

One of the Group growth drivers is its recruitment and employee development policy. A few of the Group's key values are identifying talent, emphasizing the acquisition and maintenance of the skills of gifted artisans, and the promotion of the individual accomplishments of the men and women we employ around the world.

Throughout the year, the companies of the LVMH group participate in meetings organized on the campuses of engineering, business and design schools, and those specialized in the specific know-how of their trade.

Presentations, conferences, forums, participation in educational programs, hosting trainees and sponsorship of young artists are all opportunities for the companies of the Group to identify and develop talent and to inform the target audiences of the richness of each of their businesses.

CUSTOMIZED TRAINING The companies of the Group offer a broad range of training programs to allow employees to develop their professional expertise and their know-how as artisans and designers and to share a common vision. The training seminars are selected on the basis of the needs and specific features of the businesses of each

AVERAGE WORKFORCE BY BUSINESS GROUP
in %

Wines and Spirits	5,273	9%
Fashion and Leather Goods	17,903	30%
Perfumes and Cosmetics	13,385	23%
Watches and Jewelry	1,809	3%
Selective retailing	19,969	34%
Other activities	875	1%
TOTAL	59,214	

AVERAGE WORKFORCE BY GEOGRAPHIC REGION
in%

France	19,114	32%
Europe (ex. France)	11,979	20%
North America	11,981	20%
Latin America	1,676	3%
Asia/Pacific	9,787	17%
Japan	4,677	8%
TOTAL	59,214	

brand and are organized through training centers for each business sector. These seminars are led by outside trainers as well as in-house specialists.

In addition, LVMH organizes induction seminars for newcomers to introduce them to the culture of the Group, its values, its basic management principles, and its brands. Over 15,600 employees benefited from these seminars in 2005.

"Universe" days (perfumes, jewelry, champagne, leather goods, etc.) were also initiated in 2005 to provide our employees with a real introduction to a different professional world and to give them an opportunity to expand their sources of inspiration and innovation.

Several Group companies have also developed sales training adapted to their business. For example, Sephora has launched an innovative training vehicle based on the values of the brand, which integrates new employees, and teaches them the fundamentals of the retail businesses along with the required skill-set for the company.

Finally, every year, each Group company defines strategic training plans adapted to the requirements for growing their business. For example, Parfums Christian Dior has developed modules to increase employee awareness of the economics of the company, along with in-depth "olfactory" training and "Innovation and Creativity" sessions, in order to give the teams working on innovative ideas the techniques and methodology they need to develop their creative approach.

DEVELOP AND PERPETUATE SKILLS A priority for LVMH is to develop the skills needed for its businesses through training, mobility, the development of transversal group projects and inter-company operational networks. The goal is to make LVMH a true "learning organization" within which each employee can develop him/herself individually and professionally.

- Every year, **Louis Vuitton** launches nearly 250 new leather products. This steady creative rate is possible thanks to the enormous team efforts made by designers, prototype technicians, model makers and quality analysts.

A team of designers from around the world works in close collaboration with twenty prototype technicians working in a dedicated workshop at the Paris location. These highly-qualified leather workers, who are able to produce a bag from the template to the final stitching, are responsible for creating 3D models of what the designers have imagined. These technicians, who learn their craft at the Louis Vuitton workshops, transmit their expertise by training young apprentices every year.

Their expertise is also passed on during the fashion show preparations, when finishers at eight production sites are also available to help to complete the prototypes.

- The jewelry is created through a combination of highly-specialized skills, know-how and traditional techniques. The setter mounts or sets the stones on the mountings prepared by the jeweler. The polisher gives luster and shine to the setting. As the true custodian of the craftsmanship, the workshop manager ensures that ancestral working traditions and methods are perpetuated and, like his predecessors, transmits his experience by training young artisans.

With about ten setters, jewelers and polishers, the **Chaumet** Jewelry Workshop is a place of training and knowledge transfer overseen by the workshop manager. It takes several years to train a jeweler. Chaumet ensures the preservation of this know-how by regularly hiring young professionals.

● **Manufacture Zenith**, which works within the very closed circle of watch designers, has continued to encourage innovation while preserving the tradition it has protected for over 140 years. Its success is driven by the talents of individuals who work to pursue this expertise.

In effect, it requires more than 10 years to train a watchmaker. After a basic training of approximately 3 years, often supplemented with specific modules, at least another five years of experience is required to master all the complexities of a know-how that involves both art and technology.

● **Hennessy** trains two œnologists every ten years. Ten years is necessary to train a professional taster. Learning to memorize the smells, to distinguish the essential from the secondary is the only way to make sure an exceptional eau-de-vie is not overlooked. The mission of the Cellar Master is to manage the heritage transmitted by his predecessors, and, in turn, to pass this heritage on to his successors. The Cellar Master is the one responsible for selecting the exceptional *eaux-de-vie* to be used in the blends over the next 30 or 50 years.

MOTIVATION AND LOYALTY

SHARING THE VISION AND BEST PRACTICES Created in London in 1999, **LVMH House**, a management and innovation center specifically dedicated to the development of Group executives, offers forums focused on global strategic issues such as leadership, new technologies, innovation and creativity, and the art of developing a luxury brand.

The forums at LVMH House are led by members of the Executive Committee and brand presidents. Their role is to facilitate discussion and encourage exchanges among participants.

DIVERSE INTERNATIONAL CAREER PATHS LVMH encourages employee mobilities, from one geographic region to another or from one business to another. The diversity of the companies within the LVMH Group, their identity and their business expertise in a wide array of trades, encourage these two types of mobility.

A large number of professional reassignments, adapted to the skills and aspirations of each employee, are offered every year.

LVMH also promotes transfers from one professional category to another, encouraging its employees to acquire new skills, particularly through technical or educational programs.

Today, more than half the managerial positions are filled through internal transfers. Nearly 40% of these changes involve transfers from one Group company to another. One out of five involves transfers to another country.

AN ATTRACTIVE SALARY POLICY In order to attract, motivate and retain new talent, the Group policy is to offer salaries that compare favorably with the market.

Compensation surveys are conducted each year to measure the compensation level of managers and employees in the various regions in which the Group is established: Europe, United States, Japan, Asia Pacific. In addition, surveys specific to a branch of activity or business are periodically conducted for a country or group of countries.

Thanks to their excellent performances, most of the Group's companies in France bestow their employees with bonuses and profit-sharing incentives at much higher than market average levels.

In order to foster the loyalty of its best employees, LVMH pursued its stock-option program in 2005.


"The Art of Luxury Branding" forum offers the participants a new look at the creation, development, and protection of the identity of a luxury brand.

A DYNAMIC EMPLOYMENT POLICY

A true commitment to the community can be seen both within the company and outside. Job creation, equal opportunity and community spirit are all the more natural in a group whose mission is to promote an "*art de vivre*" and bring a message of excellence to the entire world.

A GROUP CREATING JOBS Thanks to the Group's policy to sell products with the "Made in France" label, ensuring quality and excellence, LVMH is one of the few Groups able to guarantee industrial employment growth in France.

Louis Vuitton while building plants and creating jobs, illustrates its will to be permanently integrated within local communities, thereby supporting the long-term growth of the Louis Vuitton brand.

Thanks to the steady growth of our brands, a large number of sales jobs are created in all the countries in which we operate, particularly with the expansion of our own stores network.

The opening of Maison Louis Vuitton on the Champs-Élysées in Paris resulted in a large number of new hires and an expansion of our international teams. A special training course was initiated to train the new store teams. In the same way, the opening of the Galleria in Okinawa, Japan, resulted in the creation of nearly 600 new jobs.

A family photo: The entire team from Maison Louis Vuitton on the Champs-Élysées arrived on October 6, 2005 to explore the new location before the opening.

EQUAL OPPORTUNITY IN FRANCE AND INTERNATIONALLY
Respectful of human rights and equal opportunity—in the spirit of the International Labour Organization Employment Policy Convention—the LVMH companies offer every person, without discrimination of any kind, the opportunity to achieve his or her professional goals. Women represent 71% of the workforce employed by the companies of the Group, and 75% of the new employees hired in 2005.

This high proportion is due, in part, to the nature of the products, the attractiveness of our businesses, the career prospects and work satisfaction which our companies can offer to women.

A DYNAMIC EMPLOYMENT POLICY LVMH encourages its companies to develop actions to assist persons who have difficulties in finding employment.

Several companies have developed partnership with the "Assistance through Work Centers" *(Centres d'Aide par Le Travail, CAT)* in order to encourage the employment of disabled workers. Hennessy established a partnership with the CAT, subcontracting its repackaging operation to the organisation.

Parfums Christian Dior has designed a workshop that can accommodate employees with serious medical restrictions. Today, this workshop employs 26 persons. Others should be created in the near future.

LVMH is particularly attentive to promoting women at all levels of responsibility within the group. Cécile Bonnefond, President of Veuve Clicquot, along with Nicole Ameline, Minister of Professional Parity and Equality, presented the 2005 Women in Business Award to Annie Famose, Chairman of the eponym group, the parent company of several ski stores.

ENCOURAGING ON-THE-JOB TRAINING LVMH has an on-going policy of hiring workers with few qualifications, training them for several months to the fabrication techniques and processes for its products. Learning and mastering these artisan skills requires years of training in most of our businesses, particularly those relating to leather craftmanship, fashion, vine and wine development and watchmaking.

Sponsorship programs have been launched with high schools, technical training schools, and apprenticeship centers in order to train tomorrow's professionals. Each brand develops its own initiatives. Some examples are:

- Louis Vuitton has developed a post-baccalaureate training program with the Lycée d'Issoudun, designed to train future leather makers for the prototype workshop, the repair shop and special orders. This one-year training sequence consists of four course periods (1 month each) and 4 training periods (1 month each) in production / finishing / methods.
- Hennessy has also developed a partnership with the Louis Delage technical school to train timer machinists and regularly welcomes apprentice coopers.
- TAG Heuer's addition of a highly qualified trainer watchmaker has allowed the brand to identify and recruit employees without initial qualifications in watchmaking, and to train them in the various trades of this business.

On June 9, 2005, LVMH signed the Apprenticeship Charter. This Charter is designed to promote the training and qualification of young workers, particularly by increasing the number of apprentices and developing this program.

ENCOURAGING FUTURE TALENT LVMH has launched a large number of initiatives in the educational field and established many ties with educational institutions, informing students of the Group's international businesses and fostering interest.

LVMH works to encourage talent by helping young people in the design and luxury industries. LVMH and Moët & Chandon teamed up once again as official sponsors of the Hyères Festival.

LVMH also continues its educational and training program to young adults. Since 1994, LVMH has awarded the young designer prize. Each of the French winners receives a scholarship and a round-trip ticket to the country of his/her choice to complete a training for several months in a foreign school. International winners receive an identical scholarship and are invited to continue their training in a French art school, particularly the Ecole Nationale Supérieure des Beaux Arts in Paris (ENSBA). More than 80 French and international students have been able to continue their training in a foreign art school under this program.

RELATIONS WITH SUPPLIERS A large part of LVMH products are "made in France" and most of its production operations are located in France. These include Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, etc. Most of our subcontractors are in France and Italy, which facilitates LVMH compliance with the provisions of the basic conventions of the International Labour Organization.

Several group companies (including Moët & Chandon, Louis Vuitton, Parfums Christian Dior, Sephora, TAG Heuer, Donna Karan) have established supplier charters, codes of conduct and social audits with their suppliers.

In order to facilitate exchanges and the development of best practices within it companies, LVMH has set up a network of agents involved in supplier relations. A meeting was held in October 2005 during which executives from the Louis Vuitton, Tag Heuer and Donna Karan companies presented their approaches.

Additional information is available in the 2005 LVMH reference document.

The International Festival of Fashion and Photography in Hyères, held every year in the South of France, gives young, promising European artists the opportunity to present their first collection to professionals. The 20th edition of this International Festival was held from April 29 to May 2, 2005. Five young fashion designers and three photographers were recognized by the Fashion and Photography juries.

© Étienne Tordoir.

German designers Clara Kraetsh and Doreen Schultz for C. Neeon received the Grand Prize from the Jury in 2005.

Aware of the exceptional growth potential of the countries in the Asia Pacific region, LVMH continues to expand its presence and initiatives in this region. The LVMH Asia Scholarships have become institutions, allowing students from major French and European schools to study in Asia.

EMPLOYMENT DATA

The data below includes all employees, including the LVMH share in the joint-ventures.

The total workforce under regular and temporary employment contracts at December 31, 2005 was 61,088 employees, including 8,703 part-time employees, i.e. 14% of the total . This workforce represented 57,326 full-time equivalent employees.

The total workforce as at December 31, 2005 included 53,841 regular employees and 7,247 temporary employees.

BREAKDOWN BETWEEN WOMEN AND MEN BY PROFESSIONAL CATEGORY

(regular employees)

	Women	Men
Managers	56%	44%
Technicians and foremen	69%	31%
Office and clerical workers	80%	20%
Labor and production workers	62%	38%
Total	**71%**	**29%**

OTHER INDICATORS

Promotions

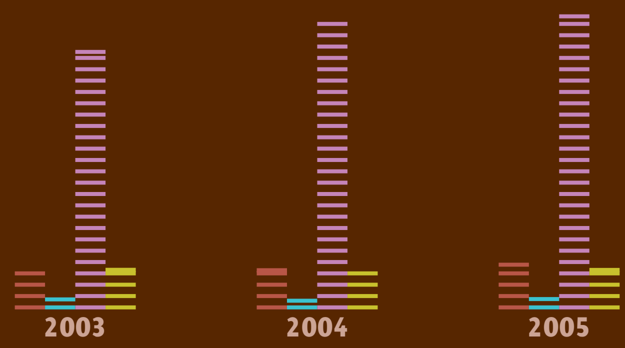
1,223 employees were promoted to management positions last year, while **811** labor and production workers and employees were promoted to technical or supervisory jobs.

Training

- **72.5**% of our workforce, which is over **44,200** employees, received at least one day of training in 2005.
- The average number of training days was **3.5** days per employee.
- The training expenditures totaled **€43.9** million, representing €730 per person or **2.3**% of the worldwide payroll excluding employee profit-sharing.
- In 2005, the total number of training days was **207,800**, which is equivalent to **910** persons in full-time training over the year, representing one person out of **63** within the Group.
- More than **15,600** persons participated in an integration session in 2005.

WORKFORCE AS AT DECEMBER 31 BY PROFESSIONAL CATEGORY

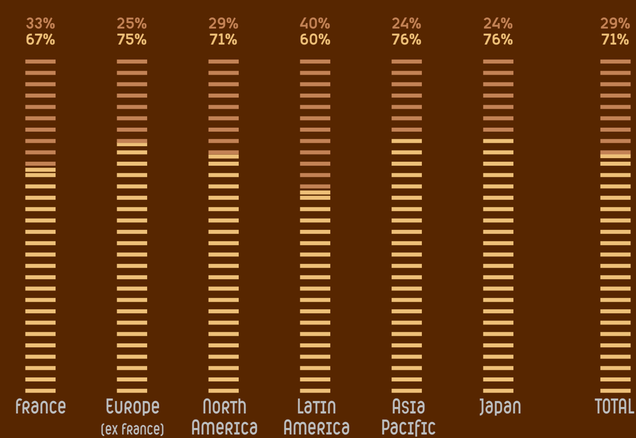
(includes both regular and temporary personnel)



	2003	2004	2005	
Managers	8,889	9,038	**9,548**	**15%**
Technicians and foremen	5,700	5,716	**6,021**	**10%**
Office and clerical workers	32,623	35,548	**36,513**	**60%**
Labor and production workers	9,048	8,908	**9,006**	**15%**
TOTAL	56,260	59,210	**61,088**	**100%**

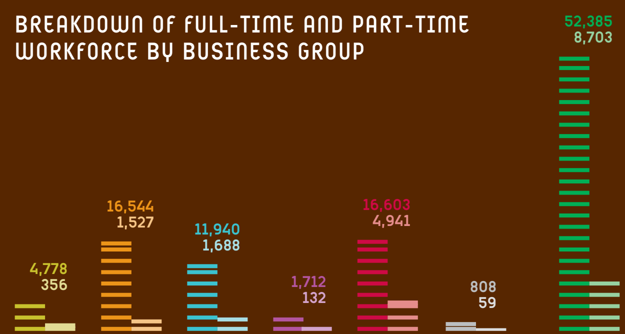
BREAKDOWN BETWEEN WOMEN AND MEN BY GEOGRAPHIC REGION

(regular employees only)



Women Men

BREAKDOWN OF FULL-TIME AND PART-TIME WORKFORCE BY BUSINESS GROUP



Wines and Spirits
Fashion and Leather Goods
Perfumes and Cosmetics
Watches and Jewelry
Selective retailing
Other activities

TOTAL
Full-time
Part-time

A PATRONAGE TO SUPPORT CULTURE, YOUTH AND HUMANITARIAN ACTION

Gustav Klimt – Judith II, 1909. © RMN.

Bring to life, for the benefit of the greatest number of people, a patronage program whose various components express and transmit the values of all our companies: this is the general thrust of the approach taken by LVMH for the past fifteen years.

Since 1990, the success of LVMH has allowed it to build an innovative and original patronage program. This is a legitimate approach because it expresses the values that bind LVMH companies together and form the basis for their success, without impacting their own communications and sponsorship projects. It is also a useful approach, because LVMH's institutional communications are intended to demonstrate its active commitment to protecting historical and artistic heritage, promoting contemporary creation, assisting young people and supporting great humanitarian causes, through initiatives designed to help the greatest number of people.

HERITAGE AND CONTEMPORARY CREATION The first component of the LVMH corporate sponsorship program is to preserve artistic heritage in France and throughout the world by supporting the restoration of historic monuments, expanding the collections of top museums, contributing to major national exhibits and encouraging contemporary creation. After acting as one of the principal sponsors of the France-China Exchange Years, LVMH made possible the "Klimt, Schiele, Moser, Kokoschka – Vienna 1900" exhibit, one of the major art shows of 2005, at the National Galleries of the Grand Palais and supported the "Renoir/Renoir" exhibit at Cinémathèque française, the "Michal Rovner" exposition at the Jeu de Paume, and the "Robert Malaval" exhibit at the Tokyo Palace.

In 2005, our Group also continued its support for Venetian heritage, which allowed the restoration of a new exhibition room in the Correr Museum.

Our support for contemporary creation was most notably illustrated by our order and exhibit of the works of internationally recognized artists (Richard Serra, Matthew Barney, Ange Leccia, Nan Goldin, Gary Hill, Michal Rovner, Takashi Murakami) at LVMH headquarters at 22 avenue Montaigne in Paris and by our continued support for the French Pavillon at the Venice Biennale. In June 2005, French artist Annette Messager received the *Lion d'Or* prize at the 51st Biennale for *Casino*, a work created for the French Pavillon with the sponsorship of LVMH.

INITIATIVES TO SUPPORT YOUTH Various initiatives to assist young people represent the second component of the LVMH patronage program. Children in elementary and high schools as well as art students benefit from educational programs designed and initiated by the Group, in order to provide them with greater access to culture, particularly in the areas of music and the arts. LVMH's "Discovery and Learning" classes organized during exhibits supported by the Group have reached over 20,000 children to date.

Another goal is to encourage the talent of the future, which in 1994 led to the creation of the LVMH Prize for young designers, awarded every year during exhibits sponsored by the Group. In eleven years, this program has awarded nearly 100 scholarships for training perfection to students in art schools in France and around the world.

Finally, the loan of two Stradivarius violins and one Stradivarius cello from the LVMH collection offers young virtuosos (Maxim Vengerov, Laurent Korcia, Kirill Troussov, Tatjana Vassilieva, Raphaël Pidoux among others) the opportunity to perform at the level of their talent from year to year.

A COMMITMENT TO COMMUNITY LVMH demonstrates active solidarity with the great humanitarian and public health causes in France and worldwide.

Our Group supports a number of institutions that work for children, in particular the Fondation des Hôpitaux de Paris—Hôpitaux de France, the "Le Pont-Neuf" association, and the Save the Children Foundation in Japan. LVMH has also made a commitment to the Claude Pompidou Foundation which serves the elderly and disabled, the Universal Fraternity Foundation, the Robin Hood Foundation in New York, and others.

Finally, LVMH has made a commitment to support several foundations or scientific teams engaged in public health research, including the Pasteur Institute (in 2005, LVMH contributed to the creation of the Pasteur Institute of Shanghai), the American Foundation for AIDS Research, cancer research at the Paul Brousse and Henri Mondor hospitals and the Curie Institute, and the Parkinson's Disease Foundation in New York.

LVMH IS COMMITTED TO PRESERVING THE ENVIRONMENT

In 2005, new steps were taken in the battle to protect the environment, a commitment solemnly made by Bernard Arnault when he signed the "Environmental Charter" in 2001, and then renewed it in 2003 with membership in the United Nations Global Compact launched by Kofi Annan.

The Charter asks each company to establish high-performance environmental management and each President to make a commitment to protect it. It sets the bar at the highest level. LVMH, which records three-fourths of its sales abroad, wants to align its environmental conduct with the world's best practices and become a benchmark in this area.

The actions of LVMH focused on three areas: lead all our partners, employees and customers to adopt a responsible attitude; integrate the environmental dimension at the product design stage; and give the production sites more tools to protect nature.

AN AMBITIOUS POLICY DESIGNED TO ELICIT A RESPONSIBLE ATTITUDE

MOËT & CHANDON AND THE LOUIS VUITTON WAREHOUSES ARE CANDIDATES FOR CERTIFICATION ISO 14001 certification, which guarantees a well-run environmental policy, is strongly encouraged by the Group. New companies are beginning the process, like Moët & Chandon and the Louis Vuitton warehouses in Cergy, which launched the procedure in September 2005. For Moët & Chandon, with a team that has been dedicated to the environment for more than ten years, this new challenge is a way to make even greater progress and to become even more transparent. The Cergy warehouses, which centralize all Louis Vuitton products for shipment worldwide, want to become exemplary models before the opening of a second, 215,300 square foot warehouse in Cergy Saint Chistophe on November 1, 2006. This new warehouse is being planned for high performance, starting with the design of the buildings, by respecting the rules for Environmental Quality.

The examples of Hennessy, which has been certified since 1998, and Veuve Clicquot and Krug (certified in 2004), show that the standard improves performance even years later, through refined analytical tools increasing motivation.

7,300 HOURS OF TRAINING TO TEACH GREEN ACTIONS TO EMPLOYEES Substantial resources have been marshaled to make all employees aware of the importance of the stakes and the environmental impact of everyday actions. About 7,300 hours were devoted to training—starting with the managerial level and new employees. The managers hired in 2005 received one hour of environmental training during their orientation seminar. At Moët & Chandon, one hundred hours were offered to new employees. Parfums Christian Dior distributed a booklet containing safety tips and good environmental practices to 1,400 men and women. Veuve Clicquot worked to promote environmentally friendly behavior in the office by sending emails on a specific topic (paper recycling, heating, air conditioning) to employees every three weeks. This initiative resulted in a 7% decrease in electricity use at the Temple headquarters. Also, for the first time, the company established a team of in-house environmental auditors.

OPEN-DOOR DAYS FOR THE PUBLIC To increase the awareness of our customers, even children, of the beauty of nature and the need to protect it, Moët Hennessy, which owns unique historic lands and magnificent gardens, opened them to the public during heritage days. Several thousand visitors traveled to Hennessy's Château de Bagnolet in Cognac, to the Hautvillers Abbey where Dom Pérignon lived, and even to the Manoir de Verzy, owned by Veuve Clicquot. Moët Hennessy has been an official partner of the "Garden Rendez-vous" program initiated by the Ministry of Culture and Communication since 2004. The LVMH companies brought in extraordinary sculptures for a few days: the "Bourgeois de Calais" and the "Trois Ombres" from the Rodin museum were exhibited at Hennessy and at Moët & Chandon; "Formulation" from Britain's Anthony Cragg owned by the Pompidou Center was shown at Krug; and the "Gladiateur Borghèse" from the Château de Versailles was on exhibit at Château d'Yquem.

> Any person or association with questions for the Group may submit them, and will definitely receive an answer, by sending them to:
> environment@lvmh.fr

DESIGNING PRODUCTS THAT RECONCILE DREAM AND THE ENVIRONMENT

Perfumes, watches, leather goods, champagne... The products of the LVMH group of companies are the incarnation of French luxury and the things that people dream about. LVMH wants these products, which are mythical to customers worldwide, to be developed and sold with care for protecting nature.

THE COMPANIES COMPETE WITH EACH OTHER WITH INGENIOUS INNOVATIONS In order to incorporate the environmental dimension from the very beginning—the design stage—for new leather goods, perfume bottles or cognac bottles, LVMH makes innovative tools available to its businesses. A "guide to environmental trends" published in 2004 offers the creative, design and marketing teams a choice of innovative products and printing techniques that respect the environment. Since 2005, this guide has been supplemented with a "materials library" available on the Intranet, which shows some of the most innovative materials and processes that are both "trend-setting" and environmentally friendly.

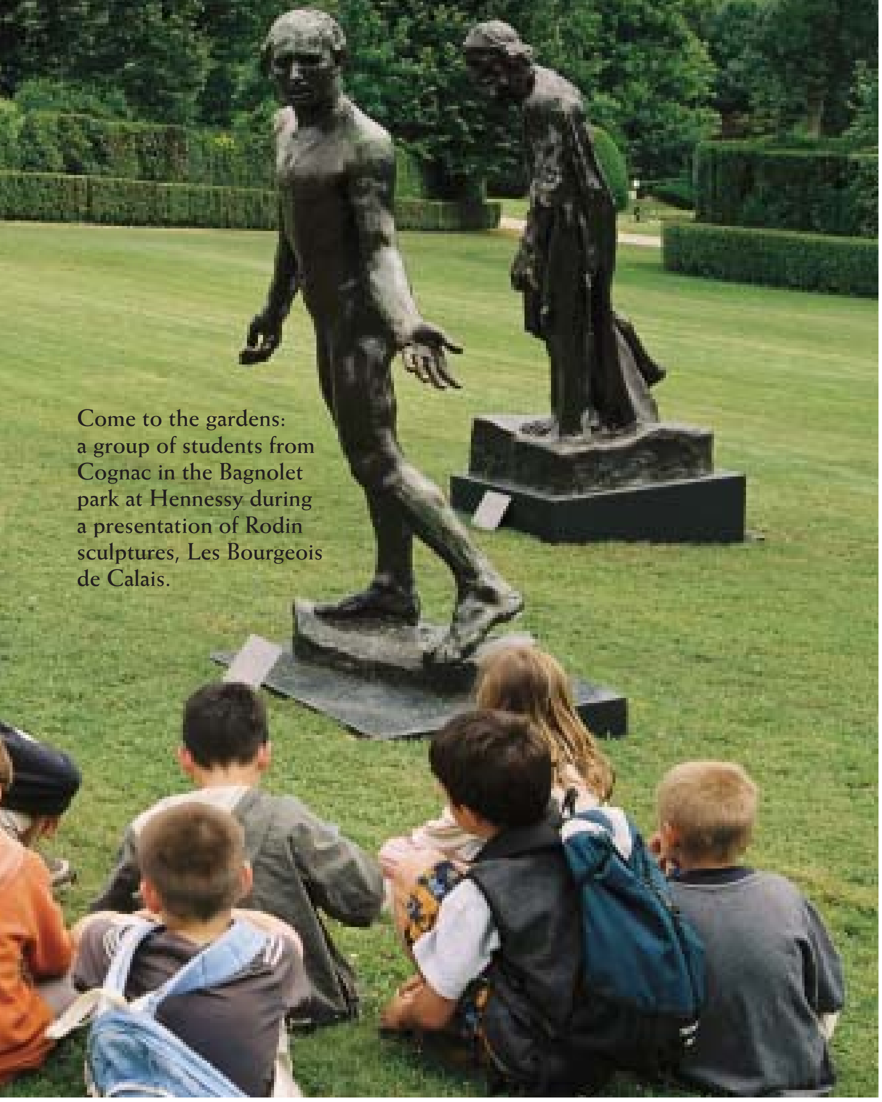
In Argentina, Bodegas Chandon

is replacing white paper that pollutes because of its whitening agents with kraft paper as much as possible. Now, its boxes consist of 50% kraft paper and 24% recyclable paper.

Listening to associations

In order to ensure that it is adopting the best environmental practices, LVMH is listening to specialized associations. The Group works hand in hand with OREE, formed in 1992, which brings together businesses, local communities and other groups to implement concrete programs in this area. LVMH is also a member of the environmental commission of the Institute of Consumer Companies which discusses issues related to the brand, the French National Council of Packaging, and the Council for Responsible Practices in Jewelry Making, an international association that ensures that responsible attitudes are adopted throughout the entire jewelry segment.

Rated by the agencies that assess good environmental practices, the Group is in good standing on the American Dow Jones Sustainability Index and on the FTSE 4 GOOD.



Come to the gardens: a group of students from Cognac in the Bagnolet park at Hennessy during a presentation of Rodin sculptures, Les Bourgeois de Calais.

A highly organized environmental management team

LVMH's voluntary policy is headed up by an environmental team that reports directly to a member of the Executive Committee that advises Bernard Arnault. This team monitors the application of the Charter, works with associations, sets the broad guidelines for programs, and assists Group companies to complete their own successful programs. This is because each company chooses its own environmental management system and brings it to life, while continuing to cooperate closely with the Group's management. Exchanges of information and experience take place on the Intranet and every quarter through the LVMH Environmental Commission, composed of the environmental managers from each company.

Reducing the weight

of wine and spirits bottles or perfume bottles is a technical challenge. Accordingly, the companies initially decided to give priority to recyclable glass. 75% of a champagne bottle is composed of recycled glass.

In perfumes and cosmetics, progress includes the choice of components. The Group's research laboratories give priority to plant research. They work with specialized ethnobotanical associations to find plants throughout the world which are traditionally known for their therapeutic effects. As a result, *Capture Totale*, the new anti-wrinkle cream from Dior, is composed of seeds from the Longoza plant that grows in Madagascar. Growing this plant, in collaboration with local associations, supports several villages. Similar projects are going on in Africa, Burkina Fasso, Vietnam and India.

REDUCING PACKAGING—A MAJOR OBJECTIVE Reducing the tons of paper, boxes and cartons without any visible change in the customer's eyes is another challenge for LVMH, which sells luxury products that are often offered as gifts and the appearance of which is critical. Louis Vuitton is studying boxes that the customer can reuse for storage, so they will not be thrown out. To save 100 tons of paper and cardboard, the company is planning to package wallets, handbags and suitcases in a final gift package in the plant. This will prevent double packaging, a first round for shipping and a second, more attractive round in the boutique.

Saving one hundred tons of wood and cardboard is also the goal that Moët & Chandon has set as part of the ADEME project. The introduction of reusable wood pallets in 2005 reduced wood waste products by 20 tons. Ten tons of paper and cardboard were saved by eliminating unnecessary packaging and using recyclable paper for labels.

A NEW PROJECT TO INVOLVE OUR SUPPLIERS Involving our suppliers was the most innovative project for the year. This was a difficult initiative, because they control their own plants. Nevertheless, the various companies of the LVMH group are asking them to comply with environmental rules.

A few examples are worth noting here. In Charente, Hennessy is encouraging its twenty-five supplier distilleries to obtain ISO 14001 certification. A questionnaire covering one hundred points was sent to each distillery to obtain information on its facilities and practices. Veuve Clicquot has worked to empower its grape deliverers by organizing tri-annual inspections and "environmental meals".

Sephora has become increasingly demanding on its subcontractors that manufacture the make-up, skincare creams and accessories sold under its banner. They must now make a commitment to comply with a set of specifications that includes an ethical section on working conditions and environmental requirements. The same type of double commitment is also included in all new contracts that Chaumet is signing with its partners, particularly the security and maintenance companies, but also the gold and precious stone suppliers.

NEW EQUIPMENT TO PROTECT NATURE AT THE SITES

The various production sites of the LVMH group all have the same concern—to do everything possible to reduce the environment impact of their operations to the maximum. Prolonging the major action that has been taken in the last few years, significant progress was made in 2005. Processes to compost organic waste have been developed and new methods have been found to transform and reuse it. In addition, most of the sites reduced their water and power consumption.

Protecting **biodiversity**

New initiatives were implemented in 2005 to protect plant and animal species. Veuve Clicquot and Moët & Chandon, which operate over 1,500 hectares of vines, are developing natural vegetal invasion between plants. This prevents landslides due to rainwater, better fights the insects that attack vines and reduces the use of herbicides. In 2005, 50% of the vine borders were planted at Moët & Chandon and the company expects 100% to be planted in 2006. In California, Domaine Chandon has created corridors to allow the passage of wild animals through its crops.

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

Car pooling at Louis Vuitton and Sephora

All initiatives are welcome. Sephora and Louis Vuitton are offering car pooling and employees are signing up. In the Louis Vuitton workshops in western France, employees plan with their neighbors to drive to work in a single car. Sephora is focusing its efforts on seminars. Having a group of four people in one car saves 18,640 miles annually, which represents 793 gallons of fuel.

OUR PRODUCTION SITES ARE REDUCING WATER CONSUMPTION... Vine irrigation, which is prohibited in France, but is the current practice in the countries of the new world, generates substantial water consumption. To reduce consumption, Domaine Chandon in California stopped pumping into water tables and is using recycled water. Thus, at Carneros Ranch, 75% of the irrigation water comes from recycled municipal water.

In France, experiments have been conducted in cleaning tanks and casks. Moët & Chandon uses water enriched with carbon dioxide, which reduces the water volume required by 20% to 30%. Veuve Clicquot is replacing traditional cleaning chemicals with "green" products, and Krug is testing a new method for working barrels by placing them horizontally.

FIGHTING TO SAVE ENERGY... With 1,723 stores throughout the world, LVMH must offer increasingly attractive and bright displays for its customers, while it reduces electricity use. Various experiments have been tried. To light its perfume stores in Texas, Sephora United States has partnered with Green Mountain, a supplier of electricity generated by solar, hydraulic or wind-power type sources, which emit less CO_2. Louis Vuitton successfully installed metal iodide lighting in all stores opened in 2005, starting with the store on the Champs-Élysées in Paris. The goal was to save 30% in energy. The results exceeded expectations, with a decline of about 60%. An additional and unexpected benefit was a reduction in the heat generated by the lights, resulting in a 40% reduction in the energy used by the air conditioning system.

Another significant source of energy consumption is shipping. LVMH is encouraging all its companies to give priority to shipping products by sea. Ships, like railways, emit eighty-five times fewer greenhouse gases than airplanes.

In the Champagne segment, a logistics platform shared by all the companies optimizes sea shipping conditions. As a result, Veuve Clicquot has limited air freight to very urgent cases only, which is 0.5% of its shipments. Louis Vuitton is using ships for over half its shipments of leather goods, compared with 37% in 2004, and hopes to reach 60% in 2006.

AND IMPROVING WASTE TREATMENT, SORTING AND RECYCLING In the vineyards, the top concern is treating the effluents that result from the wine-making process. In California and Australia, Domaine Chandon has succeeded in recycling 100% of the wine-making effluents and is reusing them in reservoirs dedicated to irrigation. In Argentina, Bodegas Chandon has initiated the same process.

In France, Moët & Chandon has implemented an innovative continuous control method during the harvest that detects and evaluates daily the formation of particularly polluting effluents. In the spirits segment, Hennessy treats distillation effluents by methanization and Glenmorangie in Scotland recovers the solid particles from its waste products.

In the cosmetics industry, the priority is to filter and treat the water. Thus, Guerlain has installed its own purification station in Chartres where its *Issima* skin care line is manufactured. The lipstick pastes, cream residues and solvents recovered are mixed with plant materials and used as compost.

Cape Mentelle composts 100% of its organic waste. Domaine Chandon recycles grape stems in Australia and, in California, is studying a general composting program for all its organic waste.

LVMH 2005 CONSOLIDATED FINANCIAL STATEMENTS

THE CONSOLIDATED FINANCIAL STATEMENTS PRESENTED IN THE FOLLOWING PAGES ARE ABBREVIATED

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2005

ASSETS

(EUR millions)	2005	2004 (1)
Brands and other intangible assets - net	8,530	7,838
Goodwill - net	4,479	4,048
Property, plant and equipment - net	4,983	4,541
Investments in associates	128	115
Non-current available for sale financial assets	451	718
Other non-current assets	660	628
Deferred tax	306	217
NON-CURRENT ASSETS	**19,537**	**18,105**
Inventories and work in progress	4,134	3,598
Trade accounts receivable	1,370	1,364
Income taxes	317	113
Other current assets	1,225	1,302
Cash and cash equivalents	1,470	1,035
CURRENT ASSETS	**8,516**	**7,412**
TOTAL ASSETS	**28 053**	**25 517**

(1) Data published under French accounting standards has been restated under IFRS.

LIABILITIES AND EQUITY

(EUR millions)	2005	2004 (1)
Share capital	147	147
Share premium account	1,736	1,736
LVMH treasury shares	(972)	(1,006)
Revaluation reserves	658	521
Other reserves	6,158	5,390
Cumulative translation adjustment	292	(200)
Group share of net profit	1,440	1,194
Equity - Group share	9,459	7,782
Minority interests	1,025	893
TOTAL EQUITY	**10,484**	**8,675**
Long term borrowings	3,747	4,188
Provisions	949	883
Deferred tax	2,925	2,458
Other non-current liabilities	3,357	3,237
NON-CURRENT LIABILITIES	**10,978**	**10,766**
Short term borrowings	2,642	2,529
Trade accounts payable	1,732	1,581
Income taxes	373	201
Provisions	305	259
Other current liabilities	1,539	1,506
CURRENT LIABILITIES	**6,591**	**6,076**
TOTAL LIABILITIES AND EQUITY	**28,053**	**25,517**

(1) Data published under French accounting standards has been restated under IFRS.

COMMENTS ON THE BALANCE SHEET

LVMH's consolidated balance sheet total measured in accordance with IFRS amounted to 28.1 billion euros as of December 31, 2005, an increase of 10% compared to December 31, 2004.

Non-current assets amounted to 19.5 billion euros compared to 18.1 billion as of December 31, 2004, thus representing 70% of total assets compared to 71% one year previously.

Tangible and intangible fixed assets rose to 18.0 billion euros from 16.4 billion euros at year-end 2004. Brands and other intangible assets rose to 8.5 billion euros, compared to 7.8 billion euros at year-end 2004, due mainly to exchange rate fluctuations and the acquisition and full consolidation of Glenmorangie in 2005.

Goodwill amounted to 4.5 billion euros, compared to 4.0 billion euros at year-end 2004. This change is attributable primarily to the acquisition of Glenmorangie and the impact of exchange rate fluctuations.

Property, plant and equipment rose to 5.0 billion euros, compared to 4.5 billion euros at year-end 2004, as a result of the appreciation of foreign currencies against the euro, the impact of the acquisition of Glenmorangie, the reevaluation of vineyard and the amount of operating investments which exceeded depreciation in 2005.

Investments in associates, non-current available for sale financial assets and other non-current assets fell to 1.2 billion euros, compared to 1.5 billion at year-end 2004, as a result of various divestments and reclassifications as current assets.

Inventories and work in progress rose to 4.1 billion euros from 3.6 billion euros at year-end 2004, reflecting the integration of Glenmorangie, a stronger dollar against the euro, business growth and the replenishment of inventories by Hennessy, Moët et Chandon and Veuve Clicquot.

Cash and cash equivalents, excluding current available for sale financial assets, amounted to 1.5 billion euros, compared to 1.0 billion at December 31, 2004, thanks to net cash generated during the year.

The Group share of equity before appropriation of profit increased significantly to 9.5 billion euros, compared to 7.8 billion euros at year-end 2004, thanks to the level of the Group share of net profit generated, which rose by 21%, and the positive change in the cumulative translation adjustment.

Minority interests rose slightly from 0.9 billion euros to 1.0 billion euros, reflecting the impact of the stronger US dollar on the minority interests in DFS and the minority interests' share in profit net of dividends paid to them.

Total equity thus amounted to 10.5 billion euros, representing 37% of the balance sheet total, compared to 34% one year earlier.

Non-current liabilities amounted to 11.0 billion euros at December 31, 2005, including 3.7 billion euros of borrowings, compared to 10.8 billion euros one year earlier, which included 4.2 billion euros of borrowings. Their proportion of the balance sheet total decreased slightly to 39%.

Equity and non-current liabilities totaled 21.5 billion euros, thus exceeding the amount of non-current assets.

Current liabilities amounted to 6.6 billion euros at December 31, 2005, compared to 6.1 billion euros at year-end 2004, reflecting the moderate increase in short term borrowings and the increase in trade accounts payable as a result of business growth and the integration of Glenmorangie. The proportion of the balance sheet total remains stable at 24%.

Long and short term borrowings, including the market value of interest rate derivatives, and net of cash and cash equivalents and current available for sale financial assets, amounted to 4.3 billion euros at December 31, 2005 compared to 5.3 billion euros one year earlier. It represents 41% of total equity.

Long term borrowings continue to account for over 80% of the Group's total net financial debt.

Other non-current liabilities mainly comprise commitments to purchase minority interests, including the commitment to purchase Diageo's 34% share in Moët Hennessy with a 20% discount.

As of December 31, 2005, the Group's confirmed credit facilities exceeded 4.0 billion euros, of which only approximately 0.1 billion euros had been drawn down. The confirmed unused facilities therefore largely exceeded the commercial paper program which had an amount outstanding of 0.3 billion euros as of December 31, 2005.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

(EUR millions, except for earnings per share)	2005	2004 (1)
REVENUE	**13,910**	**12,481**
Cost of sales	(5,001)	(4,373)
GROSS MARGIN	**8,909**	**8,108**
Marketing and selling expenses	(4,892)	(4,512)
General and administrative expenses	(1,274)	(1,224)
PROFIT FROM RECURRING OPERATIONS	**2,743**	**2,372**
Other operating income and expenses	(221)	(199)
OPERATING PROFIT	**2,522**	**2,173**
Cost of net financial debt	(188)	(214)
Dividends received	44	16
Other financial income and expense	1	(22)
NET FINANCIAL INCOME (EXPENSE)	**(143)**	**(220)**
Income taxes	(718)	(537)
Income (loss) from investments in associates	7	(14)
NET PROFIT	**1,668**	**1,402**
of which:		
Net profit attributable to minority interests	228	208
GROUP SHARE OF NET PROFIT	**1,440**	**1,194**
EARNINGS PER SHARE:		
BASIC GROUP SHARE OF NET PROFIT *(in euros)*	**3.06**	**2.55**
Number of shares on which the calculation is based	470,206,389	468,953,254
DILUTED GROUP SHARE OF NET PROFIT *(in euros)*	**3.04**	**2.53**
Number of shares on which the calculation is based	474,047,257	472,601,925

(1) Data published under French accounting standards has been restated under IFRS.

BUSINESS REVIEW

FOR THE YEAR ENDED DECEMBER 31, 2005

Consolidated revenue for the year ended December 31, 2005 was 13,910 million euros, up 11% from the previous year. Changes in the Group's scope of consolidation and exchange rate fluctuations during the period had no impact on the variation in consolidated revenue.

The main changes in the scope of consolidation were as follows: in Wines and Spirits, the consolidation of Glenmorangie with effect from January 1, 2005 and the first full-year impact of the US distribution contract for Grand Marnier products following agreements concluded with Diageo in 2004; in Fashion and Leather Goods, the disposal of Christian Lacroix in January 2005; and in Selective Retailing, the business suspension of the La Samaritaine department store for safety reasons in June 2005.

The breakdown of revenue by invoicing currency was largely unchanged. The contribution of the euro zone dropped by 1 point to 30%, while sales billed in yen, the Hong Kong dollar and all other currencies taken together remained stable, respectively representing 15%, 3%, and 20% of total revenue. The US dollar increased its contribution by 1 point to 32%.

Changes in revenue by geographic region of delivery as a percentage of total revenue were as follows: France decreased from 16% in 2004 to 15% in 2005; Japan also decreased from 15% to 14%; Asia (excluding Japan) increased by 2 points to 17% and the United States, Europe, and other markets remained stable at 27%, 20%, and 7%, respectively.

The relative contribution of each business group to total revenue was largely unchanged: Fashion and Leather Goods, Selective Retailing, and Watches and Jewelry remained stable, respectively representing 35%, 26%, and 4% of total revenue; Perfumes and Cosmetics dropped by 1 point from 17% to 16%, while Wines and Spirits increased by 1 point from 18% to 19%.

At constant structure and exchange rates, Wines and Spirits posted organic revenue growth of 11%, and 17% based on published figures, buoyed by growth in sales volume for the Champagne and Cognac segments, which posted increases of 4% and 9% respectively. Wines and Spirits integrated Glenmorangie in 2005. The strongest increases in revenue were recorded for Champagne in Japan, and for Cognac in Asia and particularly in mainland China.

Fashion and Leather Goods posted organic revenue growth of 12%, and 10% based on published figures. Louis Vuitton recorded double-digit organic growth in revenue. The year also saw very significant growth in revenue for Fendi. All of the Group's Fashion and Leather Goods brands have been particularly successful in Asia, Europe, and the United States.

Perfumes and Cosmetics posted organic revenue growth of 7%, equivalent to published figures. Revenue increased for all brands, and especially for Parfums Christian Dior due to the success of its new perfumes *Miss Dior Chérie* and *Dior Homme*. Skincare and makeup lines of all brands also performed well. Asian countries posted the strongest growths.

Watches and Jewelry posted organic revenue growth of 17%, and 16% based on published figures. The strongest increases were recorded in the United States where TAG Heuer and Zenith achieved the best results, while all Watches and Jewelry brands performed extremely well in Asia.

Organic revenue growth for Selective Retailing was 13%, and 12% based on published figures. The business suspension of the Paris department store la Samaritaine for safety reasons had a negative impact of 2 points on revenue growth, while exchange rate fluctuations had a positive impact of 1 point. Due to the robust performance of the tourism sector, DFS achieved double-digit revenue growth. Sephora's sales remained buoyant in Europe and in the United States, where the brand recorded double-digit organic growth on a same-store basis.

Within Other Activities, revenue for the Media division managed by DI Group remained stable compared to 2004, while revenue for the De Beers-LV joint venture increased significantly as it expanded its retail network.

The Group posted a gross margin of 8,909 million euros, up 10% compared to the previous year. The gross margin as a percentage of revenue was 64%.

Marketing and selling expenses totaled 4,892 million euros, up 8% over the year. This increase, which would have been the same at constant structure and exchange rates, is due to the development of the Group's retail networks, notably Louis Vuitton and Sephora, in addition to the continued level of communications expenditures by the Group's main brands.

General and administrative expenses totaled 1,274 million euros, up 4% on a published basis and at constant group structure and exchange rates. They now represent 9% of total revenue, down 1 point from 2004 thanks to sustained efforts to enhance productivity.

The Group's profit from recurring operations was 2,743 million euros, up 16% from 2004 on a published basis; at constant currency rates and currency hedging effects, this increase would be 22%. This growth, 11 points higher than that of revenue, is due to a higher gross margin and efforts to keep operating expenses under control. Profit from recurring operations as a percentage of consolidated revenue amounted to 20%, 1 point higher than in 2004.

Overall exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 150 million euros compared with the previous year. This figure reflects three factors: the effect of exchange rate fluctuations on revenue and purchases of the Group's exporting and importing companies, the change in the net impact of the Group's policy of hedging its exposure to various currencies, and the impact of exchange rate fluctuations on consolidation of the profit from recurring operations of subsidiaries operating outside the euro zone.

Profit from recurring operations for Wines and Spirits was 869 million euros, up 7% from 2004. Sales volume growth and a pricing policy reflecting the premium positioning of the Group's products outweighed the adverse impact of exchange rate fluctuations.

Fashion and Leather Goods posted profit from recurring operations of 1,467 million euros, up 12% from 2004. Exchange rate fluctuations had a negative impact, although this was offset by increased profit at Louis Vuitton and improvements in the performances of Fendi, Loewe and Donna Karan International.

Profit from recurring operations for Perfumes and Cosmetics was 173 million euros, up 15% from 2004. The recent successful product launches by Parfums Christian Dior have helped drive strong profit growth. Guerlain also recorded a substantial improvement in profit.

Profit from recurring operations for Watches and Jewelry rose sharply from 7 million euros in 2004 to 38 million euros in 2005. Sales growth at TAG Heuer made a significant contribution to this business group's profit increase, while Chaumet and Zenith improved their results in line with objectives.

Profit from recurring operations for Selective Distribution was 347 million euros, up 46% from 2004. DFS's results continue their upward trend, and Sephora's profitability improved tangibly both in Europe and the United States.

Profit from recurring operations for Other Activities and eliminations recorded a loss of 151 million euros, as compared to a loss of 145 million euros in 2004. Apart from headquarters' costs, Other Activities also include the Group's Media division. The De Beers joint venture continued its commercial and communication investments.

Other operating income and expenses represented a net expense of 221 million euros, compared to a net expense of 199 million euros in 2004. At end-December 2005, the amount recognized includes an expense of 179 million euros following the closure of the la Samaritaine department store to the public, which was required in order to carry out major work to ensure that the buildings comply with the requirements of safety regulations. This 179 million euro expense includes a preliminary estimate of the job preservation program which was favorably received by la Samaritaine's workers' committee on February 6, 2006 and was agreed by the majority of union representatives on that date.

An impairment loss has been recognized for the full balance sheet amount of La Samaritaine's intangible assets and fixtures and fittings. All losses in respect of merchandise inventories together with expenses due to the interruption of contracts with commercial partners have been estimated, as have expenses related to immediate security measures and other miscellaneous site management expenses.

The Group's operating profit was 2,522 million euros, up 16% from 2004.

Net financial expense was 143 million euros compared to 220 million euros in the prior year. The cost of financial debt was slightly lower than in 2004. The financial cost of interest rate risk hedging instruments did not have a significant effect at end-December 2005. The financial cost of foreign currency hedging operations had an 80 million euro negative impact on net financial expense for the year. This was mainly due to the sustained appreciation of the US dollar against the euro in 2005. The amount of capital gains realized on the sale of financial investments, together with dividends received from unconsolidated investments, rose significantly compared with 2004.

The Group's effective tax rate was 30% in 2005 compared to 27% in 2004. This rise in the tax rate during the year was mainly due to change in the tax regime for repackaged notes in the 2006 French Finance Act. Without this impact the effective tax rate for 2005 would be 27%.

Income from investments in associates was 7 million euros in 2005, compared to a loss of 14 million euros in 2004. The latter amount included a provision for impairment in the value of investments of 15 million euros.

Minority interests were 228 million euros in 2005, compared to 208 million euros in 2004. This change from the prior year is mainly attributable to the improved performances of DFS and Moët Hennessy, which were partially offset by expenses and provisions recognized in connection with La Samaritaine.

The Group share of net profit for the year ended December 31, 2005 was 1,440 million euros, up 21% compared to the previous year, representing 10% of the Group's revenue for the period.

CONSOLIDATED
CASH-FLOW STATEMENT

(EUR millions)	2005	2004 (1)
I. OPERATING ACTIVITIES		
Operating profit	2,522	2,173
Net increase in depreciation, amortization and provisions, excluding tax and financial items	639	529
Unrealized gains and losses, excluding financial items	(102)	(25)
Dividends received	47	20
Other adjustments	(17)	11
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**3,089**	**2,708**
Cost net financial debt: interest paid	(222)	(215)
Income taxes paid	(616)	(389)
NET CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**2,251**	**2,104**
Change in inventories and work in progress	(281)	(252)
Change in trade accounts receivable	(67)	29
Change in trade accounts payable	27	(88)
Change in other receivables and payables	64	92
TOTAL CHANGE IN WORKING CAPITAL	**(257)**	**(219)**
NET CASH FROM OPERATING ACTIVITIES	**1,994**	**1,885**
II. INVESTING ACTIVITIES		
Purchase of tangible and intangible fixed assets	(707)	(640)
Proceeds from sale of tangible and intangible fixed assets	21	63
Guarantee deposits paid and other operating investments	7	(11)
OPERATING INVESTMENTS	**(679)**	**(588)**
Purchase of non-current available for sale financial assets	(69)	(57)
Proceeds from sale of non-current available for sale financial assets	469	95
Impact of purchase and sale of consolidated investments	(604)	(401)
Other financial investments	65	-
FINANCIAL INVESTMENTS	**(139)**	**(363)**
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(818)**	**(951)**
III. TRANSACTIONS RELATING TO EQUITY		
Capital increases subscribed by by minority interests	3	1
Purchase and proceeds from disposal of LVMH treasury shares	32	(131)
Interim and final dividends paid by LVMH	(446)	(412)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(120)	(109)
NET CASH FROM (USED IN) TRANSACTIONS RELATING TO EQUITY	**(531)**	**(651)**
IV. FINANCING ACTIVITIES		
Proceeds from borrowings	1,192	1,599
Repayment of borrowings	(1,559)	(1,686)
Acquisitions and disposals of current available for sale financial assets	(40)	11
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(407)**	**(76)**
V. EFFECT OF EXCHANGE RATE CHANGES	**41**	**(9)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**279**	**198**
Cash and cash equivalents at beginning of period	801	603
Cash and cash equivalents at end of period	1,080	801
Transactions included in the above statement generating no change in cash:		
- acquisition of assets by means of finance leases	9	56

(1) Data published under French accounting standards has been restated under IFRS.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, presented on the opposite page, details the principal cash flows for the year ended December 31, 2005.

Cash flow from operations before changes in working capital amounted to 3,089 million euros, compared to 2,708 million euros one year earlier, an increase of 14%.

After interest and income taxes, net cash from operations before changes in working capital amounted to 2,251 million euros, an increase of 7%.

Income taxes paid amounted to 616 million euros in 2005, compared to 389 million in 2004. This increase was primarily due to an exceptional interim corporate income tax charge on French companies which was paid at the end of 2005.

Working capital requirements rose by 257 million euros. In particular, increases in inventories absorbed 281 million euros of cash as a result of business growth and the replenishment of related inventories. The change in trade accounts receivable generated working capital requirements of 67 million euros, whereas the change in trade accounts payable decreased working capital requirements by 27 million euros.

Net cash from operating activities resulted in a substantial positive balance of 1,994 million euros.

Net cash used in investing activities, which covers operating activities and financial transactions, amounted to 818 million euros.

Operating capital expenditures during the year, net of proceeds from disposals, amounted to 679 million euros, thus reflecting the healthy pace of the Group's business development, and particularly that of its flagship brands: Louis Vuitton, Parfums Christian Dior, Fendi, and Sephora among others.

Disposals of non-current available for sale financial assets exceeded purchases by an amount of 400 million euros. Changes in consolidation scope resulted in a net disbursement of 604 million euros. This amount mainly comprises the impact of the acquisition of 100% of Glenmorangie, and the final 30% share in Millennium, for 438 million euros and 92 million euros, respectively.

Transactions relating to equity generated a net cash outflow of 531 million euros.

Dividends paid by LVMH S.A. in 2005 amounted to 446 million euros (excluding treasury shares), of which 329 million was paid in May in respect of the final 2004 dividend and 117 million was paid in December in respect of the interim dividend for 2005. Moreover, minority interests in consolidated subsidiaries received dividends in the amount of 120 million euros. This related primarily to Diageo in respect of its 34% investment in Moët Hennessy and minority interests in DFS.

The net cash generated by operating and investing activities, and equity transactions thus amounted to 645 million euros.

The Group repaid borrowings in the amount of 1,559 million euros, a substantially higher amount than new borrowings contracted.

New borrowings generated 1,192 million euros of cash. In particular, the Group made a 600 million euro 7-year public bond issue in June 2005 and issued Loan Notes at the time of the acquisition of Glenmorangie, of which 60 million euros were outstanding at December 31, 2005. The Group also continued to fund its operations in Japan by means of the private placement of Euro Medium Term Notes.

The reduction in net financial debt is reflected in the decrease in long term borrowings, the increase in cash and cash equivalents and the 190 million euro decrease in commercial paper outstanding.

As of December 31, 2005, cash and cash equivalents net of bank overdrafts amounted to 1,080 million euros.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	LVMH treasury shares	Revaluation reserves	Net profit and other reserves	Cumulative translation adjustment	Total equity: Group share	Total equity: Minority interests	Total equity: Total
AS OF JANUARY 1, 2004	**489,937,410**	**147**	**1,736**	**(882)**	**460**	**5,761**	**-**	**7,222**	**928**	**8,150**
Cumulative translation adjustment							(200)	(200)	(61)	(261)
Income and expenses recognized directly in equity					61			61	3	64
Net profit						1,194		1,194	208	1,402
TOTAL OF RECOGNIZED INCOME AND EXPENSES		**-**	**-**	**-**	**61**	**1,194**	**(200)**	**1,055**	**150**	**1,205**
Stock option plans expense						50		50		50
Change in LVMH treasury shares				(124)		(9)		(133)		(133)
Dividends paid						(412)		(412)	(109)	(521)
Changes in consolidation scope								-	(7)	(7)
Effects of purchase commitments for minority interests								-	(69)	(69)
AS OF DECEMBER 31, 2004	**489,937,410**	**147**	**1,736**	**(1,006)**	**521**	**6,584**	**(200)**	**7,782**	**893**	**8,675**
Cumulative translation adjustment							492	492	107	599
Income and expenses recognized directly in equity					137			137	(12)	125
Net profit						1,440		1,440	228	1,668
TOTAL OF RECOGNIZED INCOME AND EXPENSES		**-**	**-**	**-**	**137**	**1,440**	**492**	**2,069**	**323**	**2,392**
Stock option plans expense						23		23	2	25
Change in LVMH treasury shares				34		(3)		31		31
Dividends paid						(446)		(446)	(120)	(566)
Changes in consolidation scope								-	(74)	(74)
Effects of purchase commitments for minority interests								-	1	1
AS OF DECEMBER 31, 2005	**489,937,410**	**147**	**1,736**	**(972)**	**658**	**7,598**	**292**	**9,459**	**1,025**	**10,484**

LVMH

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Cover photo: Gisèle Bündchen photographied by Mert Alas and Marcus Pigott.

Tyen, Stéphane Muratet, Fendi, Philippe Sroppa/Studio Pons, Karl Lagerfeld, Jean-Charles Recht, Jean-Pierre Bost, Deepix, Antoine de Parceval, Philippe Jumin/LB Production, Mitchell Feinberg, LB Production, Bertrand Rindoff Petroff/Agence Angeli, Jacques Vekemans/Gamma, Jean-François Gaté, Jean-Philippe Delhomme for Le Bon Marché, Etienne Tordoir, RMN, Leif Carlsson, DR, photo archives LVMH and Group companies.

Design and production

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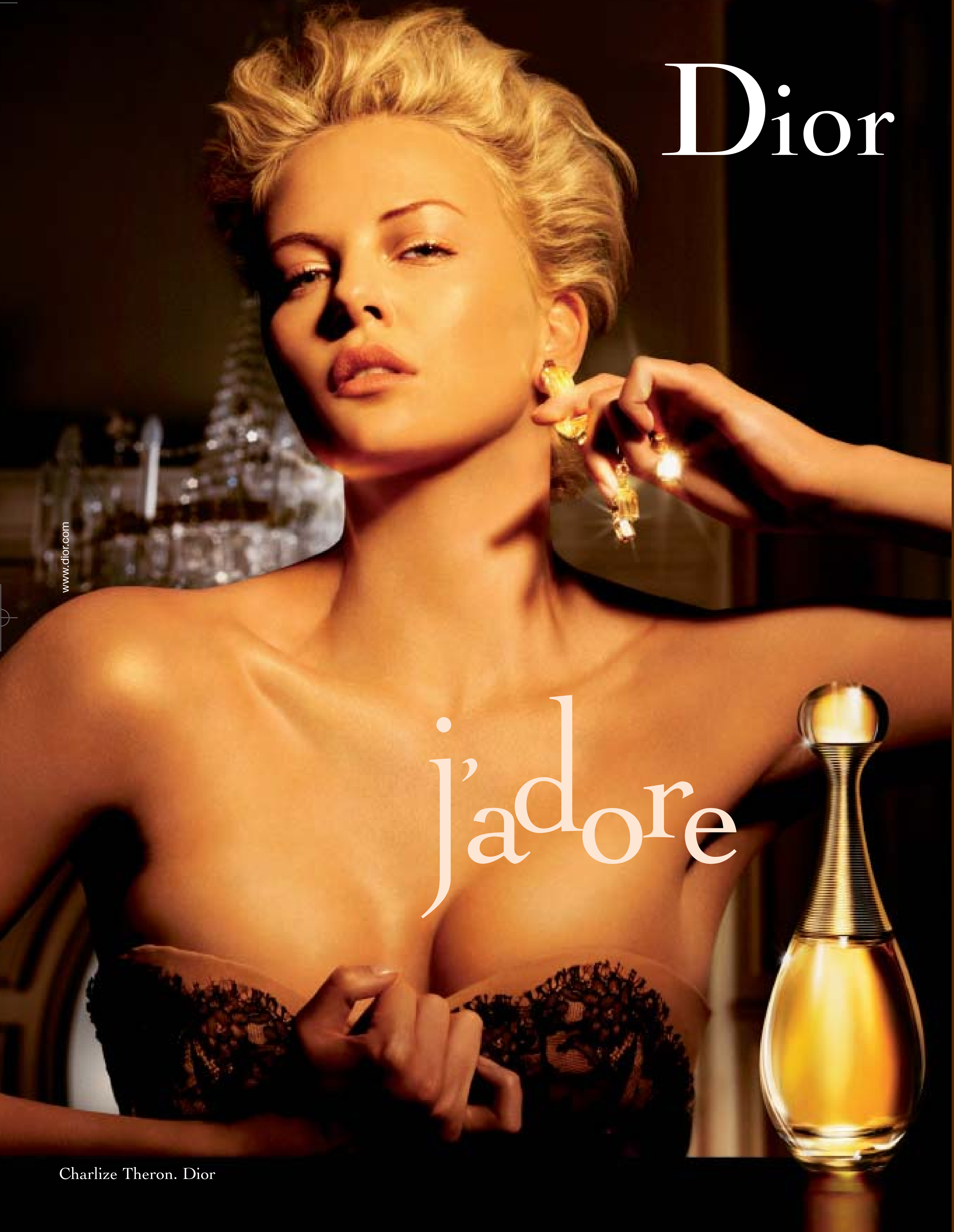
41, rue Camille Pelletan – 92300 Levallois-Perret
Telephone 33 1 49 64 64 64
www.phenixcommunication.com

ISSN: 1292-3737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