"Quality is never an accident; it is always the result of intelligent effort."

RICHEMONT

Annual Report and Accounts 2000

CONTENTS

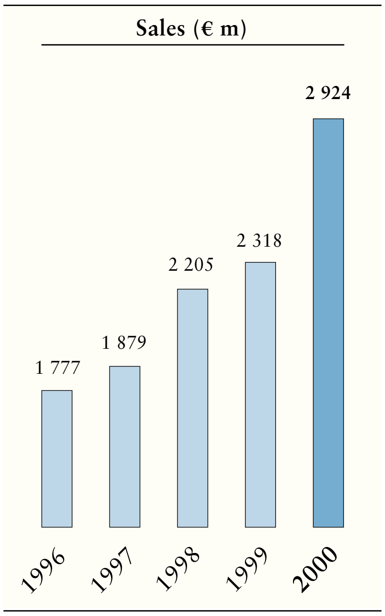
“Quality is never an accident, it is always the result of intelligent effort.”
John Ruskin (1819–1900)

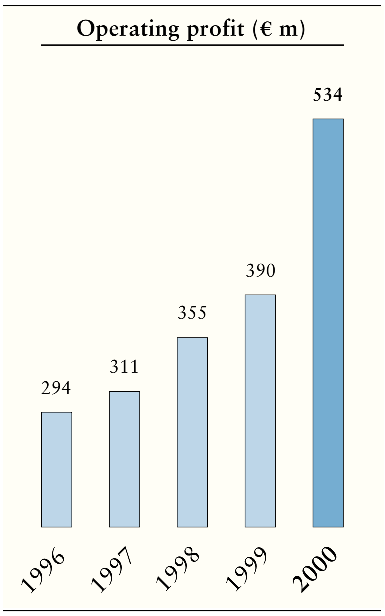
Internet: www.richemont.com

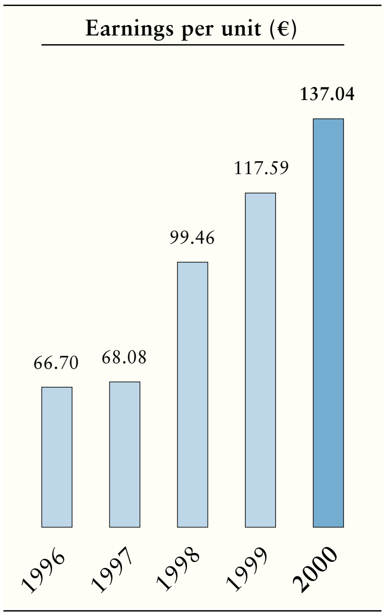
RICHEMONT

Richemont is a Swiss luxury goods group managed with a view to the long-term development of successful international brands. In addition to its luxury goods businesses, Richemont also holds strategic investments in the tobacco industry and in direct retailing.

All amounts in euros	2000	1999	
Sales	**2 924.2 m**	2 318.1 m	*+ 26.1%*
Operating profit	**534.1 m**	390.4 m	*+ 36.8%*
Attributable profit*	**782.6 m**	675.2 m	*+ 15.9%*
Earnings per unit*	**137.04**	117.59	*+ 16.5%*
Dividend per unit	**24.00**	20.80	*+ 15.4%*







**Attributable profit and earnings per unit have been presented on an adjusted basis, excluding exceptional items and goodwill amortisation. On a reported basis, including exceptional items and goodwill amortisation, attributable profit and earnings per unit amounted to € 2 981.9 million (1999: € 473.3 million) and € 520.06 (1999: € 82.43), respectively.*

GROUP STRUCTURE

RICHEMONT

LUXURY GOODS

CARTIER • VAN CLEEF & ARPELS • PIAGET • VACHERON CONSTANTIN

OFFICINE PANERAI • BAUME & MERCIER • LANCEL • MONTBLANC

ALFRED DUNHILL • SEEGER • HACKETT • PURDEY • SULKA

OLD ENGLAND • CHLOÉ • SHANGHAI TANG

ASSOCIATED COMPANIES

TOBACCO PRODUCTS

BRITISH AMERICAN TOBACCO

DIRECT RETAILING AND E-COMMERCE

HANOVER DIRECT

Shares of Compagnie Financière Richemont AG are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary Richemont SA to form Richemont units. Richemont units are traded on the Swiss Stock Exchange. Depositary receipts in respect of Richemont units are traded on the Johannesburg Stock Exchange; American Depositary Receipts are traded over the counter in New York and are quoted on SEAQ International in London.

CHAIRMAN'S STATEMENT

Following the merger of Rothmans International and British American Tobacco, which was completed in June of last year, Richemont's operations are now largely focused on its luxury goods businesses.

Nikolaus Senn CHAIRMAN

I am pleased to be able to report that, once again, the Group's luxury goods businesses have shown excellent growth in terms of sales and operating profit, which grew by 26.1 per cent and 36.8 per cent, respectively, during the year.

Factoring in the results of the Group's associated companies – being principally the investment in British American Tobacco – attributable profit of the Group as a whole grew by 15.9 per cent to € 782.6 million and earnings per unit on a fully diluted basis increased by 16.5 per cent to € 137.04. In consequence, the board proposes to increase the level of dividend to € 24.00 per unit, some 15.4 per cent above the euro equivalent of the £ 13.50 paid last year.

Richemont is committed to maintaining and indeed developing its position as one of the world's leading luxury goods companies. The Group does, however, continue to hold an effective interest of just over 21 per cent in British American Tobacco, notwithstanding the decision to exercise the right to put a part of its preference shareholding back to BAT in June 2000. This right, which was negotiated in exchange for a restriction on the voting rights attaching to the preference shares, has allowed the Group to realise a price per share that represents a considerable premium to the prevailing market price. Richemont nevertheless remains the single largest shareholder in the enlarged BAT.

Our colleague, Joseph Kanoui, has played a hugely important role over almost 30 years in bringing Richemont's luxury goods businesses, in particular Cartier, to the unparalleled position that they enjoy today. Last September, Mr Kanoui indicated his decision to retire from his position as Chairman and Chief Executive of Vendôme Luxury Group, although we are fortunate that he will remain as our colleague on the board of Richemont in a non-executive capacity. The board would like to record its thanks to him for his important contribution to the Group and looks forward to his continuing input in the years to come.

The Group's success today is derived, in part, from the strength of its brands but also from the commitment, expertise and enthusiasm of its staff. On behalf of shareholders, I thank them for their enormous contribution to this year's successes.

Nikolaus Senn
CHAIRMAN
Compagnie Financière Richemont AG
7 June 2000

DIRECTORS AND COMPANY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

The board of Compagnie Financière Richemont AG is composed of non-executive directors, together with the Chief Executive and Finance Director.

Nikolaus Senn
CHAIRMAN
Dr Senn, aged 73, is Honorary Chairman of the former Union Bank of Switzerland. He enjoyed a long and successful career with the bank and also served on the boards of many leading Swiss and international companies. He is Chairman of the Compensation Committee.

Jean-Paul Aeschimann
DEPUTY CHAIRMAN
Maître Aeschimann, aged 66, is Chairman of the Audit Committee and a member of the Compensation Committee. He is an attorney at the Bar of Geneva and is also a director of Reuters SA and Barclays Bank (Suisse) SA.

Johann Rupert
CHIEF EXECUTIVE
Mr Rupert, aged 50, has had an extensive career in international business and finance. In addition to his role as Chief Executive of Richemont, Mr Rupert is a member of the board of British American Tobacco p.l.c. and is Chairman of Rembrandt Group Limited. Mr Rupert is a member of the Compensation Committee.

Jan du Plessis
FINANCE DIRECTOR
Aged 46, Mr du Plessis has been Finance Director of the Group since its formation in 1988. He also served as Finance Director of Rothmans International from 1990 to 1996 and is a member of the boards of British American Tobacco p.l.c. and Hanover Direct Inc.

Leo Deschuyteneer
Mr Deschuyteneer, aged 69, is a director of Sofina SA, a leading Belgian investment company, and has been involved in a non-executive capacity with the Group's luxury goods businesses for many years. He is a member of the Audit Committee.

Lord Douro*
Aged 54, Lord Douro served as Deputy Chairman of Vendôme Luxury Group from its foundation in 1993 up to 1999. He was a member of the European Parliament from 1979 to 1989 and is currently Chairman of Sun Life and Provincial Holdings plc.

Yves-André Istel
Mr Istel is Vice Chairman of Rothschild Inc., and has been a director of Rothschild & Cie since 1993. He also serves on the boards of several other public companies and non-profit institutions. He is 64 years of age. Mr Istel is a member of the Audit Committee.

Joseph Kanoui
Mr Kanoui, aged 63, has been a director of the Company since its foundation in 1988. He served as Chairman of Cartier Monde SA for many years and was Chairman and Chief Executive of Vendôme Luxury Group up until his retirement in January 2000. Mr Kanoui is Chairman of the Investment Committee.

Alan Quasha*
Aged 50, Mr Quasha has been closely associated with the Group since its formation in 1988 and served as a director of Richemont SA from that time until 1999. He is Chairman of Hanover Direct Inc. and is Chairman of Quadrant Management Inc., an investment management business based in New York.

Lord Renwick
Lord Renwick, aged 62, formerly served as British Ambassador to South Africa and the United States and is now Deputy Chairman of Robert Fleming Holdings Limited and Chairman of Robert Fleming Inc. He is a member of the Audit Committee. He also serves on the boards of a number of other public companies including British Airways p.l.c.

Ernst Verloop
Mr Verloop is 73. He is a former executive director of Unilever. He served on the board of Rothmans International for a number of years and has also been a director of a number of other Dutch and international companies.

Alan Grieve
COMPANY SECRETARY

**Lord Douro and Mr Quasha have been nominated for election to the board at the annual meeting of shareholders to be held in September 2000.*

RICHEMONT SA

The board of Richemont SA acts as the Group's Management Board, being composed of functional specialists and senior managers from the Group's operating companies.

Johann Rupert
CHAIRMAN AND CHIEF EXECUTIVE

Jan du Plessis
FINANCE DIRECTOR

Alain Dominique Perrin §
SENIOR EXECUTIVE DIRECTOR
Mr Perrin joined Cartier in 1969 and was appointed President of Cartier International SA in 1981. Aged 57, Mr Perrin has responsibility for the marketing, manufacturing and commercial strategy of the Group's luxury goods businesses.

Callum Barton §
OPERATIONS DIRECTOR
Aged 50, Mr Barton joined the Cartier organisation in 1975 and was, until 1999, Managing Director of Alfred Dunhill, where he remains Chairman. He is currently responsible for central support services across the Group.

Piet Beyers ∞
EXECUTIVE DIRECTOR
Mr Beyers, aged 50, joined the Group in 1997. He is also a director of Rembrandt Group Limited.

Franco Cologni §
EXECUTIVE DIRECTOR
Mr Cologni, aged 65, joined Cartier in 1969 and has overall responsibility for the specialist watch brands within the Group. He is Chairman and Chief Executive of the Salon International de la Haute Horlogerie.

Dominique Jousse ∞
HUMAN RESOURCES DIRECTOR
Ms Jousse, aged 41, was appointed International Human Resources Director of Cartier in 1996 and assumed her current position in early 2000.

Albert Kaufmann §
GENERAL COUNSEL
Mr Kaufman has been responsible for the legal affairs of the Group's luxury goods companies since 1974. Aged 52, he qualified as a member of the Bar of Geneva and was appointed as Group General Counsel in November 1999.

Richard Lepeu §
MANAGING DIRECTOR OF CARTIER
Since joining Cartier in 1979, Mr Lepeu has progressed through the position of Director of Finance and Administration to his current position as Managing Director of Cartier. Mr Lepeu is 48.

Guy Leymarie §
MANAGING DIRECTOR OF ALFRED DUNHILL
Mr Leymarie, aged 43, joined the Group in 1986 and has held a number of senior positions within Cartier. He was appointed Managing Director of Alfred Dunhill in 1999.

Eloy Michotte
CORPORATE FINANCE DIRECTOR
Aged 52, Mr Michotte has been an executive director of Richemont since its formation in 1988 and has responsibility for corporate finance.

Frederick Mostert
INTELLECTUAL PROPERTY COUNSEL
Dr Mostert joined the Group in 1990, taking responsibility for intellectual property matters. He is a member of the New York Bar and Honorary Chairman of the International Trademark Association. Dr Mostert is 40.

Norbert Platt §
MANAGING DIRECTOR OF MONTBLANC
Mr Platt, aged 52, has a background in precision engineering. He has served as the Managing Director of Montblanc since joining the company in 1987.

Jan Rupert §
MANUFACTURING DIRECTOR
Mr Rupert joined Rothmans International in 1981 and was latterly responsible for manufacturing activities. Having previously worked in the Group's watchmaking operations, he was appointed Manufacturing Director in 1999. Mr Rupert is 44.

Howard Tanner
EXECUTIVE DIRECTOR
Mr Tanner, aged 56, has been an executive director of the Company since its formation in 1988 and is principally responsible for the Group's investment in Hanover Direct.

Alan Grieve
COMPANY SECRETARY

§ *appointed to the board on 17 December 1999.*
∞ *appointed to the board on 7 June 2000.*

CHIEF EXECUTIVE'S REVIEW

Richemont's luxury goods businesses performed well during the year. This reflected good growth in most product areas and strong demand in all regions of the world. Sales increased by 26.1 per cent to € 2 924.2 million, whilst operating profit grew 36.8 per cent to € 534.1 million.

Johann Rupert CHIEF EXECUTIVE

This excellent performance benefited from the generally healthy global economic climate that prevailed during the year and from the strength of the dollar and yen relative to the euro. This continues a record of growth over the last five years both in terms of sales and operating profit. During that period, Richemont's luxury goods sales have grown at a compound annual rate of 12 per cent. Operating profit has also shown a positive trend, growing at an average rate of 14 per cent over the period.

BRITISH AMERICAN TOBACCO

Clearly, the major development during the year was the completion in June 1999 of the merger of the Group's tobacco interests, held through Rothmans International, with British American Tobacco p.l.c. In consequence of the merger, Richemont acquired a 23 per cent interest in the enlarged BAT. That merger process has gone well and the two organisations are now fully integrated, with the obvious benefits that this implies. In the current year, Richemont's tobacco interests contributed some € 430 million to Group attributable profit. This was broadly in line with the results of Rothmans International in the prior year, notwithstanding the generally difficult trading environment facing the industry.

The merger agreement provided for Richemont to be able to put back to BAT up to one half of its holding of preference shares, which made up two sevenths of the total merger consideration, in June 2000. This right was viewed as a protection for Richemont given concerns that stock prices generally might fall and given that the preference shares were not listed. Although equity markets generally did not decline, the BAT share price reacted negatively to industry-specific concerns as to litigation in the United States in line with those of other tobacco companies. Richemont therefore served notice during the year of its intention to exercise the put option and, in consequence, has received some £ 460 million from BAT in June 2000 in exchange for the preference shares. Notwithstanding the decision to exercise the option, Richemont continues to hold an effective interest in excess of 21 per cent in BAT.

NEW OPERATIONAL FOCUS

This has been a year of fundamental change for Richemont. Whilst the Group's interest in the tobacco industry will continue to be an important contributor to Group profit for some time, the operational focus within Richemont has shifted as a consequence of the merger. The core operating area within the Group is now its luxury goods businesses, these having formerly been held through the Group's wholly-owned subsidiary Vendôme Luxury Group SA. A key element of this change of focus was the decision, in November 1999, to integrate fully the management teams of Richemont and Vendôme Luxury Group. In consequence, senior members of the Vendôme executive team have been appointed to the board of Richemont SA, the Group's Management Board.

The strength of Richemont lies in the ability to develop its existing brands successfully with an emphasis

The Traviata high jewellery necklace by Van Cleef & Arpels.

on each brand's unique strengths, whilst taking advantage of group-wide expertise in areas such as procurement and distribution. The process of integrating local operating companies and shared service functions that had already begun within Vendôme is being given further priority within the new management structure. The Group is also actively investigating how to use the Internet more effectively as an information medium for consumers and for business-to-business relationships. The Richemont website at www.richemont.com, which is primarily focused on presenting investor information, and the various Group companies' sites which can be accessed through it, are already playing an important role in this area.

Richemont is evaluating the potential to use the Internet as a platform for business-to-consumer sales, albeit acknowledging that this involves a longer time horizon for implementation than business-to-business e-commerce. In this respect, the Group's investment in Hanover Direct serves as a window on the use of the Internet as a retail tool in the American market, which is generally recognised as leading the world in this area.

INVESTMENTS

In addition to the organic growth generated by the Group's established brands, Richemont also looks to strategic acquisitions to allow the business to grow further. In May 1999, Richemont acquired a controlling interest in Van Cleef & Arpels, one of the world's foremost names in the field of high jewellery. Established almost a century ago, Van Cleef & Arpels is synonymous with classic high jewellery and has a wonderful archive of historic designs, which will provide the inspiration for exciting new product ranges. Having suffered from a period of under-investment, the brand is now poised for further development in the international arena. Although it is being managed quite distinctly from the Group's other high jewellery interests, Van Cleef & Arpels is benefiting from the Group's considerable expertise in this area and we anticipate that it will quickly realise its full potential.

In addition to Van Cleef & Arpels, the year also saw the acquisition of Old England, a Parisian retail institution, and further investment by Richemont in Shanghai Tang, the first Chinese brand that can be said to have the capacity to develop into a global luxury brand.

Old England was established in Paris in 1867 as a purveyor of the finest of English tailoring and accessories. That tradition is maintained to this day in the flagship store on the boulevard des Capucines. Old England has already expanded outside France and, with Richemont's support, further selective international development is being considered.

The Group has held a small investment in Shanghai Tang for some time. Combining the style and heritage of the orient with western design influences, Shanghai Tang has enjoyed considerable success to date, albeit from small beginnings. As a consequence of the desire to expand the company beyond its traditional Hong Kong base, Richemont has invested further in the business and integrated the management team into the Group's structures.

CANAL+

As part of the process of focusing on its luxury goods businesses, Richemont took advantage of an approach from Vivendi SA, the French utility, media and communications group, to dispose of the Group's 15 per cent interest in Canal+ in exchange for a minority holding in Vivendi. The investment in Vivendi is not, however, regarded as a strategic long-term interest. Accordingly steps were taken in the autumn of 1999 to hedge the value of the shareholding at some € 1.2 billion and it is currently anticipated that the investment will be sold during the current financial year.

OUTLOOK

Whilst we believe that there are long-term wealth creation forces at work, which will continue to increase the potential market for the Group's products, the extremely positive economic climate that prevailed during the year under review has had an undoubted effect on the Group's performance. There has been an added benefit in terms of both sales and margins from the strength of the dollar and the yen vis-à-vis the euro during the year. The United States economy appears to have maintained its unprecedented combination of growth without inflation. It will, however, be interesting to see how long this scenario can continue. European economies have also started to pick up from their lows of recent years, although many structural problems remain unresolved. In terms of the macroeconomic outlook, Japan remains problematic. Although consumer spending both domestically and by Japanese travelling abroad grew throughout the year, we are somewhat concerned as to what the future will hold, particularly in terms of the value of the yen, unless the domestic economy can be resuscitated.

These concerns notwithstanding, we remain committed to the prudent expansion of the Richemont family of brands, both through organic growth and, where appropriate, strategic acquisitions. At a time when there are a number of changes taking place within the global luxury goods industry, we believe that Richemont is well placed to build on its existing strengths and further improve the efficiency of its operations. We will, however, continue to plan conservatively and will maintain a strong balance sheet to serve both as a defence against any setbacks that may lie ahead and as a mechanism to allow the Group to take advantage of appropriate opportunities that may present themselves.

Johann Rupert
CHIEF EXECUTIVE
Compagnie Financière Richemont AG
7 June 2000

BRAND REVIEW

A luxury product is both an object and a catalyst for thought. It tells a story and offers a sense of belonging to a world that is both discreet and privileged.

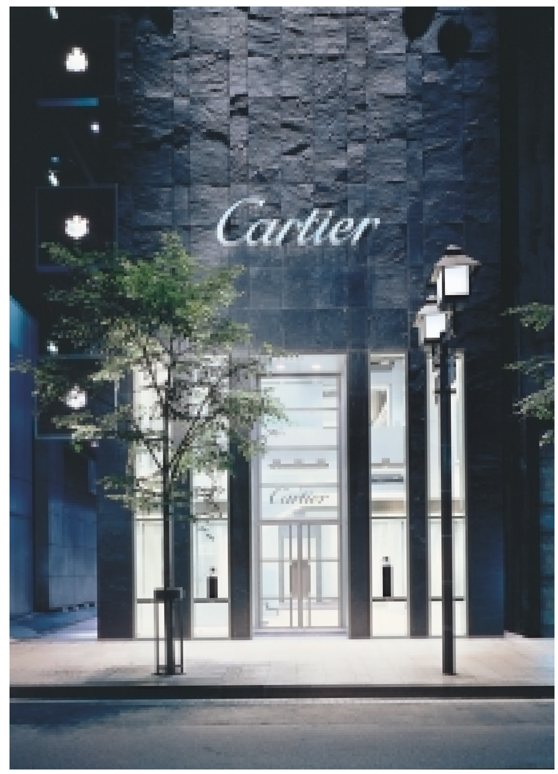
Luxury engages all the senses. Luxury is inexorably linked with culture, flamboyance, hedonism and individualism. For some, this could mean an appreciation of a work of art, for others it is achieving a dream. Luxury inspires a myriad of responses, all individual and all unique.

The aim of a luxury brand is to awaken desire and pleasure. Just as need belongs in the real world of necessity, desire and pleasure belong to the world of the imaginary and the symbolic. Luxury is not about buying products, it is about reinforcing an image of oneself. Luxury is a state of mind, where passion has taken over from reason.

A wealth of cultural values, history, tradition and lifestyle continues to nourish each of our brands. From inspiration to physical expression, at the heart of our brands is a world of beauty, craftsmanship and elegance.

Cartier

Established over 150 years ago in the heart of Paris, Cartier has distinguished itself as an indisputable authority in the world of luxury goods. As fashions come and go, its creations continue to embody skill, innovation and modernity throughout the world.



A renowned specialist in the production of jewellery, watches, leather goods and other precious objects which enhance our daily lives, Cartier maintains its pursuit of excellence.

New designs within the high jewellery range, launched during the year at prestigious international events, added to the collection's established market position. The many new designs within the *Paris Nouvelle Vague* line were equally successful worldwide, helping to reinforce Cartier's image as a modern, creative brand.

The launch of the *Collection Privée Cartier Paris*, the white gold *Tank Française*, and the steel *Tank Basculante*, which was voted 'Watch of the Year' in both Switzerland and France in 1999, ensured Cartier gained further market share, particularly in the precious watch sector. Successful growth was also enjoyed by other products, particularly the leather goods and writing instruments ranges.

Over the last year, the performance of Cartier's distribution network, which includes the 211 Cartier boutiques, has been equally impressive. Cartier boutiques continue to attract

Above left: The historic flagship boutique at 13 rue de la Paix, Paris which opened in 1899.
Above: The new concept boutique in Ginza, Tokyo, designed for Cartier by Jean-Michel Wilmotte.
Left: The limited edition Tank Basculante watch for the year 2000.
Opposite: A feast of pastel hues with subtle nuances evoking camellia petals on this necklace from the high jewellery collection.

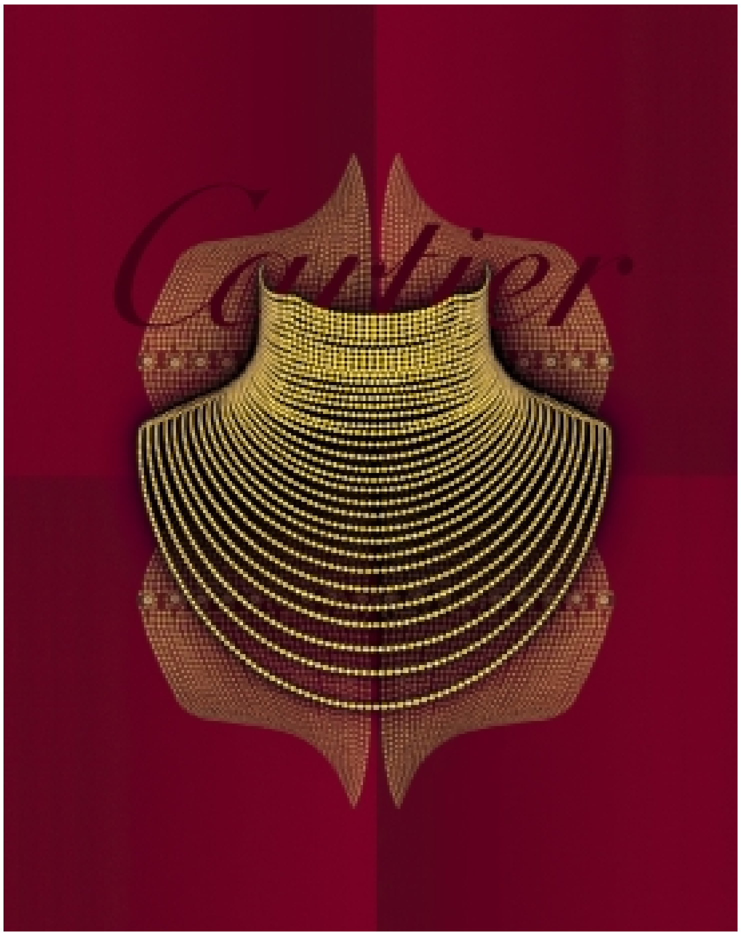
Cartier

Above: The latest models of the classically elegant Tank Française.
Left: The Baignoire allongée watch in white gold with diamond paved case.

exceptional numbers of visitors. A new design concept by Jean-Michel Wilmotte, which blends the traditional with the modern, was introduced into eleven boutiques to attract and cater for the clientele of the third millennium.

To maintain exclusivity, Cartier's approach to retail distribution continues to combine a strong network of owned boutiques with a highly selective collaboration with independent retail outlets. The recent introduction of additional 'corners' in larger retail stores also helped to develop brand awareness and enhance the long-term partnership strategy that Cartier has progressively built with its distributors worldwide.

The message 'Creative Cartier' was once again reinforced in a new advertising campaign that included television and cinema advertising



Above: The new advertising campaign presenting Draperie de Décolletée from the collection Paris Nouvelle Vague.
Above centre: The necklace worn by Monica Bellucci features natural pearls, a round rose cut diamond and an 11.76 carat pear-shaped rose diamond.
Above right: Estelle Halliday wearing items from the Paris Nouvelle Vague collection.

this year, underlining the rich, diverse and daring design creativity that epitomises Cartier.

The year was also marked by a series of memorable occasions throughout Cartier's principal markets. The launches of the *Paris Nouvelle Vague* and the *Collection Privée Cartier Paris* were just some of the events designed to appeal to a broader range of clientele.

Since its inception in 1847, the Cartier brand has always been at the forefront of the luxury market. 1999 was no exception. Cartier will continue to reaffirm its leadership position as the world's most prestigious brand, by further strengthening its precious watch and jewellery ranges and by remodelling its retail network, an investment programme that will take over three years to complete.

Van Cleef & Arpels

In 1906, Van Cleef & Arpels became the first jeweller to take up residence in the Place Vendôme. In this decisive move, Van Cleef & Arpels defined its own brand position and established a precedent amongst France's leading jewellery houses.

Right: A Van Cleef & Arpels classic watch in gold with a leather strap.
Below: The Belladonna high jewellery necklace features the 'mysterious setting' technique.
Below right: Van Cleef & Arpels became the first jeweller to take up residence in Paris's Place Vendôme.

In its choice of residence, Van Cleef & Arpels also founded a symbolic establishment that has become known throughout the world as a centre for creativity and expertise in terms of high jewellery.

Van Cleef & Arpels' past and present are intimately linked to the imperial aristocracies, to the new industrial and financial dynasties and to the icons of our world. From the Duchess of Windsor to Grace Kelly to Mislav Rostropovitch, Van Cleef & Arpels exudes grandeur, luxury and prestige.

Part of Richemont since May 1999, Van Cleef & Arpels retains a respect for heritage, preferring continuity over change. This philosophy has prevailed for three generations, each influenced by the frailty of time and by the eternal renewal that characterises creativity.

Today, Van Cleef & Arpels remains a brand of distinction closely associated with the spirit of France, a spirit which symbolises harmony, purity and elegance.

Its aim of excellence is expressed in a myriad of ways; as much in the choice of materials and quality of workmanship and techniques as in the expectation of style and creativity.

The great artistic movements have inspired Van Cleef & Arpels. Throughout its heritage, the brand's creative renewal has been marked by such influences as the history of the Decorative Arts and also the contributions of Chagall and Balanchine.

Another influence which has helped to define the brand's creativity is the stimulus of innovation. The 'mysterious setting' technique, an exclusive procedure which eliminates any visible claws and enhances the sparkle and purity of precious stones and diamonds, exemplifies this.

The brand's capacity to grow is amply illustrated by the opening to date of a number of boutiques in prestigious locations, establishing a network of eight exclusively-owned boutiques, around 30 franchises, 20 shop-in-shops and 100 concessions. Further highly selective development of the international distribution network is planned.

Above: The Dragonfly brooches, white gold and diamonds (top) and gold, pink sapphires and diamonds (bottom). Below: The Cadenas watch, in white gold with round and baguette diamonds.

PIAGET

Since 1874, Piaget has become established as an institution in Swiss luxury watchmaking. Today, the company's design excellence confirms its pre-eminent position amongst the elite of watchmaking and jewellery brands.

Above: The flagship store in Geneva.
Far right: The instantly identifiable Miss Protocole watch, with its distinctive face, has become a classic Piaget.

In 1999 Piaget launched several new products including the *Emperador 8 Day* watch, an exceptional model that pays tribute to the watchmaker's art. This sophisticated watch is equipped with the '125 P' automatic movement, a wonder of mechanical precision. Its ability to function for eight days without winding or movement is one of the most complex and rare achievements in the world of watchmaking.

The ladies' market benefited from the introduction of new watches and jewellery. The square version of the *Dancer* watch completed what has become an unequivocally successful international collection. The line's defining characteristics are its supreme vitality and indomitable spirit of continuous renewal. This wristwatch is available in 18 carat white or yellow gold either polished or set with diamonds.

Limelight, a new jewellery collection which boasts a bold design concept, was launched at the end of last summer. Entirely in white gold and diamonds, the generous proportions and pure lines of these exquisite pieces were very well received both by the press and the public.

Along with one of the *Limelight* rings, which was chosen as one of the star products for Piaget's new corporate advertising campaign, 15 watches and jewellery items that most epitomised Piaget's expertise were also selected to illustrate the creative theme of renewal and rejuvenation. The campaign superbly captures the contemporary spirit of Piaget's new products, and reinforces the uniqueness of the Piaget style.

Above: A ring from the Limelight Collection.
Left: The Emperador 8 Day watch features a unique eight day self-winding mechanical movement.

VACHERON CONSTANTIN

In 1755 Jean Marc Vacheron, historian, scholar and master watchmaker, renowned for his great affinity and love for the craft, established his watchmaking factory at the 'Ile' in Geneva. This is the location which remains the brand's head office to this day. The exceptional quality and beauty of his timepieces have made them an undisputed reference point in the magical world of luxury watchmaking.

In 1819, François Constantin joined forces with Jacques-Barthélémy Vacheron and began to introduce the brand to France and Italy, and later throughout the whole of Europe. Over time a global sales network has been established.

Today, as in the past, the Swiss company remains faithful to its heritage, a heritage that is founded on achieving a perfect harmony between art and culture, technique and elegance. It is this exquisite balance that confirms Vacheron Constantin's unrivalled reputation.

In 1998, Vacheron Constantin acquired the watch movement factory in the Vallée de Joux with which it had enjoyed a long-standing partnership. As a tribute to its designs, from the simplest to the most complex, Vacheron Constantin was granted the exceptional status of *Poinçon de Genève*, a distinction bestowed by the State of Geneva. Only those rare few watchmaking brands, which have successfully risen to and achieved the requisite technical and aesthetic challenges, are granted the title *Poinçon de Genève*.

Three exemplary watches in the Vacheron Constantin tradition have been newly designed.

With its automatic movement and additional complex features – being waterproof to 150 metres, having a triple-safety strap and featuring a 'grande date' display – the *Overseas Chronograph* is a sports watch of incomparable luxury.

The *245*, commemorating 245 years of watchmaking craftsmanship, is referred to as a *Complications* timepiece and features automatic movement, with an additional date display mechanism known as 'retrogradation'.

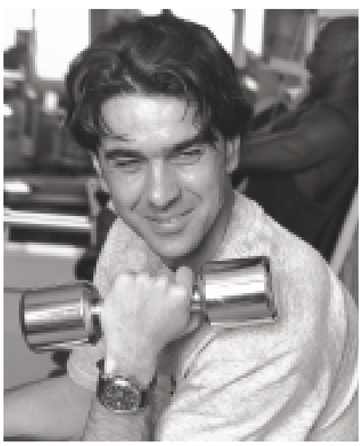
The *1972* is a contemporary watch of great originality. Asymmetric in shape, the watch moulds perfectly to the wearer's wrist. The original version was awarded the *Prestige de la France* prize in the same year.

A very successful advertising campaign supported the launch of the new watches and perfectly captured the brand's modernity and its values and tradition. Although at the pinnacle of luxury watchmaking, the brand has strong growth prospects as an expanding number of consumers seek exclusive models.

Above: Vacheron Constantin's head offices and flagship store in Geneva.
Left: The 1972 ladies watch, renowned for its asymmetric shape.
Below: The Overseas Chronograph, a genuine sports watch of incomparable elegance.

OFFICINE PANERAI
FIRENZE 1860

Founded in Florence in the middle of the 19th century, Officine Panerai, renowned for the exceptionally high quality of its precision mechanical engineering, has established itself as a supplier of military timepieces.



The *Radiomir*, created in the late 1940s for the commandos of the Italian Navy, is regarded as the first 'genuine' underwater watch in history. The *Luminor*, an even more technically advanced watch, was designed in the 1950s.

The historical importance of these watches and the very small number in circulation, have ensured that they have become much sought-after by watch collectors and sports enthusiasts alike.

Acquired by Richemont in 1997, the Florentine company soon gained international exposure and acclaim. The highly creative design characteristic of Officine Panerai has resulted in the acceptance of a diverse range of models. True to its heritage, however, the original features of the watches have been retained, adhering to the highest level of traditional craftsmanship and the demanding technical specifications of military requirements. This unique combination has secured a pre-eminent position for Officine Panerai in the market for luxury sports watches.

In 1999, 12 000 historic and contemporary models of watches such as the *Luminor Marina Automatic* were produced. Together with a selection of special editions, these numbered and dated models were virtually sold out throughout the network of 240 authorised dealers.

To sustain the development of the brand, significant investment was made in publicity. This included an advertising campaign promoting both the *Luminor* watch range and the website 'Panerai.com'.

Officine Panerai represents a real focus of modern ideas to be applied to watchmaking of the highest quality. In a very short period of time, the brand has succeeded in creating a distinct and recognisable corporate value, a value that defines luxury as an aspect of an 'active life'. In doing so, Officine Panerai has offered Richemont a new time and a new space for contemporary watchmaking.

Top: The Radiomir Split-second Chrono 40 mm.
Above: Alessandro Costacurta, the Italian national footballer, who has taken part in the Officine Panerai initiative for the WWF Italia Mediterranean project.
Right: The Luminor Marina Automatic 40 mm.

BAUME & MERCIER
GENEVE · 1830

Since 1830, the Swiss Jura region has been the manufacturing home of Baume & Mercier. To this day Baume & Mercier's exclusive watch ranges are still made and assembled in exactly the same location.

Throughout its history, the brand has focused on designing and creating a range of resolutely modern watches that effortlessly combines timeless style with modern technical innovation. In doing so, Baume & Mercier has successfully broadened its product offering without compromising its watchmaking expertise.

The focal point amongst the many new items of the 1999 Collection presented in Geneva at the 9th *Salon International de la Haute Horlogerie*, was the launch of the *Hampton Milleis Or.* A radically new interpretation of the brand's best-seller, the *Hampton Milleis Or* in yellow or white gold, strikes the perfect balance between its historic watchmaking heritage and a style that is definitely of today.

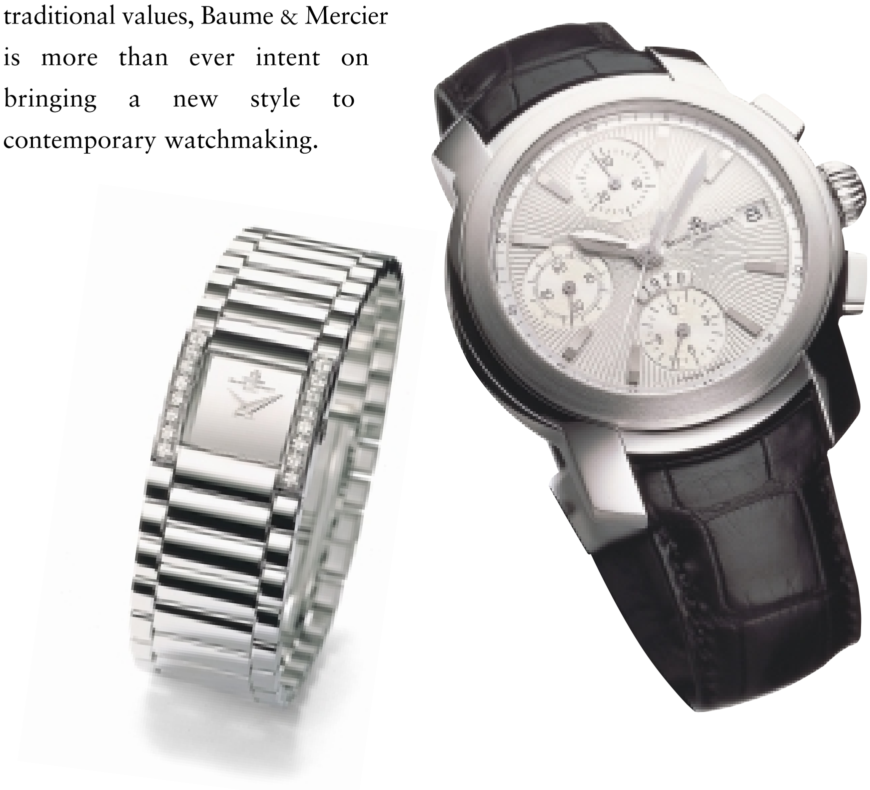
This exceptionally well-finished line was hugely successful from the moment of its launch as it both perfectly exemplified the brand and captured the spirit of the *Hampton Collection*, the brand's leading range.

The *Catwalk* bracelet was another highlight of the year. As a precursor to the genre of 'watches and jewellery' in steel, a genre copied by so many other brands since, the *Catwalk* was ahead of its time. Both innovative and mischievous, this steel watch set with diamonds fills the gap in the market for a watch that captures the style of the times.

The new men's line, *CapeLand*, launched in 1998, enjoyed equally satisfying results, and growing demand continues to confirm the watch as a stronghold of the brand. To mark the last year of the century, Baume & Mercier brought out two prestige *CapeLand* chronograph watches in white and pink gold, each one limited to 99 pieces.

While benefiting from the recovery in Asia, the brand also pursued its development in Europe and North America. Europe remains by far the most important market with strong market shares, particularly in France and Italy. However, North America has seen exceptional performances across all product lines.

Without losing sight of its traditional values, Baume & Mercier is more than ever intent on bringing a new style to contemporary watchmaking.



Above: The Milleis Or from the brand's best-selling Hampton Collection.
Left: Yachting sponsorship has helped to increase brand awareness.
Below left: The Catwalk watch, precursor to the genre of 'watches and jewellery' in steel.
Below right: The CapeLand has become a key product for the brand.

LANCEL

Since 1876, Lancel has forged a reputation for being a true French luxury institution, recognised for the creativity, quality and reliability that it offers to its clients.

Above: Lancel's new store concept launched this year in Paris, Lyon, Beijing, Moscow and Hong Kong. Below: Lancel's world-renowned luggage.

The brand's excellence and unrivalled expertise, together with the ease of use and practicality of the products and the superb choice of its product ranges, all serve to illustrate the brand's accessibility.

Lancel is well-known in each of its four chosen crafts, thanks to the quality of its products and service. Whether for its ladies' handbags and fashion accessories, its world-renowned luggage or its items for men or for the home, Lancel always offers an extraordinary array of choice, and more than a touch of imagination.

During the past year, the ranges have been streamlined and the brand's image updated. Increased design resources and the creation of new lines have given Lancel the opportunity to reach a younger clientele, while also appealing to its existing clients who were looking for a more modern style.

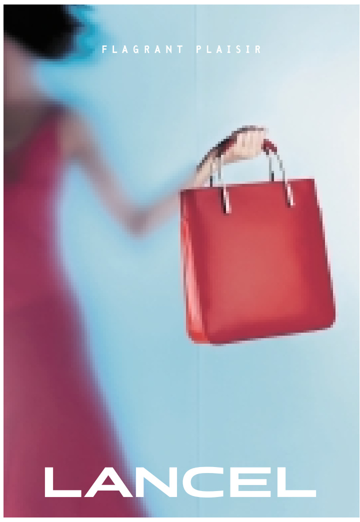
A significantly increased communications budget enabled Lancel to express this creative renewal with a campaign that gives free rein to imagination and reinforces the theme of intimacy that exists between the brand and its clients.

A new store concept was developed in harmony with the campaign. Marrying elegance with user-friendliness and accessibility, the first such stores were opened successively in Paris, Lyon, Beijing, Moscow and Hong Kong.

Lancel has a dual distribution network throughout the world, composed of 71 fully owned boutiques and 800 authorised distributors. To support the store refurbishment, Lancel has also invested in its worldwide sales force through the establishment of a staff training facility in Paris.

Lancel's international development, which began in the last financial year, has progressed successfully, with strong growth enjoyed by the retail network in Asia, most notably in Japan, where the brand is very well-known. China and South-East Asia were also top commercial priorities for Lancel. In Europe, Lancel has also committed resources to the reorganisation of its commercial network.

Over the next financial year, Lancel aims to pursue its growth policy by renewing its image, boosting its distribution network and by further increasing its creativity across the product lines.



The new advertising campaign gives free rein to the imagination.

MONT BLANC

Montblanc has been synonymous with the art of writing for nearly one hundred years since it was founded in 1906.

Above: The Montblanc boutique in Nice.
Right: The Meisterstück Watch Collection, Limited Anniversary Edition 1924.
Below: Pieces from the Platinum Collection.

The classic fountain pen, the *Meisterstück*, first produced in 1924, has become a cult object and is emblematic of the brand.

As a symbol of tradition and fine craftsmanship, the *Meisterstück* embodies an appreciation of time taken for essential things, such as thoughts, emotions, beauty and culture.

Writing instruments have always been and will continue to be Montblanc's strength and its core business. They also endorse Montblanc's legitimacy, allowing it to extend the brand further into complementary sectors such as leather, watches and men's accessories.

Jewellery retailers as a distribution channel are of major importance to and essential for the future growth of Montblanc. Consequently, the further development of the luxury pen segment of the market is one of the company's main objectives. The launch of product families such as the white metal line of *Meisterstück* stainless steel pens and a number of new steel watches as well as high end men's jewellery accessories are therefore of strategic importance and have already reinforced Montblanc's status and reputation.

Limited or Special Editions like the first Montblanc *Skeleton* fountain pen or the *Skeleton* watch are not just unique items for collectors, they are strategically important to build up customer relationships and loyalty.

This year, Montblanc pursued its strategy for store development, increasing its network to 129 retail outlets. The most spectacular of the 11 new openings was the prestigious two-floor flagship store, opened in June 1999, in the Westbury Building on Madison Avenue in Manhattan's Upper East Side.

Exquisitely crafted Montblanc collections are displayed on the ground floor. The second floor invites the customer to enjoy the world of Montblanc

and its brand philosophy with the finest hand-selected and restored pieces. Montblanc also offers individual services such as personal engraving and customised made-to-order products.

To train sales and marketing staff in the company's products and to give them a full understanding of the brand philosophy, the worldwide training centre – the 'Montblanc Academy' – was established this year in Hamburg. Part of this centre is the Montblanc Gallery, where Montblanc underlines its commitment to promoting arts and culture. The newly established Montblanc culture foundation will sponsor contemporary arts, which are, in the widest sense, interpretations of Montblanc's philosophy.

Montblanc's competence and credibility are the solid foundations for the further development of the brand and the exploitation of its potential in the future.

Above: The Meisterstück fountain pen has become a cult object and is emblematic of the brand.
Below right: The new advertising campaign for the Platinum Collection.
Below: Limited Writers' Edition Marcel Proust – homage to a philosopher.

ALFRED DUNHILL

ESTABLISHED 1893

Founded in 1893 as a family leather goods business, uncompromising quality and craftsmanship have always been the defining features of Alfred Dunhill. Today, the brand continues to create an expression of contemporary English style, providing a full collection of men's clothing and accessories.

Above: The Jermyn Street flagship store in London.
Below left: The new London leather collection combines elegance, sheer quality and modern styling.
Below right: Michael Jordan and rising golf star Sergio Garcia on the course at St Andrew's during the 1999 Alfred Dunhill Cup pro-am tournament.
Right: The commercial success of the Facet watch range has helped to rejuvenate the brand.
Far right: The latest menswear collection reflects a new attitude to tailoring at Alfred Dunhill.

From classic tailored pinstripes and innovative duffel coats to iconic watches, ingenious leather laptop cases, stylish grooming products and pens that offer hidden accessories, Alfred Dunhill stands for 'intelligent' dressing.

New collections and extensions to successful product ranges introduced this year have ensured the continued development of the Alfred Dunhill brand. The commercial success of the popular *Facet* watch and leather goods lines such as the *CityEscape* and *London* collections in particular, have helped to rejuvenate the brand.

The *Baby Facet* watch was awarded the prestigious French *Les Cadrans d'Or* award in April 1999. The *CityEscape*, the new weekend leather collection and already the company's biggest selling leather line, provides the lightness and flexibility needed for short breaks or longer holidays. The success of the *London* leather line is attributed to its unique combination of elegance, quality and modern styling.

Alfred Dunhill's tailoring business also enjoyed a successful year. New styles and garments were added to the innovative *Traveller* range of crease-resistant suits and blazers, and retail sales of ties significantly increased.

High-tech performance materials enhanced new items in the *Golf* collection of clothing and accessories. Endorsed by some of the world's top golfers, including Frank Nobilo, Mark McNulty, Paul McGinley and Anthony Wall, the Alfred Dunhill Golf range clearly has significant growth potential.

Other developments in 1999 included the signing of a new licensing agreement with Cosmopolitan Cosmetics, resulting in the launch in April 2000 of a major new fragrance: *Desire for a man*.

New franchised stores in Milan, Lisbon, and Monaco strengthened the retail network in

Europe, whilst in North America, Alfred Dunhill's retail presence was enhanced by two new stores on Madison Avenue in New York and Ala Moana Boulevard in Hawaii.

The Asia Pacific region continued to deliver positive overall growth. China, in particular, showed good progress with the opening of nine new retail outlets, bringing the total there to 25.

Duty Free markets performed well in the Pacific region, especially in North Asia, where the number of Japanese travellers has increased significantly.

Today, the global presence of the Alfred Dunhill brand extends to 170 retail outlets in 26 countries.

Last year, a contemporary new image for the brand was launched exclusively to Alfred Dunhill customers, with the publication of 'Alfred', a men's fashion magazine, published in eight languages.

Alfred Dunhill's high profile sponsorship activities once again focused upon golf, and in particular, upon the Alfred Dunhill Cup which is held each autumn at St Andrews. Played at this level, the game reflects the lifestyle aspired to by many of the brand's customers.

In 1889, Karl Seeger opened a workshop to manufacture travel bags. He started by producing harnesses and cases, each a tribute to perfection. Over 100 years later, Seeger stands for the very best in travel and business bags, each made from the softest leather.

Above: Incomparable lightness and softness are features for which Seeger luggage is particularly appreciated.
Right: The new boutique in Paris, at 23 rue du Faubourg Saint-Honoré.
Below: The best-selling Sac Cess handbag.

The leather used is Nappa, a lambskin from the French Pyrenees, which is black in colour and incomparably soft. The Nappa leather is tanned in ancient oak barrels for a period of several weeks, a complex process, and one that is still very much a secret. This traditional method of tanning generates such an exquisite leather that the Seeger claim of 'Cashmere in Leather' requires no explanation. The skill of the craftsman lies in transforming every sketch into a work of art, a technique which distinguishes Seeger.

In the latest collections, the colours of the new Seeger ladies' bags, from the shades of bordeaux, champagne and café to ice blue and exquisite classic black, represent both a 'joie de vivre' and an intimate sensitivity. A tortoiseshell look graces the high quality shoulder straps and grips, while the handles are made of a delicate resin. Trapeze-like in form, the handles hide a transparent setting that reflects the colour of the bag. Other distinctive parts are the leather shoulder straps, which are artistically interwoven with unique tortoiseshell elements to match the leather.

In its newly opened Paris store, as with its other boutiques, Seeger offers a customised service which arouses the imagination and makes its customers' dreams come true. For Seeger, 'customised' represents a quality that is both inimitable and absolutely luxurious; even a product's functional details can be customised, so that they acquire their own individual breath of uniqueness.

At a time when individuality has become something of an infinite treasure, Seeger brings its own touch of classical elegance that is both distinctive and utterly personal.

HACKETT LONDON

Founded in 1983, Hackett is a brand which, in a relatively short period of time, has stamped its authority on British clothing, earning for itself a reputation for style and authenticity beyond its years.

The brand combines classic styling that is bound by, but not restricted to, tradition, and through its inherent style and unique approach to retailing traditional men's clothing, Hackett soon gained cult status.

Over the last year, Hackett's most traditional product area, tailored clothing, showed growth in pieces made from finer fabrics and with more colourful trimmings. Tweed, however, remains an important cloth for the company. This was evident in the successful launch of the *Horse and Hound* tweed, named after the eponymous, prestigious publication.

Hackett's sponsorship activities have helped to raise the profile of the brand by lending it an aspirational image and real-life vitality. Whether it be three-day eventing with William Fox-Pitt, sailing through the support of the Etchells sailing boat, rugby with the English national team or rowing with sponsorship of the Thames World Sculling Championship, the partnerships that Hackett has forged over the years have contributed to forging the brand's legitimacy in British casual clothing and sportswear.

Bought by the Group in 1991, the company has thrived and now has 13 shops in London. New, younger customers, keen on Hackett's casual range are also targeted through the extremely successful shop-in-store at Selfridges. Hackett also has a growing wholesale business that has been developed exclusively with high quality independent menswear retailers. This concept is now being extended throughout the United Kingdom.

In addition to existing shops in Paris, Madrid and London, retail expansion plans will concentrate on new distribution channels in Europe, particularly in Italy and Spain.

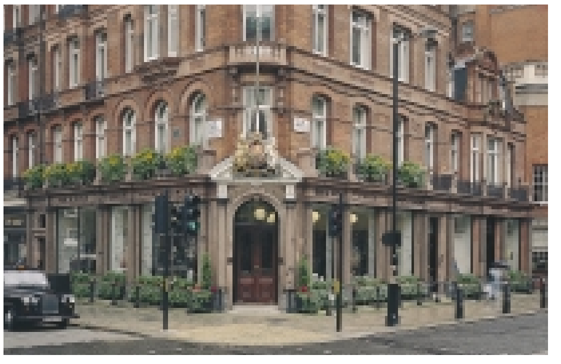
For its future development, Hackett has set its sights on enhancing its presence in Savile Row, an area in London's Mayfair renowned worldwide for its unique quality tailoring. The company's aim is to create the ultimate British suit to stand alongside other premium international suit brands. As part of these expansion plans, in 2000 Hackett will be launching a new luxury range of hand-made, ready-to-wear clothing, which will be complementary to the bespoke department at the new Savile Row premises.

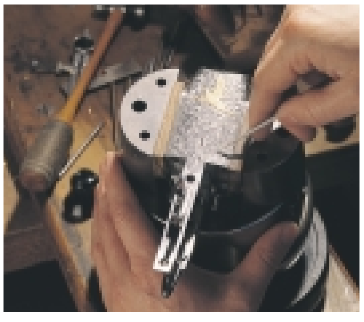
Top left: The flagship store on Sloane Street, London.
Top right: Polo sponsorship has helped to heighten the awareness of the brand.
Right: Tailored clothing made from finer fabrics and more colourful trimmings.

PURDEY

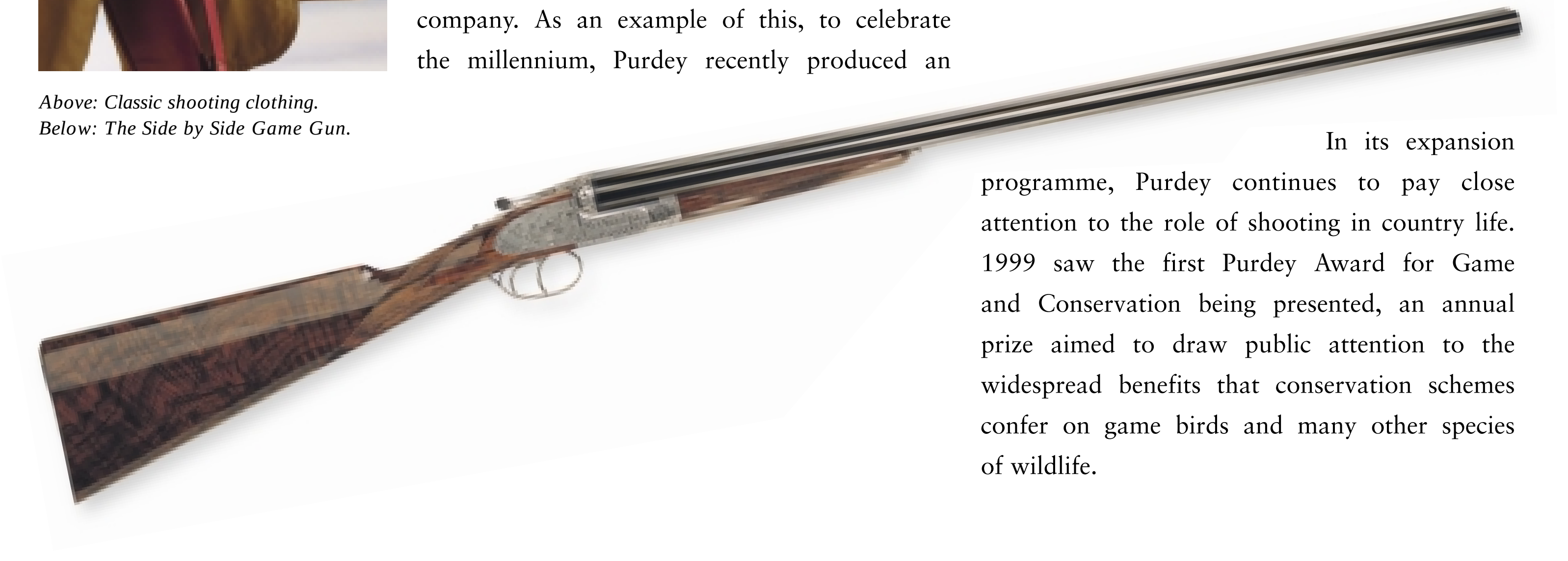
Since 1814, James Purdey & Sons has supplied the very finest guns and accessories to many of the world's most distinguished and discerning people. Intimately linked to British shooting heritage, Purdey is as discrete as an English gentleman's club.

Above: Leather bridle hold-all, cartridge belt and shooting stick.
Right: The London home of Purdey in South Audley Street.
Below: Exquisite engraving on a gun action.





Above: Classic shooting clothing.
Below: The Side by Side Game Gun.



Royal patronage quickly followed its foundation, when the company was granted its first Royal Warrant by Queen Victoria. Today, James Purdey & Sons holds the Warrants of Her Majesty Queen Elizabeth II, HRH the Duke of Edinburgh and HRH the Prince of Wales.

Since the acquisition of the company by Richemont, investment has been made in the latest machine technology for the factory. In no way, however, has this investment replaced the role of tradition. New technology and traditional craftsmanship are now fully integrated and it is this combination, together with the company's commitment to the highest possible standards, that will stand Purdey in good stead for the future.

This new technology has now increased the company's annual production capacity to around 90 guns, without undermining the exclusivity that has contributed so much towards Purdey's success. The bespoke service will, of course, continue to be supplied by James Purdey & Sons to satisfy the most discerning of customers.

The growing collector's market, particularly in the United States, is also important to the company. As an example of this, to celebrate the millennium, Purdey recently produced an exquisitely engraved gun, which required more than 1 000 man hours to complete, for an American collector.

The second-hand gun market is also rapidly expanding as Purdey's reputation spreads in this area.

Purdey is extending the other parts of its business, developing a range of shooting clothing and accessories which are stylish and functional. In the autumn of 1999, Purdey opened a shop on Madison Avenue in New York. A shop-in-store within Old England, the Parisian department store that specialises in quintessentially British style, is planned for the second half of 2000.

In its expansion programme, Purdey continues to pay close attention to the role of shooting in country life. 1999 saw the first Purdey Award for Game and Conservation being presented, an annual prize aimed to draw public attention to the widespread benefits that conservation schemes confer on game birds and many other species of wildlife.

SULKA

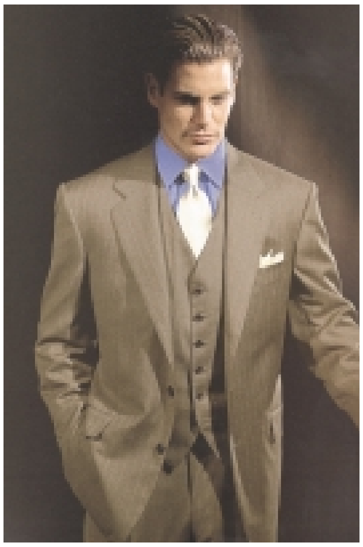
Founded in 1895 in New York City by Amos Sulka and Leon Wormser, Sulka started out by specialising in fine cotton and silks.

By 1911, the company felt ready to expand into Europe, and opened a store in Paris on the rue de Castiglione, thereby developing the first of a European network of suppliers of luxurious textiles and makers of superlative garments. An alluring combination of craftsmanship and style, the core of Sulka's heritage, was thus established.

With Sulka stores located in the most influential cities in the world including New York, Los Angeles, Chicago, London and Paris, Sulka has access to a thoroughly international clientele. Today, Sulka is renowned as much for its classic approach to modern style as its commitment to quality and luxury, a commitment that is as strong as it was when the business first began over 100 years ago.

The Sulka collection was created for the man for whom luxury equals style and ease. Sulka's sportswear and tailored clothing in luxurious fabrics including worsted, cashmere, tropical wool, linen, silk and fine cotton, allow its customers to move seamlessly from work to weekends with the same degree of comfort and style. For Autumn 2000, the collection has taken a modern turn, embracing new silhouettes and fabrics. Highlights of the collection include French leather outerwear, jackets in luxury stretch fabrics including cashmere and baby alpaca, ribbed and melange wool and cashmere knitwear, and corduroy trousers. Tailored clothing is updated with a new slimmer cut.

In July 1999, Sulka opened its flagship store on Madison Avenue in New York City. Designed by Robert Young and Associates, the two-storey store provides a modern, luxurious setting for Sulka's apparel and accessories. Inside the store, an atmosphere of elegance is created through simple forms inspired by classic, mid-twentieth century interior design.



Top left: The flagship store on Madison Avenue, New York.
Above and bottom left: Formal wear and ties have forged Sulka's reputation for excellence.

OLD ENGLAND® PARIS 1867

Old England was founded in 1867 by Alexandre Henriquet in the Opera district of Paris. The friendship that existed between France and Great Britain engendered an appreciation amongst the Parisian bourgeoisie for British products and the Old England store soon became a veritable institution, embodying British chic.

Top: A view of the main entrance on boulevard des Capucines, Paris.
Centre: Available in 25 colours, the traditional English duffel coat is among Old England's best-sellers.
Below: The monumental oak staircase.

Preserved in its original setting, the décor, which extends over three levels, and totals some 1 700 square metres, is meticulously maintained so that today the store remains virtually unchanged from its earliest days.

A monumental oak staircase, dominated by a stained-glass window bearing the Royal Arms for the United Kingdom, imparts a distinctive sense of prestige to the store, and has earned for it the status of an historical monument.

Old England's success stems from the combination of its range of products, which are distinctly British in spirit, and the intimate atmosphere of its retail environment.

The company offers a wide range of products which are selected from the best of British fashion. Amongst some of the most successful items are the duffel coat, which comes in 25 different colours, a selection of cashmere items and fashion accessories, all of which contribute to the company's reputation for expertise and excellence.

Old England's unique charm is one that balances tradition and modernity, a balance that is skilfully maintained to this day.

The liaison with Britain is extended to special events in the store. The launch of the Autumn/Winter Collection, for example, was in association with the Hales Gallery and the Andrew Mummery Gallery. Another example was the opportunity given to ten new English artists, painters, sculptors and photographers to exhibit and showcase their latest creations in the window display at the boulevard des Capucines store.

Old England's profound ties to British culture earned it the Walpole Award for British Excellence this year, an award that was presented by the British Ambassador to France.

Old England also has a presence outside Paris. In addition to the two stores in Lyon and Toulouse, the company also has a network of 23 boutiques in Japan.

Richemont's acquisition of Old England in July 1999 has allowed it to devote the requisite resources for its modernisation and development. Whilst recognising the need to adapt to the ever changing retail market, Old England is driven by the desire to remain faithful to its original concept, a concept that has been shaped by four generations of this family business.

Chloé

Chloé was founded in Paris in 1952 by Jacques Lenoir and Gaby Aghion and soon became one of the first fashion houses to sell luxury ready-to-wear as an alternative to solely haute couture ranges.

The artistic direction of Karl Lagerfeld and, from 1997, of Stella McCartney, has given the brand a solid platform and allowed it to flourish around what are now recognised as the House's signature themes: femininity, romanticism, lingerie-style and pastel colours. Chloé has developed a clear and strong identity with its 'Modern Classic' image by adopting a style that is both glamorous and sexy, young and ironic.

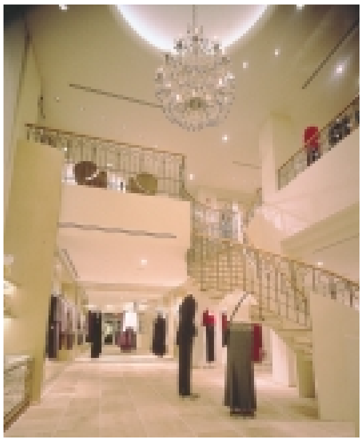
Recent collections have continued to affirm Chloé's trend-setting status. Sequin-embroidered two-piece outfits for evening, lace tops and dresses as well as jeans designed in silk denim were highlights of the Autumn/Winter 1999-2000 Collection. The launch of the Spring/Summer 2000 Collection was equally successful, thanks to its now famous *Millennium* and *I love you* T-shirts that have been elevated to the status of collectors' items.

Chloé accessories, such as the *Heart* sunglasses, are equally sought-after. The enthusiasm from the international press as well as from many celebrities for this latest design has made it a 'must-have' to the extent that waiting lists of several weeks are the rule rather than the exception.

Designed to attract a younger, more fashion-conscious and fashion-loving clientele, particular attention has been paid to refurbishing the stores. A new concept, which better reflects the Chloé style, was inaugurated in September 1999 at the opening of the new flagship store in New York. A focal point within the store is a huge Venetian glass chandelier hanging from the ceiling, hand-made in Murano for Chloé.

The year 2000 will see the complete refurbishment of the stores in Paris, Taiwan, Hong Kong and Osaka. Other plans for this year include the opening of a London store.

Advances in its product range and distribution channels have ensured Chloé's position as a leader in the world of fashion. Ever mindful of the future, Chloé also has plans to develop a new identity that will be a natural extension to the brand. The offering will feature a line of accessories that will include leather goods, jewellery and lingerie, each designed to complement its luxury ready-to-wear garments.

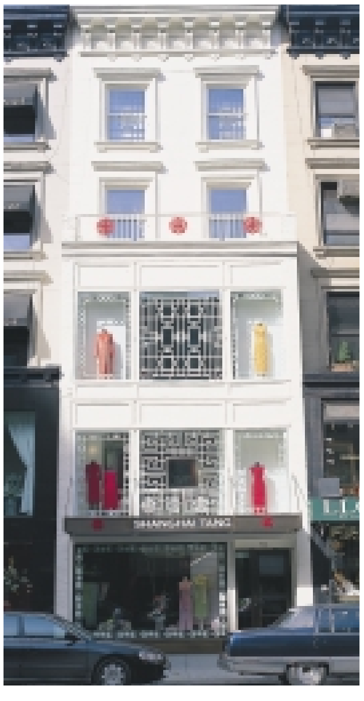


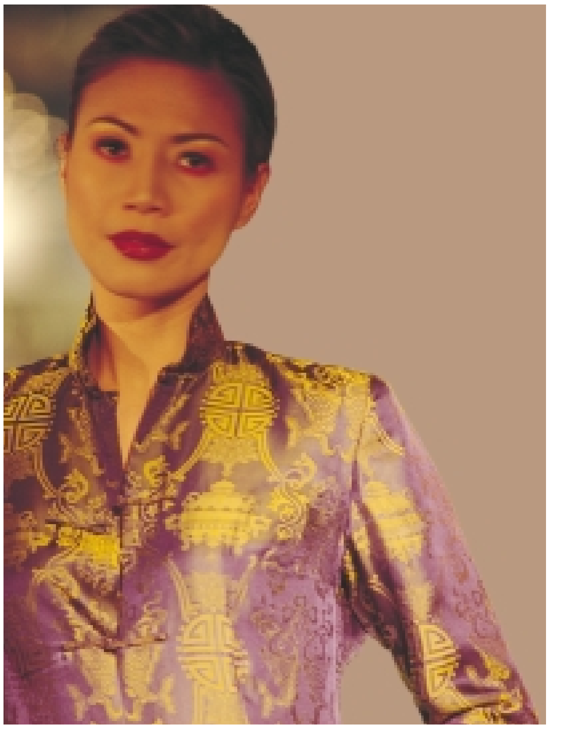
© Mary McCartney

Above: Stella McCartney has been leading the artistic direction at Chloé since 1997.
Top right: The flagship store on Madison Avenue, New York.
Right and above: A selection from the latest collection.

Launched in Hong Kong in 1994, Shanghai Tang blends traditional Chinese culture with the dynamism of the 21st century.

Below: The new boutique in New York opened on Madison Avenue in December 1999.
Bottom: The interior of the Pedder Street flagship store, Hong Kong.
Right: Ladies' two-tone coolie jacket.





Reminiscent of the glamour of Shanghai in the 1920s, Shanghai Tang offers apparel for men, women and children, as well as accessories, homewear, novelty gifts and haute couture. It has the capacity to develop into the first global Chinese luxury brand.

Capitalising upon its oriental mystique, Shanghai Tang is known for its esoteric products and distinctive packaging, and most recently has repositioned itself as a lifestyle concept.

While its core products are distinctly Chinese, Shanghai Tang's aspirations are to be part of mainstream fashion. This change is apparent in the seasonal apparel, where contemporary colours, cutting-edge production and modern silhouettes complement the distinctly Chinese influences. This inimitable style has enticed people from around the world to bring Shanghai Tang into their day-to-day wardrobe and lifestyle.

In September 1999, Shanghai Tang opened two new shops in Hong Kong, with one located in the Atrium at Chek Lap Kok International Airport and the other in the luxurious surroundings of the Peninsula Hotel in Kowloon. At the same time, Shanghai Tang held a private show at the Peninsula. Its huge success was a reflection on the promising and ambitious heights to which Shanghai Tang's new and innovative styles aspire.

For Spring/Summer 2000, Shanghai Tang plans to grace the catwalk once again with a fashion show at the Grand Hyatt Hotel in Hong Kong. With three locations in Hong Kong and one in New York City, international expansion is a key strategy for Shanghai Tang. The company's plans focus on opening wholly-owned shops in selected markets and identifying wholesale partners in others.

FINANCIAL REVIEW

FINANCIAL REVIEW

Richemont's results for the year ended 31 March 2000 reflect strong growth in sales of luxury goods and a corresponding increase in operating profit.

	2000	1999	
Sales	€ 2 924.2 m	€ 2 318.1 m	*+ 26.1%*
Operating profit	€ 534.1 m	€ 390.4 m	*+ 36.8%*
Attributable profit			
– parent and subsidiaries	€ 357.8 m	€ 260.0 m	*+ 37.6%*
– share of associated companies	€ 424.8 m	€ 415.2 m	*+ 2.3%*
– the Group	€ 782.6 m	€ 675.2 m	*+ 15.9%*
Earnings per unit – fully diluted basis	€ 137.04	€ 117.59	*+ 16.5%*

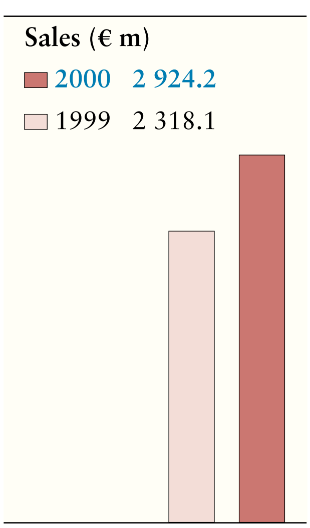
The results presented above exclude the effects of goodwill amortisation and exceptional items from the results for both years.

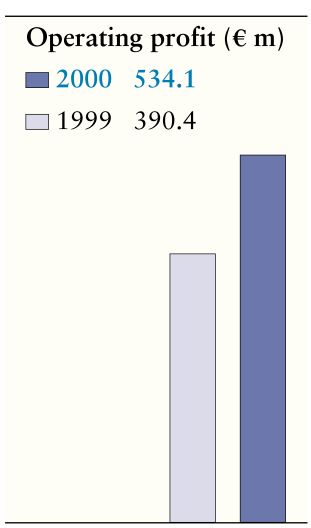
The Group had an excellent year, with sales increasing by 26.1 per cent and operating profit increasing by 36.8 per cent to € 534.1 million. This in part reflected the continuing strength of the United States economy and the recovery in the important Far Eastern economies, following the economic difficulties of the previous two years. Strong sales in the Japanese market have also contributed significantly to the Group's performance. The strength of both the US dollar and the Japanese yen has also had a positive impact on the Group's results, given its largely European manufacturing base.

The turnaround in the economic outlook in the Far East has contributed to very significant sales growth in that region, supported by good performances in the United States and Europe.

All of the Group's product lines have shown substantial improvements in turnover compared to the previous twelve months, with jewellery, gold and jewellery watches and other watches reporting the most significant increases.

The increase in sales is reflected in operating profits, which have risen by 36.8 per cent compared to the prior year, despite significant investment by the Group during the year, particularly in its retail distribution network.





SALES BY REGION

The economic recovery in the Far East and strength of the United States market have contributed to the 26.1 per cent increase in sales reported for the year.

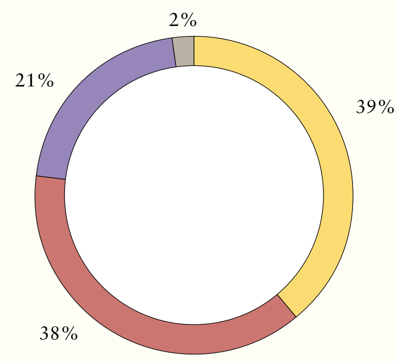
Sales increased by 26.1 per cent over last year to € 2 924.2 million. The economic recovery in the Far East is primarily responsible for this unusually high growth rate, with sales in American and European markets also growing, albeit at more modest rates. The 41.0 per cent growth in sales in the Far East reflected the recovery of certain domestic markets (most notably Japan and Hong Kong), which were particularly depressed last year, and the increase in tourism in consequence of the economic recovery in the region, together with the benefit of the strength of the yen. The Group's sales in the Japanese market have shown substantial growth in the year, primarily due to the success of Cartier in that market.

Sales in Europe have grown 15.9 per cent despite a slow start to the year, with the main markets all showing satisfactory growth rates. The increase has further benefited from the inclusion of Van Cleef & Arpels for the first time, following the acquisition of a controlling interest by Richemont in May 1999.

The continuing strength of the United States' economy has led to strong growth for the Group's brands represented in that market. Richemont's watch brands in particular benefited from the increased demand. Piaget reported significant growth following the buy-back of the United States distribution rights during 1999. Baume & Mercier also contributed to the 29.3 per cent increase in sales in this region, following some very successful product launches during the year. In contrast to the strength of the United States market, economic confidence in certain South American economies has not returned as quickly as it has to the Far East. Consequently, sales growth has not been as marked in that region.

Sales by region (€ m)

	2000	
Europe	1 152.6	*+ 15.9%*
Far East	1 115.6	*+ 41.0%*
Americas	605.6	*+ 29.3%*
Other	50.4	*– 21.9%*
	2 924.2	

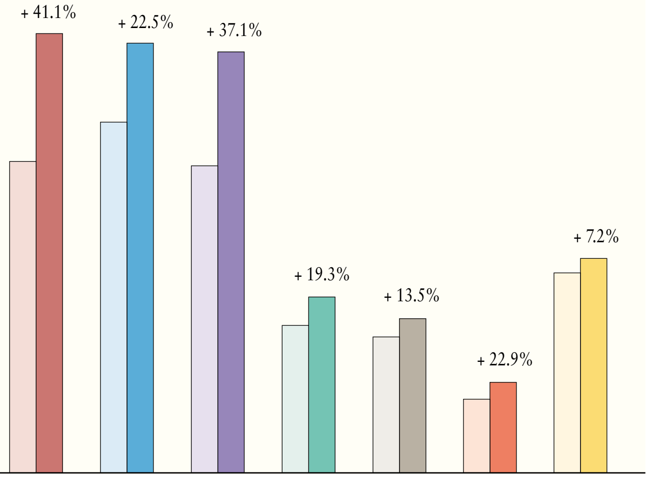


Sales by product line

All product categories showed growth in sales during the year. The largest increases were in terms of jewellery, gold and jewellery watches and other watches.

Sales by product line (€ m)

	1999	2000
Jewellery	473.1	667.4
Gold and jewellery watches	532.8	652.8
Other watches	466.4	639.6
Leather goods	223.9	267.1
Writing instruments	206.4	234.2
Menswear	111.8	137.4
Other	303.7	325.7
	2 318.1	2 924.2



Sales of all major product lines have shown strong growth, with particularly good increases in jewellery and watches. The increase in jewellery sales largely reflects Cartier's success with its established ranges and the launch of new products aimed at the gold jewellery market. The excellent performance by Cartier was complemented by an increase in Piaget jewellery lines and by the inclusion of Van Cleef & Arpels in the second half of the year.

Piaget and Vacheron Constantin, as well as Cartier, have reported good growth in sales of gold and jewellery watches, enhanced by new product launches such as the *Altiplano* from Piaget and Vacheron Constantin's *Overseas Chronograph* in gold.

The trend in many markets towards white metals, including steel, has been reflected in the steep rise in sales of other watches. The Cartier *Pasha* and *Tank Française* steel editions have been successfully launched to a wider market following last year's debut and the *Tank Basculante* has been a major success. Other brands also enjoyed success with new steel models, notably Baume & Mercier's *CapeLand* and Alfred Dunhill's *Facet,* together with Montblanc's growing range of watches.

In terms of leather goods, new product launches by Alfred Dunhill coincided with the recovery in the Far East and complemented the steady growth enjoyed by other brands. Lancel's continuing success in women's handbags reflects both the distinctive Lancel style and the level of service provided by the brand's extensive retail network.

The increase in writing instrument sales were largely due to the benefits of marketing programmes surrounding the 75th anniversary of Montblanc's *Meisterstück* range. Moreover, new launches, such as Montblanc's *Platinum* line, Alfred Dunhill's *Gemline* and Cartier's *Diabolo*, all contributed to higher sales.

Menswear sales have increased primarily due to the positive market reaction to Alfred Dunhill's new collections. Hackett has also shown excellent growth, reflecting in part the positive impact of new store openings.

SALES BY DISTRIBUTION CHANNEL

Retail sales continued to show good growth, reflecting strong market demand for the Group's products together with the impact of new store openings and the inclusion of Van Cleef & Arpels' results for the latter part of the year.

	2000 € m	1999 € m	
Retail sales	1 272.1	900.0	*+ 41.3%*
Wholesale sales	1 652.1	1 418.1	*+ 16.5%*
	2 924.2	2 318.1	*+ 26.1%*

Retail sales represent sales made only through stores owned by the Group and therefore do not include sales to franchise operators, which are included within wholesale sales.

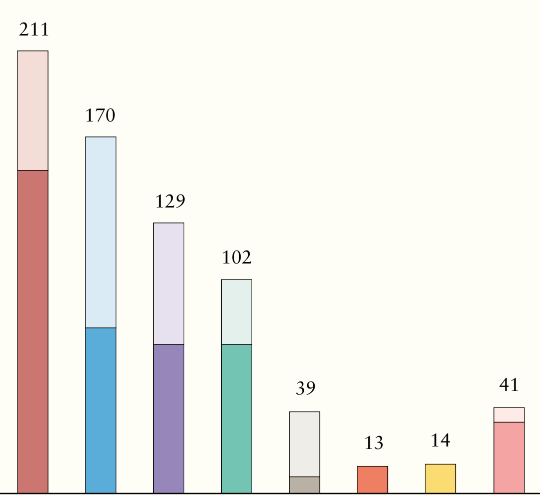
Retail sales showed excellent growth of 41.3 per cent. This reflected strong market demand for jewellery pieces and gold and jewellery watches, which are principally sold through the Group's own boutiques, together with the impact of new store openings. During the year 20 new boutiques were opened around the world, including six stores co-located but each maintaining a separate brand identity on a single block on Madison Avenue, New York. Cartier introduced a new retail concept with a major refurbishment of important boutiques in Paris and Tokyo. This programme will be rolled out over the next few years.

Sales through wholesale channels increased by 16.5 per cent over last year, reflecting the success of new products, increased demand in domestic Far Eastern markets and the effect of increased Japanese tourism.

Retail outlets – The Group has continued its strategy of increasing the number of owned and managed retail outlets for all of its various brands during the year to March 2000, benefiting not only from the more favourable margins which retail sales provide, but also from the enhanced control over distribution and the presentation of each brand's individual image which this allows.

Retail network (Number of outlets)

	Owned	Franchised	Total
Cartier	154	57	211
Alfred Dunhill	79	91	170
Montblanc	71	58	129
Lancel	71	31	102
Van Cleef & Arpels	8	31	39
Piaget	13	–	13
Hackett	14	–	14
Other	34	7	41
	444	275	719



PROFITABILITY

During the year, gross margin benefited from the strength of both the dollar and the yen against the euro and Swiss franc, the currencies which form a large part of Richemont's manufacturing cost base. Operating costs grew in line with expectations but more slowly than gross margin, such that operating profit grew by 36.8 per cent for the year.

	2000 € m	1999 € m	
Sales	2 924.2	2 318.1	*+ 26.1%*
Cost of sales	(995.0)	(839.8)	*+ 18.5%*
Gross margin	1 929.2	1 478.3	*+ 30.5%*
Net operating expenses	(1 395.1)	(1 087.9)	*+ 28.2%*
Operating profit	534.1	390.4	*+ 36.8%*

The Group's gross margin percentage increased to 66.0 per cent of sales, reflecting particularly favourable exchange rates, an increasing share of sales through the retail network and product mix changes, particularly in respect of watch sales. This increase translates to a 30.5 per cent growth in gross margin compared to the year to 31 March 1999.

Operating expenses grew by 28.2 per cent, reflecting a number of factors, including the expansion of the retail network, higher rentals for certain boutiques – which are directly linked to the value of sales – and the strength of both the dollar and yen. The strengthening of the Group's retail base clearly involves a significant investment in terms of both rental costs and increased personnel expenses in the short-term, which typically will feed into increased sales only after some months. Notwithstanding the overall level of increase in operating expenses, operating margin increased from 16.8 to 18.3 per cent, resulting in operating profit growth of 36.8 per cent.

PROFIT AND LOSS ACCOUNT

Attributable profit of the parent and subsidiary companies reflected the good growth in sales and operating profit, whilst the contribution from associated companies was broadly in line with last year.

	2000 € m	1999 € m
Operating profit	534.1	390.4
Net investment expense	(20.8)	(15.3)
Profit before taxation	513.3	375.1
Taxation	(152.2)	(113.1)
Profit after taxation	361.1	262.0
Minority interests	(3.3)	(2.0)
Attributable profit of the parent and its subsidiaries	357.8	260.0
Share of results of associates	424.8	415.2
Attributable profit of the Group	782.6	675.2

The profit and loss account presented above is on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items.

Net investment expense increased by €5.5 million to €20.8 million, primarily due to the cost of financing the Richemont unit buy-back scheme and the acquisition of Van Cleef & Arpels. The net expense predominantly reflects the financing costs of the Group's syndicated loan, which was used to finance the buy-out of the former Vendôme Luxury Group minority shareholders in March 1998.

The Group's tax rate is largely in line with the prior year, with an overall effective rate of 29.6 per cent compared to 30.1 per cent in the year to 31 March 1999.

The attributable profit of the parent company and its subsidiaries, representing the Group's luxury goods business, has increased by €97.8 million, or 37.6 per cent, largely in line with the increase in the Group's operating profit.

The Group's associates contributed €424.8 million at the attributable profit level. The Group's tobacco interests, previously held through Rothmans International and, following the merger of Rothmans International with British American Tobacco in June 1999, through the Group's 23.3 per cent interest in British American Tobacco, contributed € 430.0 million to this figure.

This increased contribution from associates leaves Group attributable profit €107.4 million higher than in the year to March 1999, an increase of 15.9 per cent.

The average exchange rates applied by the Group for the current and previous year are as follows:

	2000	1999
Pound sterling	0.64	0.68
United States dollar	1.03	1.14
Japanese yen	114.53	145.21
Swiss franc	1.60	1.63

ACCOUNTING FOR ASSOCIATED COMPANIES

In contrast to prior years, Richemont now presents the results of associated undertakings as a one line adjustment in the profit and loss account rather than analysing associates' contributions to operating profit, net investment income and taxation.

	2000 € m	1999 € m
British American Tobacco / Rothmans International	430.0	428.1
Canal+	2.5	(1.9)
Hanover Direct	(7.7)	(11.0)
Share of results of associates	424.8	415.2

Richemont's share of the results of associated companies was previously reported within the operating profit, net investment expense, taxation and minority interest captions of the Group's profit and loss account. Following the merger of Rothmans International with British American Tobacco in June 1999, the board has decided to adopt a revised presentation of the results of associated companies which will provide users of the financial statements with greater transparency in analysing the results of the luxury goods businesses. The Group's share of the attributable profit of associated companies is now presented as a separate caption within the profit and loss account. This is supplemented by the extensive financial information made available by those companies through their own annual and quarterly reporting to shareholders.

To facilitate comparability, the Group's 66.7 per cent interest in Rothmans International held during the year to 31 March 1999 and the two month period up to end May 1999 has been reflected in this report using the equity method and included in the Group's share of the results of associated companies. The 'Attributable profit of the parent and its subsidiaries' presented in the Group profit and loss account therefore relates solely to Richemont's luxury goods operations and does not include the results of the tobacco business in either year.

On this basis, the contribution to attributable profit from the Group's associates has increased, in euro terms, by some 2.3 per cent, with its tobacco interests, which represent the principal element of the profit generated by the associates, showing an increase of € 1.9 million compared to last year.

Both Hanover Direct and Canal+, the Group's associated companies operating in the direct retailing and pay-television businesses, reported better performances than in the prior year.

During the year the Group sold its 15 per cent investment in Canal+ in exchange for 2.9 per cent of Vivendi SA. The Group results for the year to 31 March 2000, therefore, include the Group's share of Canal+ results to 30 September 1999, the effective date of disposal for accounting purposes. The holding in Vivendi is held by the Group as a short-term investment at the balance sheet date.

British American Tobacco p.l.c. – The merger of British American Tobacco and Rothmans International, which was concluded in June 1999, created the world's second largest international tobacco company.

In consequence, Richemont has equity accounted its 66.7 per cent interest in Rothmans International for the two-month period ended 31 May 1999 and has equity accounted its effective 23.3 per cent interest (being two thirds of the 35 per cent equity interest held jointly with Rembrandt Group Limited) in BAT for the period 1 June 1999 to 31 March 2000.

As BAT's financial year ends on 31 December, Richemont's accounting treatment involves adjustments to the results of BAT's financial year ended 31 December to eliminate the first three months of each year and to add the results for the quarter ending 31 March of the following year.

The table below illustrates the adjustments made to BAT's reported results for the year to 31 March 2000 for inclusion in Richemont's financial statements.

	£ m
Attributable profit as reported by BAT for the year ended 31 December 1999	556.0
Attributable profit as reported by BAT for the quarter ended 31 March 2000	55.0
Adjustments:	
– to eliminate the attributable profit of BAT for the five months to 31 May 1999	(236.0)
– in respect of deferred taxation (see below)	112.0
– to eliminate goodwill amortisation	246.0
– to eliminate exceptional items reported by BAT:	
– restructuring costs arising from the merger	245.0
– gain on disposal of brands	(52.0)
– restructuring costs arising from Imasco transaction	45.0
– charge on acquisition of Japanese distributor	50.0
– others	3.0
Adjusted attributable profit of BAT for the period 1 June 1999 to 31 March 2000	1 024.0
Richemont's 23.3 per cent share of the attributable profit of BAT for the period 1 June 1999 to 31 March 2000	238.9
Richemont's 66.7 per cent share of the attributable profit of Rothmans International for the period 1 April 1999 to 31 May 1999	36.4
Results of the Group's tobacco interests for the period 1 April 1999 to 31 March 2000	275.3
	€ m
Converted at the average €/£ rate of 0.64 for the year	430.0

Richemont's accounting policies conform with the valuation principles of International Accounting Standards, which require that full provision be made for all deferred tax assets and liabilities, whereas BAT prepares its financial statements under UK Generally Accepted Accounting Principles, which prescribe partial provisioning for deferred tax. An adjustment has therefore been made to account for the difference in the accounting treatment of deferred tax assets and liabilities.

Comparison of the results of Richemont's tobacco interests in the current and prior years is severely complicated by the impact of the merger of Rothmans International with BAT in June 1999. Whereas in the previous financial year Richemont directly held a 66.7 per cent interest in Rothmans International, in the year under review the results of Richemont's tobacco interests are made up as to a 66.7 per cent share of Rothmans International in April and May 1999 and an effective 23.3 per cent interest in the enlarged BAT for the latter ten months of the year.

In operational terms, the merger of the former Rothmans International operations with those of BAT is now complete. Cost savings as a result of the merger are already being realised and the anticipated level of savings of £ 250 million per annum will be achieved ahead of schedule. BAT has made rapid progress in simplifying its long-term brand portfolio with State Express 555, Kent, Lucky Strike, Benson & Hedges, Dunhill, Rothmans and Pall Mall being its main international brands for the future. As a consequence of the merger, BAT is in a strong position to further expand its position as the world's second largest tobacco company and, during 1999, increased its global market share to 15.4 per cent and its share of the important premium international brand segment to 17.6 per cent.

Richemont's share of the results of its tobacco operations grew by € 1.9 million or 0.4 per cent to € 430.0 million. The results of both periods are not directly comparable for the reasons given above and are further complicated by the impact of the translation of the results of both years from sterling into euros.

In the quarter to 31 March 2000 BAT acquired the remaining shares in its former Canadian associate, Imasco, that it did not already own and immediately sold Imasco's two principal non-tobacco businesses, CT Financial Services Inc and Shoppers Drug Mart. The sale process for the third non-tobacco business, Genstar, continues. As a result of this transaction, BAT has consolidated the results of its Canadian tobacco business, Imperial Tobacco, for the period from 1 February 2000, and has included an estimate of the goodwill arising of some £ 2 115 million in its net assets at 31 March 2000. BAT's reserves include an amount of £ 1 266 million in respect of the Group's share of the surplus arising on revaluing Imasco's non-tobacco businesses prior to disposal. As a result of this revaluation, BAT's profit and loss account does not include any gain realised on these disposals. Richemont has reflected this revaluation of BAT's underlying investment in Imasco as an adjustment to the fair value of the opening net assets which Richemont acquired on completion of the merger of BAT with Rothmans International in June 1999. This adjustment has therefore reduced the amount of goodwill recognised by the Group on the acquisition of its 23.3 per cent interest in BAT to € 3 480 million. This compares to some € 3 860 million which was provisionally estimated and included in the Group's interim balance sheet at 30 September 1999.

During the year under review, Richemont announced that it would exercise the put options the Group held in respect of one half of its holding in BAT convertible redeemable preference shares. These options were exercised on 7 June 2000 and, in consequence, the Group's effective interest in BAT has decreased from 23.3 per cent to 21.1 per cent. Richemont has received an amount of £ 463.3 million in cash from BAT and will recognise an exceptional gain in respect of the effective disposal of part of its holding in BAT in the financial year to 31 March 2001.

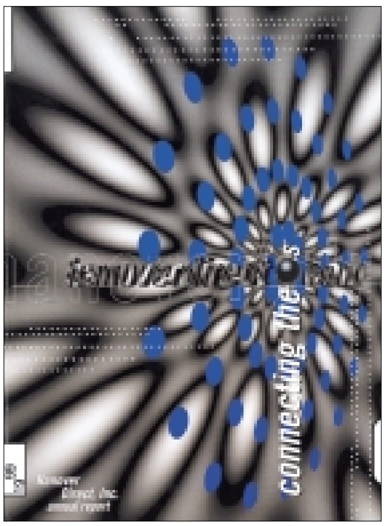
Canal+ – Richemont held its pay-television interests through a 15 per cent stake in Canal+, Europe's leading pay-television group. In September 1999, the Group sold this investment to Vivendi SA in exchange for a 2.9 per cent interest in Vivendi.

Richemont received 17.5 million shares in Vivendi in exchange for its interest in Canal+, representing an equity stake of some 2.9 per cent of the company. Vivendi, which prior to the transaction held a 34 per cent interest in Canal+, is a world leader in utilities and is a major participant in the construction, property and communication industries.

Richemont has equity accounted its share of the results of Canal+ for the nine month period from January to September 1999, the effective date of disposal. Its share of the attributable profit of Canal+ for the nine months to 30 September 1999, after adjusting for goodwill amortisation, was € 2.5 million, compared to a loss of € 1.9 million in the previous year. The improvement in profitability is largely due to improved operating results from Canalsatellite, the group's French digital satellite service, which reported losses in the prior year; together with improvements from NC Numéricâble, which reorganised its operations and marketing in 1998, significantly reducing its operating losses; and lower operating losses from Canal+'s Benelux and Nordic channels.

The Group's investment in Vivendi is included within short-term investments at 31 March 2000, as Richemont intends to dispose of its shares in Vivendi no earlier than one year after the completion date of the transaction, in September 1999. The disposal value of the investment has been locked in through a hedging programme, which was completed in December 1999. Based on this hedged value of € 1.2 billion, the Group's investment is currently forecast to generate an exceptional gain of some € 530 million upon final realisation of the investment, during the financial year to March 2001.

Hanover Direct – Richemont has a 48 per cent interest in Hanover Direct Inc., a public company in the United States which is active in two main business areas – direct retailing through both catalogues and the Internet and the provision of fulfilment services to e-commerce retailers.



Over the last two years, Hanover Direct has been transformed from a traditional, catalogue-based direct retailer into an e-commerce oriented business. Two distinct, Internet-focused divisions have now been established under the Hanover Direct banner.

In its financial year to 31 December 1999, Hanover Direct overall reported a net loss of $ 16.9 million, largely as a result of the considerable investment made in launching the third party Internet fulfilment division. Richemont's equity accounted share of Hanover Direct's losses amounted to a loss of € 7.7 million, compared to a loss of € 11.0 million in the prior year.

The traditional direct retailing business achieved a turnaround from losses in 1998 to an operating profit of $ 10.4 million in 1999. This was achieved through significant improvements in the ranges of products being offered, the elimination or sale of non-core catalogue businesses and improved customer care.

In addition to its strong core catalogues such as *Domestications*, *The Company Store* and *Silhouettes*, Hanover Direct launched new catalogue/e-commerce brands during the year. By combining the printed catalogue with the Internet and the skills of its telephone call centre teams, Hanover Direct believes that it has the ideal foundation to grow in the increasingly e-commerce dominated environment. This is borne out by the almost fourfold growth in sales over the Internet in 1999, which increased to $ 32.8 million. In December 1999, over 11 per cent of Hanover Direct's retail sales were made over the Internet.

Last year also saw the rapid expansion of Hanover Direct's third party fulfilment business. Little more than a concept in 1998, this has become established in the growing market providing fulfilment services to third party mail order and e-commerce retailers as well as to Hanover Direct's own brands. It provides end-to-end solutions, from website design across its integrated IT platforms through to telemarketing and order fulfilment. That turnkey business-to-business offering has proved a perfect match to the needs of e-retailers who need the flexibility to move quickly in a rapidly developing market.

Both areas of Hanover Direct's business have the capacity to grow dramatically as technology opens new avenues for consumers to shop in a manner which is convenient and efficient. Hanover Direct benefits considerably from its multi-channel approach to informing customers, with catalogue deliveries spurring Internet sales and target e-mailing improving the productivity of the printed catalogue. Equally, the considerable expertise established within the fulfilment business has also helped it to avoid the pitfalls of overstretched distribution that have impacted negatively on other companies in the industry.

CASH FLOW STATEMENT

Richemont's cash flow from operating activities increased to € 659.2 million, reflecting the healthy performance of the underlying businesses.

	2000 € m	1999 € m
Operating profit	534.1	390.4
Depreciation and other non-cash items	88.1	58.8
Decrease/(increase) in working capital	37.0	(154.7)
Net cash inflow from operating activities	659.2	294.5
Dividends received from associates	53.0	312.8
Returns on investments and servicing of finance	(22.4)	(25.7)
Taxation paid	(146.0)	(125.0)
Net acquisitions of tangible fixed assets	(150.3)	(75.0)
Buy–back of Richemont units	(203.3)	(66.0)
Other acquisitions and investments	(288.1)	(50.2)
Net cash (outflow)/inflow before financing activities	(97.9)	265.4
Dividends paid	(117.9)	(96.5)
Other financing activities	(118.2)	(37.0)
Exchange rate effects	(66.7)	(8.9)
(Decrease)/increase in cash, cash equivalents and short-term borrowings	(400.7)	123.0
Cash and cash equivalents at the beginning of the year	109.2	(13.8)
Cash and cash equivalents at the end of the year	(291.5)	109.2

Cash generated by operating activities increased substantially by € 364.7 million compared to the prior year, reflecting both the significant improvement in the Group's operating profit and the decrease in working capital requirements, in contrast to the significant increase in the year to March 1999.

The level of dividends received from associates decreased in the current year, reflecting the receipt of only an interim dividend from BAT in September 1999, following the merger of Rothmans International with BAT in June 1999. This compares with total dividends of € 298.6 million received from Rothmans International during the prior year. The Group did not receive the final BAT dividend in respect of 1998, as this was paid to shareholders prior to the merger with Rothmans International. At 31 March 2000, Richemont has accounted for its share of the BAT final dividend for the calendar year 1999 in the amount of € 158.2 million as a debtor, the dividend being received in May 2000.

Investments in tangible fixed assets increased substantially, reflecting the Group's high level of capital expenditure during the year, largely due to an expansion of the existing retail network of boutiques and the launch of an extensive programme to expand the Group's manufacturing base. This three year programme will involve overall expenditure of some € 200 million on a project to develop the Group's various watch production facilities in Switzerland. In addition to the continued extension of the Group's network of boutiques, further expenditure was committed to the refurbishment of existing retail outlets.

The Group commenced a unit buy-back programme in March 1999, initially to purchase 100 000 Richemont units. These units were acquired during March and

April 1999 as a hedge against commitments in respect of a long-term equity based executive compensation plan. Of these units purchased, some 23 400 have been sold, subject to certain restrictions, to group executives as part of the Group's long-term executive compensation plan. The Group has recorded loans totalling € 31.8 million in respect of these sales. During the latter part of the financial year a further 50 000 units were purchased by the Group.

During the year the Group made a number of strategic investments, the most significant being the purchase of a 60 per cent stake in Van Cleef & Arpels. The Group also acquired Old England, a fashion and accessories business based in Paris.

The Group has consolidated its investment in Shanghai Tang, a Hong Kong based retail group, for the first time in the balance sheet at 31 March 2000. As the Group previously held its investment in Shanghai Tang within long-term investments, this revised treatment has had no impact on the current year's cash flow statement.

The cash outflow in respect of financing activities primarily represents the partial repayment of the Group's syndicated loan, which was drawn down in March 1998 to fund the buy-out of the former Vendôme Luxury Group's public shareholders.

Analysis of net borrowing position – The Group's net borrowings at the balance sheet date are set out in the table below.

Net borrowings increased by some € 283.4 million during the year, the cash generated by the Group's operations being more than offset by the significant long-term investments made in the Group's operating assets, strategic acquisitions and the cost of the buy-back of Richemont units.

Richemont gave notice during the year of its intention to exercise its put option in respect of one half of the convertible redeemable preference shares the Group holds in BAT. The Group's share of the cash consideration in respect of these shares, amounting to £ 463.3 million (some € 740 million) has been received on 7 June 2000 and is therefore not reflected in the cash flow statement to 31 March 2000. In addition, the Group has announced its intention to dispose of its interest in Vivendi during the latter part of the current financial year and has hedged the value of its holding in Vivendi such that the net proceeds of its disposal will amount to some € 1.2 billion.

	2000 € m	1999 € m
Cash, cash equivalents and short-term borrowings	(291.5)	109.2
Long-term borrowings	(712.6)	(829.9)
Net borrowings	(1 004.1)	(720.7)

PROFIT AND LOSS ACCOUNT ON A REPORTED BASIS

The profit and loss account on a reported basis includes the impact of exceptional items and goodwill amortisation on the results of the Group.

	2000 € m	1999 € m
Operating profit	534.1	390.4
Goodwill amortisation	(80.6)	(70.3)
Exceptional items	2 582.4	–
Profit before net investment expense and taxation	3 035.9	320.1
Net investment expense	(20.8)	(15.3)
Profit before taxation	3 015.1	304.8
Taxation	(152.2)	(113.1)
Profit after taxation	2 862.9	191.7
Minority interests	(0.8)	(2.0)
Attributable profit of the parent and its subsidiaries	2 862.1	189.7
Share of attributable profit of associates	119.8	283.6
Share of attributable profit on an adjusted basis	424.8	415.2
Goodwill amortisation in respect of associates	(199.0)	(131.6)
Share of exceptional items reported by associates	(106.0)	–
Attributable profit of the Group on a reported basis	2 981.9	473.3

A summary of the effects of goodwill amortisation and exceptional items on profit attributable to unitholders is shown below:

	2000 € m	1999 € m
Attributable profit of the Group on a reported basis	2 981.9	473.3
Elimination of goodwill amortisation	277.1	201.9
Reported by the parent and its subsidiaries	80.6	70.3
In respect of associates	199.0	131.6
Minority interests	(2.5)	–
Elimination of exceptional items	(2 476.4)	–
Gain arising from Rothmans International / BAT merger	(2 582.4)	–
As reported by BAT	106.0	–
Attributable profit of the Group on an adjusted basis	782.6	675.2

Goodwill – Richemont's accounting policy, in accordance with International Accounting Standards, is to capitalise and subsequently amortise goodwill through the consolidated profit and loss account over its estimated useful life, up to a maximum period of 20 years. The Group's goodwill amortisation charge at the attributable profit level for the year ended 31 March 2000 was € 277.1 million (1999: € 201.9 million). A proportion of this charge, however, related to goodwill arising on acquisitions made by the Group's associated undertakings. Such goodwill is capitalised within the balance sheet of the associate concerned and consequently, following the principles of equity accounting, appears in the Richemont consolidated balance sheet as part of investments in associated undertakings. At 31 March 2000, of the goodwill amortisation charge referred to above, € 25.8 million (1999: € 17.7 million) related to goodwill which has been capitalised by associated undertakings.

The goodwill amortisation charge for the year reported by the parent and its subsidiaries has increased by € 10.3 million, largely in respect of the goodwill of some € 213.4 million recognised on the acquisition of Van Cleef & Arpels in May 1999. This amount includes goodwill of some € 48 million which is attributable to outside shareholders' interests in the company.

The increase in goodwill amortisation in respect of the Group's associates is due to the Group's acquisition of a 23.3 per cent interest in BAT in June 1999, on which goodwill of € 3 480.2 million was recognised. In the prior year, the charge predominantly related to the goodwill the Group had recognised in respect of its investment in Rothmans International.

Exceptional items – The exceptional gain represents the gain realised on the merger of Rothmans International with British American Tobacco in June 1999. The transaction has been accounted for as a dilution of the Group's interest in Rothmans International in return for an equity interest in the enlarged BAT, resulting in a gain of € 2 582.4 million. The gain is calculated on the basis of the value of the shares in BAT received in consideration for the Group's interest in Rothmans International compared to the Group's share of the underlying net assets of Rothmans International together with the goodwill related thereto at the date of the transfer.

The exceptional items included within the Group's associates all relate to items reported as exceptional by BAT in the period 1 June 1999 to 31 March 2000. These include restructuring costs arising following the merger of BAT and Rothmans International, restructuring costs following BAT's transactions with Imasco, its former Canadian associate, exceptional income recognised following the sale of certain BAT brands in Australasia and the cost of repurchasing stock previously sold to BAT's Japanese distributor, which BAT acquired in March 2000.

Richemont has treated its share of these items as exceptional, in line with the treatment adopted by BAT.

Earnings per unit

	2000 €	1999 €
Earnings per unit on a reported basis		
– basic	527.30	82.43
– fully diluted	520.06	82.43

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the year of 5 655 018 units and the attributable profit of the Group of € 2 981.9 million for the year. This takes into account the buy-back of 150 000 units implemented during the current and previous years, net of 23 400 units resold under the Group's executive unit purchase scheme.

Fully diluted earnings per unit is calculated by reference to 5 742 000 units outstanding and attributable profit for the year of € 2 986.2 million which reflects the notional additional interest of € 4.3 million which would have accrued had the full number of shares been outstanding during the year.

	2000 €	1999 €
Earnings per unit on an adjusted basis		
– basic	138.39	117.59
– fully diluted	137.04	117.59

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the year of 5 655 018 units and the attributable profit of the Group on an adjusted basis of € 782.6 million for the year.

Fully diluted earnings per unit is calculated by reference to 5 742 000 units outstanding and attributable profit on an adjusted basis for the year of € 786.9 million which reflects the notional additional interest of € 4.3 million which would have accrued had the full number of shares been outstanding during the year.

FINANCIAL STATEMENTS

AS AT 31 MARCH 2000

CONSOLIDATED FINANCIAL STATEMENTS
DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 2000. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2000 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 73 to 76.

The agenda for the Annual General Meeting, which is to be held in Zug on 14 September 2000, is set out on page 88.

Further information on the Group's activities during the year under review and a commentary on the consolidated financial statements are contained in the Brand Review on pages 9 to 32 and the Financial Review on pages 33 to 48. A schedule of Principal Group Companies is presented on page 83. These are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

CONSOLIDATED FINANCIAL STATEMENTS
BASIS OF PREPARATION

REPORTING CURRENCY

Richemont has adopted the euro for financial reporting purposes with effect from 1 April 1999. For the year to 31 March 2000, average rates against the euro have been used to translate the results of subsidiaries and associates not reporting in euros. Given that the euro was only introduced on 1 January 1999, the comparative results for the year ended 31 March 1999 have been translated using a combination of the euro and ecu. These rates are the average weekly closing ecu rate for the nine months to 31 December 1999 as quoted by Reuters and the average weekly closing euro rate for the three months to 31 March 2000 as quoted by Reuters. Details of the exchange rates are set out in the Five Year Record on page 85.

STYLE OF PRESENTATION

The style of presentation differs from the 31 March 1999 Annual Report. Whereas in the past the Group's share of the results of associates was shown analysed within the profit and loss account between operating profit, goodwill amortisation, net interest, taxation and minority interest, the revised presentation shows Richemont's share of associates' attributable profit as a one line adjustment.

Further, the 1999 comparative figures reflect the change in presentation of the results of associated undertakings in the consolidated profit and loss account as set out above. Additionally, the 1999 column reflects the deconsolidation of Rothmans International and its inclusion instead as an associated undertaking accounted for under the equity method. This follows the merger of Rothmans International and British American Tobacco which took effect in June 1999. The Group's tobacco interests have therefore been equity accounted with effect from 1 April 1998. This presentation is intended to facilitate the comparison of the results of Richemont's luxury goods businesses between the two periods.

Consolidated Financial Statements
Statement of Accounting Policies

General
The financial statements are prepared in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland.

The valuation principles applied in the preparation of the profit and loss account, the balance sheet, the cash flow statement and the statement of changes in equity conform with International Accounting Standards. It should be noted, however, that the notes to the financial statements do not in all respects conform with the disclosure requirements of International Accounting Standards and therefore the financial statements as a whole are not in full compliance with them.

The financial statements are presented in euros.

(a) Accounting convention
The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and retained post-acquisition reserves of associated undertakings.

Subsidiary undertakings are defined as those undertakings which are controlled by the Group. Control of an undertaking most commonly exists when the Company holds, directly or indirectly through other subsidiary undertakings, more than 50 per cent of the ordinary share capital and voting rights of the undertaking. The accounts of subsidiary undertakings are generally drawn up at 31 March of each year. Where audited accounts are not drawn up to this date, the amounts are arrived at by reference to the last audited accounts available.

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method. The Group's share of the results and attributable net assets of associated undertakings are derived from accounts drawn up at 31 March of each year, with the exception of Hanover Direct, where the amounts are arrived at by reference to the last available audited accounts as at 31 December 1999.

The attributable results of subsidiary and associated undertakings are included in the financial statements from their date of acquisition.

(c) Foreign currencies
Assets and liabilities denominated in foreign currencies, including investments in associated undertakings, are translated into euros at exchange rates prevailing at the balance sheet date. For consolidation purposes, the share capital of the Company is translated from Swiss francs into euro at the 31 March 1999 closing euro rate. The earnings of those undertakings in the Group, including associated undertakings, whose accounts are denominated in foreign currencies are translated into euros at the average exchange rates prevailing during the year. Exchange adjustments arising from the translation of assets and liabilities of subsidiary undertakings and investments in associated undertakings denominated in foreign currencies are credited or charged directly to consolidated reserves. Where foreign currency borrowing is used to hedge against investments denominated in foreign currency the resultant exchange differences have also been recorded as movements in reserves. Other exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to profit for the year.

(d) Sales
Sales are the amounts receivable by the Company and its subsidiary undertakings from sales to third parties. The amounts receivable are stated after deducting value added taxes, duties, other sales taxes and trade discounts.

(e) Taxation
Provision is made in each accounting period for all taxation expected to be payable in respect of profits earned to the end of the period, including taxation on dividends ordinarily expected to be payable within the Group out of such profits.

Deferred taxation arises from temporary differences between the recognition of certain items in the balance sheet for accounting and taxation purposes. Deferred taxation is accounted for using the liability method in respect of all material temporary differences. Currently enacted rates are used to determine deferred income taxation. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the expected useful lives of the assets. Repairs and maintenance costs are charged to the profit and loss account when incurred.

The costs of fixed assets are depreciated over the expected useful lives of the assets, up to the limits of:

Freehold and leasehold buildings	50 years
Plant and machinery	15 years
Fixtures, fittings, tools and equipment	10 years

Freehold land and assets under construction are not depreciated.

Assets held under finance leases are capitalised and depreciated over their expected useful lives or, if shorter, the lease period. The liabilities corresponding to remaining capital payments under finance leases are included within creditors.

Rentals payable on assets held under operating leases are charged to the profit and loss account in the accounting period when the expense arises.

(G) GOODWILL

Where the consideration paid in respect of the Group's investment in subsidiary and associated undertakings is in excess of the fair value to the Group of the separable net assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over its estimated useful life, up to a maximum of 20 years.

(H) ADVERTISING, PROMOTION, RESEARCH, DEVELOPMENT, PATENTS AND TRADE MARK EXPENSES

These expenses are written off in the accounting period in which they are incurred and taken into account in arriving at profit for the year, except advertising and promotional costs relating to specific future events which are carried forward to the accounting period in which those events take place.

(I) INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Investments in associated undertakings are stated at the Group's share of their net assets, adjusted where necessary to reflect the Group's accounting policies. Up to 31 March 1999, the Group's share of associated undertakings' operating results, goodwill amortisation, net interest, taxation and minority interests were included in the respective lines within the consolidated profit and loss account. From 1 April 2000, Richemont's consolidated profit and loss account will only reflect the Group's share of associated undertakings' attributable profit in one line. However, full details of Richemont's share of associated undertakings' operating result, goodwill amortisation, net interest, taxation and minority interests, are provided within the notes to the financial statements.

(J) OTHER LONG-TERM INVESTMENTS

Long-term investments, other than investments in associated undertakings, are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature.

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a weighted average or 'first in first out' basis. The cost of manufactured products comprises material cost plus direct labour, a proportion of overheads attributable to the stage of production reached and, where applicable, duties and taxes.

(l) Debtors
Trade and other debtors are stated at face value net of provisions for amounts which are not expected to be recoverable in full.

(m) Marketable securities
Marketable securities, which comprise investments in shares and bonds, are stated at the lower of cost and market value.

(n) Pension obligations
The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees. In the financial year to March 2000 the Group implemented International Accounting Standard 19 (revised) – Employee Benefits, which took effect during the year. IAS 19 inter alia amended the accounting treatment of company funded pension plans. The Group has accounted for the transitional pension asset arising as a result of the accounting treatment required by the revised standard by adjusting retained earnings at 1 April 1999.

The Group's contribution to the defined contribution pension plans is charged to the income statement in the year to which they relate.

(o) Product warranties
Provisions are made for warranty repair costs relating to the sale of certain products which are sold under international guarantee against mechanical faults.

(p) Financial instruments
The Group utilises derivative financial instruments in order to hedge interest rate exposure, foreign exchange risk and, where appropriate, market risk relating to equity investments held for resale. The Group does not recognise changes in the market value of any derivative financial instruments in place at the balance sheet date within the financial statements. Where these relate to interest rate risk, settlements under such instruments are accrued and recorded as an adjustment to the interest income or expense related to the underlying exposure. Premiums paid on options are amortised to the profit and loss account over the life of the agreements. Where derivative financial instruments hedge future commitments or transactions in foreign currencies, the unrealised exchange differences are deferred against the matching gains and losses on the underlying transactions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 € m	1999 € m
Sales	3	2 924.2	2 318.1
Cost of sales		(995.0)	(839.8)
Gross profit		1 929.2	1 478.3
Net operating expenses	4	(1 395.1)	(1 087.9)
Operating profit		534.1	390.4
Goodwill amortisation		(80.6)	(70.3)
Exceptional item	5	2 582.4	–
Profit before net investment expense and taxation		3 035.9	320.1
Net investment expense	6	(20.8)	(15.3)
Profit before taxation		3 015.1	304.8
Taxation	7	(152.2)	(113.1)
Profit after taxation		2 862.9	191.7
Minority interests		(0.8)	(2.0)
Share of results of associated undertakings	8	119.8	283.6
Profit attributable to unitholders	9	2 981.9	473.3

A summary of profit attributable to unitholders on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items, is set out below:

	2000 € m	1999 € m
Analysis of profit attributable to unitholders		
Profit attributable to unitholders as reported	2 981.9	473.3
Goodwill amortisation	277.1	201.9
Goodwill amortisation at pre-tax level	80.6	70.3
Share of associated undertakings' goodwill amortisation	199.0	131.6
Goodwill amortisation attributable to minority interests	(2.5)	–
Gain on merger of tobacco interests	(2 582.4)	–
Exceptional items reported by associated undertakings	106.0	–
Profit attributable to unitholders on an adjusted basis	782.6	675.2

Earnings per unit	10	€	€
Earnings per unit on a reported basis – basic		527.30	82.43
Earnings per unit on a reported basis – fully diluted		520.06	82.43
Earnings per unit on an adjusted basis – basic		138.39	117.59
Earnings per unit on an adjusted basis – fully diluted		137.04	117.59

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2000

	Notes	2000 € m	1999 € m
ASSETS			
Fixed assets			
Tangible	11	482.9	363.4
Goodwill	12	4 910.1	1 943.9
		5 393.0	2 307.3
Deferred tax assets	13	95.4	72.6
Investments			
Associated undertakings	14	511.5	1 540.2
Other investments	15	789.9	112.8
		1 301.4	1 653.0
Net current assets			
Inventories	16	1 056.6	850.8
Debtors	17	767.0	494.9
Marketable securities	18	91.9	50.3
Cash		281.7	419.1
Current assets		2 197.2	1 815.1
Current liabilities	19	(1 255.4)	(818.9)
Current tax liabilities		(97.0)	(100.5)
		844.8	895.7
		7 634.6	4 928.6
UNITHOLDERS' FUNDS			
Share capital	20	334.0	334.0
Participation reserve	21	645.0	644.6
Unitholders' capital	22	979.0	978.6
Retained earnings and other reserves	23	5 752.7	3 069.1
		6 731.7	4 047.7
MINORITY INTERESTS		127.5	9.1
LONG-TERM LIABILITIES			
Borrowings	24	673.2	793.7
Other	25	69.4	60.7
Deferred tax liabilities	13	32.8	17.4
		775.4	871.8
		7 634.6	4 928.6

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 € m	1999 € m
Cash inflow from operating activities	28	659.2	294.5
Returns on investments and servicing of finance			
Interest income and similar items		48.5	54.8
Interest paid and similar items		(70.9)	(80.5)
Dividends from associated undertakings		53.0	312.8
Cash flow generated from returns on investments and servicing of finance		30.6	287.1
Taxation paid		(146.0)	(125.0)
Investing activities			
Acquisitions of tangible fixed assets		(175.4)	(87.6)
Proceeds from disposals of tangible fixed assets		25.1	12.6
Acquisitions of subsidiary undertakings, net of cash acquired	29	(230.9)	(27.7)
Proceeds from disposals of subsidiary undertakings, net of cash sold		–	0.8
Acquisitions of other minority interests	29	(0.2)	(10.6)
Acquisitions of associated undertakings		(21.0)	(16.7)
Buy-back of Richemont units		(203.3)	(66.0)
Acquisitions of other investments		(44.9)	(39.4)
Proceeds from disposals of other investments		8.9	43.4
Cash flow applied to investing activities		(641.7)	(191.2)
Net cash (outflow)/inflow before financing activities		(97.9)	265.4
Financing activities			
New long-term borrowings		8.9	1.8
Repayments of long-term borrowings		(126.3)	(37.1)
Capital element of finance lease payments		(0.4)	(0.5)
Dividend paid on Richemont SA participation reserve		(117.9)	(96.5)
Amounts paid to minority interests		(0.4)	(1.2)
Cash flow applied to financing activities		(236.1)	(133.5)
Net cash (outflow)/inflow after financing activities		(334.0)	131.9
Effects of exchange rate movements		(66.7)	(8.9)
Net (decrease)/increase in cash and cash equivalents		(400.7)	123.0
Cash and cash equivalents at beginning of year		109.2	(13.8)
Cash and cash equivalents at end of year	30	(291.5)	109.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2000

	Share Capital € m	Participation reserve € m	Reserve for share buy-back € m	Translation & other reserves € m	Retained earnings € m	Total € m
Balance at 1 April 1998	334.0	644.6	–	22.5	2 636.5	3 637.6
Exchange adjustments	–	–	(1.3)	91.8	8.8	99.3
Profit attributable to unitholders	–	–	–	–	473.3	473.3
Transfer to legal reserves	–	–	–	2.0	(2.0)	–
Buy-back of Richemont units	–	–	(66.0)	–	–	(66.0)
Dividend paid on Richemont SA participation reserve	–	–	–	–	(96.5)	(96.5)
Balance at 31 March 1999	334.0	644.6	(67.3)	116.3	3 020.1	4 047.7
Balance at 1 April 1999						
– As previously reported	334.0	644.6	(67.3)	116.3	3 020.1	4 047.7
– Effect of applying IAS 19 (revised)	–	–	–	–	19.6	19.6
Exchange adjustments	–	–	–	(28.1)	–	(28.1)
Capitalisation of reserves on conversion to euro	–	0.4	–	–	(0.4)	–
Profit attributable to unitholders	–	–	–	–	2 981.9	2 981.9
Buy-back of Richemont units	–	–	(171.5)	–	–	(171.5)
Dividend paid on Richemont SA participation reserve	–	–	–	–	(117.9)	(117.9)
Balance at 31 March 2000	334.0	645.0	(238.8)	88.2	5 903.3	6 731.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 MARCH 2000

Note 1 – Principal changes in Group structure

a) Tobacco products

On 11 January 1999, the boards of Richemont and Rembrandt Group Limited ('Rembrandt') announced the terms of a merger of their combined interests in Rothmans International BV ('Rothmans') with British American Tobacco p.l.c. ('BAT'). On 8 April 1999, the shareholders of BAT and Rembrandt approved the proposed merger. Following receipt of the necessary regulatory approvals, the merger became effective on 7 June 1999. The enlarged group retained the British American Tobacco name.

Under the terms of the agreement, BAT acquired the entire issued share capital of Rothmans International, in consideration for which it issued Ordinary Shares and Convertible Preference Shares to R&R Holdings SA, a holding company jointly held by Richemont and Rembrandt. The new shares account for 35 per cent of the fully diluted ordinary share capital of BAT, 25 per cent in Ordinary Shares and 10 per cent in Convertible Preference Shares. The consideration has been structured to provide Richemont and Rembrandt jointly with an economic interest of 35 per cent in the enlarged group, while limiting their voting interest to a maximum of 25 per cent.

Richemont holds a 66.7 per cent interest in R&R Holdings SA, which in turn holds the effective 35 per cent interest in BAT. Richemont has equity accounted for its effective interest of 23.3 per cent in BAT for the period from 1 June 1999 to 31 March 2000.

Richemont's results for the year ended 31 March 2000 reflect the realisation of an exceptional gain arising on the effective dilution of its interest in Rothmans International (see note 5). The Group's interest in BAT is included within 'Investments in associated undertakings' in the consolidated balance sheet at 31 March 2000.

b) Luxury goods

In May 1999, Richemont acquired an effective 60 per cent interest in Van Cleef & Arpels. Richemont has consolidated Van Cleef & Arpels from the date of acquisition.

c) Media interests

In July 1999, Richemont announced the terms of an agreed sale of its 15 per cent investment in Canal+ in exchange for a 2.9 per cent interest in Vivendi. In September 1999, the transaction was completed. Under the terms of the agreement Richemont received 17 500 000 shares in Vivendi in exchange for its 18 816 636 shares in Canal+. Richemont agreed not to sell its shareholding in Vivendi for a period of 12 months from the date of the transaction. The Group's interest in Vivendi acquired as a result of this transaction is included within 'Other investments' in the consolidated balance sheet at 31 March 2000.

Note 2 – Change in presentation of results of associated undertakings

As detailed in the accounting policy note (I) 'Investments in associated undertakings' on page 52, the presentation of associates' results within the profit and loss account has been revised to show only the Group's share of attributable profit. The notes to the accounts have been revised accordingly.

Note 3 – Sales

The analysis of sales by major product line was as follows:

	2000 € m	1999 € m
Jewellery	667.4	473.1
Gold and jewellery watches	652.8	532.8
Other watches	639.6	466.4
Leather goods	267.1	223.9
Writing instruments	234.2	206.4
Menswear	137.4	111.8
Other	325.7	303.7
	2 924.2	2 318.1

The analysis of net sales revenue by geographical area was as follows:

	2000 € m	1999 € m
Europe	1 152.6	994.3
Far East	1 115.6	790.9
Americas	605.6	468.3
Other	50.4	64.6
	2 924.2	2 318.1

Note 4 – Operating expenses

The analysis of net operating expenses was as follows:

	2000 € m	1999 € m
Selling and distribution costs	469.7	321.5
Administration expenses	925.4	766.4
	1 395.1	1 087.9

The segmental analyses of operating profit by product line and geographical area have not been disclosed as the Directors are of the opinion that such disclosure would be prejudicial to the Group's competitive position.

Operating profit of the Company and its subsidiary undertakings includes the following items:

	2000 € m	1999 € m
Depreciation of tangible fixed assets	83.5	60.4
Personnel expenses (see below)	586.0	510.2
Operating lease rentals	188.2	145.4
Personnel expenses		
Wages and salaries	488.4	428.2
Social security costs	72.5	56.3
Pension costs – defined contribution plans	17.3	19.1
Pension costs – defined benefit plans (note 26)	7.8	6.6
	586.0	510.2
Average number of persons employed by the Group during the year:		
Switzerland	2 364	2 223
Rest of world	8 021	7 245
	10 385	9 468

Note 5 – Exceptional item

The exceptional gain of € 2 582.4 million in the year to 31 March 2000 consists of the gain on the merger of Rothmans International with British American Tobacco p.l.c. This exceptional gain was realised by Richemont on the merger of Rothmans International with British American Tobacco following the completion of the merger on 7 June 1999. The transaction has been accounted for as a dilution of the Group's interest in Rothmans International in return for an equity interest in the enlarged BAT, resulting in a gain of € 2 582.4 million. The gain is calculated on the basis of the value of the shares in BAT received in consideration for the Group's share of the underlying net assets of Rothmans International together with the goodwill related thereto as at the date of transfer. As the gain arises as an accounting entry on consolidation, there is no tax effect.

Note 6 – Net investment expense

	2000 € m	1999 € m
Interest income and similar items	21.4	29.5
Interest expense and similar items	(42.2)	(44.8)
	(20.8)	(15.3)

Note 7 – Taxation

	2000 € m	1999 € m
Current taxation	142.7	132.4
Deferred taxation	9.5	(19.3)
	152.2	113.1

Note 8 – Share of results of associated undertakings

The Group's share of the results of associated undertakings is set out below:

	Rothmans/ BAT € m	Hanover Direct € m	Canal+ € m	Total 2000 € m	1999 € m
Operating profit	814.5	(3.7)	15.3	826.1	787.1
Goodwill amortisation	(172.9)	(4.1)	(22.0)	(199.0)	(131.6)
Exceptional items	(160.0)	–	–	(160.0)	–
Net interest expense	(79.2)	(3.4)	(4.7)	(87.3)	(53.9)
Profit/(loss) before taxation	402.4	(11.2)	(11.4)	379.8	601.6
Taxation	(183.6)	(0.3)	(9.0)	(192.9)	(203.0)
Profit/(loss) after taxation	218.8	(11.5)	(20.4)	186.9	398.6
Other shareholders' interests	(67.7)	(0.3)	0.9	(67.1)	(115.0)
Share of associates' results	151.1	(11.8)	(19.5)	119.8	283.6

Analysed as follows:	Rothmans/ BAT € m	Hanover Direct € m	Canal+ € m	Total 2000 € m	1999 € m
Share of attributable profit on an adjusted basis	430.0	(7.7)	2.5	424.8	415.2
Goodwill amortisation	(172.9)	(4.1)	(22.0)	(199.0)	(131.6)
Exceptional items	(106.0)	–	–	(106.0)	–
Share of attributable profit on a reported basis	151.1	(11.8)	(19.5)	119.8	283.6

The goodwill amortisation charge represents the associates' goodwill and goodwill amortised by Richemont in respect of its investment in the associates.

In the period 1 June 1999 to 31 March 2000, BAT had treated certain items as exceptional. Richemont's share of these exceptional items has been included within the Group's share of results of associated undertakings.

Note 9 – Profit attributable to unitholders

	2000 € m	1999 € m
Attributable profit of the Company and its subsidiary undertakings	2 862.1	189.7
Group's share of profit of associated undertakings	119.8	283.6
	2 981.9	473.3

Note 10 – Earnings per unit

a) On an adjusted basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 5 655 018 units, together with the attributable profit of the Group on an adjusted basis of € 782.6 million for the period. This takes into account the effects of the buy-back of 100 000 units implemented during March and April 1999 and the further buy-back of 50 000 units in the period January to March 2000, less 23 400 units sold to executives under the Group's executive unit purchase scheme.

Fully diluted earnings per unit is calculated by reference to the 5 742 000 units outstanding and attributable profit on an adjusted basis for the period of € 786.9 million which reflects the notional additional interest of € 4.3 million which would have accrued to the Company had the full number of units been outstanding during the period.

b) On a reported basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 5 655 018 units, together with the attributable profit of the Group on an adjusted basis of € 2 981.9 million for the period. This takes into account the effects of the buy-back of 100 000 units implemented during March and April 1999 and the further buy-back of 50 000 units in the period January to March 2000, less 23 400 units sold to executives under the Group's executive unit purchase scheme.

Fully diluted earnings per unit is calculated by reference to the 5 742 000 units outstanding and attributable profit on a reported basis for the period of € 2 986.2 million which reflects the notional additional interest of € 4.3 million which would have accrued to the Company had the full number of units been outstanding during the period.

Note 11 – Tangible fixed assets

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
Cost					
1 April 1999	215.1	187.2	325.1	12.9	740.3
Exchange adjustments	13.2	10.8	24.5	0.7	49.2
Additions	48.6	38.0	69.0	19.8	175.4
Acquisitions of subsidiaries	22.1	5.1	6.8	–	34.0
Transfers and reclassifications	(1.4)	55.4	(48.6)	(5.4)	–
Disposals and provisions	(5.8)	(41.0)	(10.0)	(5.2)	(62.0)
31 March 2000	291.8	255.5	366.8	22.8	936.9
Depreciation					
1 April 1999	68.2	108.4	200.3		376.9
Exchange adjustments	2.7	4.7	12.5		19.9
Charge for the year	14.5	28.2	40.8		83.5
Acquisitions of subsidiaries	5.7	2.8	4.9		13.4
Transfers and reclassifications	(2.0)	39.2	(37.2)		–
Disposals and provisions	(8.2)	(24.5)	(7.0)		(39.7)
31 March 2000	80.9	158.8	214.3		454.0
Net book value					
1 April 1999	146.9	78.8	124.8	12.9	363.4
31 March 2000	210.9	96.7	152.5	22.8	482.9

Included above are fixed assets with a net book value of € 2.6 million (1999: € 2.3 million) held under finance leases.

The net book value of land and buildings comprises:	2000 € m	1999 € m
Freehold land	55.6	33.6
Freehold buildings	121.4	87.5
Long leaseholds	6.4	1.2
Short leaseholds	27.5	24.6
	210.9	146.9

The fire insurance value of fixed assets at 31 March 2000 was € 804.7 million (1999: € 639.7 million).

Authorised capital expenditure for which no provision has been made in these financial statements:

	2000 € m	1999 € m
Contracts placed	26.2	18.7
Authorised but not yet contracted	24.1	18.3
	50.3	37.0

Note 12 – Goodwill

	2000 € m	1999 € m
Cost		
Balance at 1 April	2 125.4	4 470.3
Exchange adjustments	5.1	88.4
Goodwill arising in the year	3 725.3	37.4
Disposals	(620.8)	(0.2)
Change in presentation of Rothmans International	–	(2 470.5)
Balance at 31 March	5 235.0	2 125.4
Amortisation		
Balance at 1 April	181.5	342.9
Exchange adjustments	0.9	6.1
Charge for the year	253.8	184.2
Disposals	(111.3)	–
Change in presentation of Rothmans International	–	(351.7)
Balance at 31 March	324.9	181.5
Net book value	4 910.1	1 943.9

	2000 € m	1999 € m
Analysis of net book value		
Subsidiary undertakings	1 508.8	1 340.1
Associated undertakings		
– BAT/Rothmans International	3 335.2	229.9
– Other	66.1	373.9
	4 910.1	1 943.9

Goodwill arising in the year to 31 March 2000 principally related to the merger of Rothmans International with British American Tobacco. Goodwill arising in the year to 31 March 2000 is analysed in the following table:

	2000 € m	1999 € m
Net consideration	240.9	38.3
Add: Reclassifications and non-cash items	24.3	–
Consideration	265.2	38.3
Net assets acquired	(20.1)	(16.6)
Goodwill arising on the acquisition of subsidiaries and minority interests	245.1	21.7
Goodwill arising on the acquisition of additional interests in associated undertakings	3 480.2	15.7
	3 725.3	37.4

The goodwill amortisation charge of € 80.6 million (1999: € 70.3 million) shown at the pre-tax profit level in the consolidated profit and loss account excludes all goodwill amortisation in respect of associated undertakings and relates solely to goodwill arising in respect of subsidiary undertakings.

	2000 € m	1999 € m
Amortisation charge in respect of subsidiary undertakings	80.6	70.3
Amortisation charge in respect of associated undertakings	173.2	113.9
Amortisation charge for the year (see above)	253.8	184.2
Amortisation charge reflected in the Group's share of the results of associated undertakings	25.8	17.7
– BAT	11.6	–
– Canal+	13.7	17.2
– Hanover Direct	0.5	0.5
Total goodwill amortisation charge for the year	279.6	201.9

Note 13 – Deferred taxation

	1 April 1999 € m	(Charge)/ credit for the year € m	Acquisitions € m	Exchange differences € m	31 March 2000 € m
Deferred tax assets					
Provisions disallowed for taxation	25.4	11.4	0.1	2.0	38.9
Tax losses carried forward	2.4	(2.0)	–	–	0.4
Unrealised gross margin elimination	55.8	(4.1)	1.9	6.7	60.3
Others	(11.0)	1.0	4.2	1.6	(4.2)
	72.6	6.3	6.2	10.3	95.4
Deferred tax liabilities					
Accelerated tax depreciation	(10.8)	2.3	4.7	0.5	(3.3)
Additional provisions allowed for taxation	(26.1)	(16.0)	0.3	(0.1)	(41.9)
Others	19.5	(2.1)	(4.7)	(0.3)	12.4
	(17.4)	(15.8)	0.3	0.1	(32.8)

In addition, at 31 March 2000, the Company and its subsidiary undertakings had taxation losses of € 245.0 million (1999: € 209.6 million) in respect of which taxation assets had not been recognised as the future utilisation of these losses is uncertain. Based on current rates of taxation, utilisation of these losses at 31 March 2000 would result in the recognition of a taxation asset of € 55.4 million (1999: € 48.5 million).

Note 14 – Investments in associated undertakings

	2000 € m	1999 € m
Carrying value at 1 April	1 540.2	481.2
Exchange adjustments	29.5	(23.8)
Acquisitions	412.7	8.1
Disposals	(1 558.7)	(0.8)
Increase in post-acquisition retained earnings and other reserves	87.8	11.5
Change in presentation of Rothmans International	–	1 064.0
Carrying value at 31 March	511.5	1 540.2

Investments in associated undertakings at 31 March 2000 include goodwill of € 1 005.1 million (1999: € 1 711.0 million) which has been capitalised by the Group's associated undertakings, and is analysed as follows:

	2000 € m	1999 € m
Share of net tangible assets/(liabilities)		
– BAT/Rothmans International	(509.3)	(242.3)
– Other	15.7	71.5
	(493.6)	(170.8)
Share of associates' goodwill		
– BAT/Rothmans International	999.2	1 385.5
– Other	5.9	325.5
	511.5	1 540.2

The significant movement in the total carrying value from March 1999 to March 2000 represents the effective disposal of the Group's 66.7 per cent interest in Rothmans International in return for a 23.3 per cent interest in British American Tobacco. In addition, the 31 March 1999 total included the Group's 15 per cent interest in Canal+, which was disposed of in September 1999 in return for a 2.9 per cent interest in Vivendi SA. This investment in Vivendi is included within 'Other investments' at 31 March 2000.

Note 15 – Other investments

	2000 € m	1999 € m
Short-term investments		
– Equity investment held for resale	642.6	–
Long-term investments		
– Shares in listed undertakings	1.2	5.1
– Shares in unlisted undertakings	17.6	2.0
– Others	128.5	105.7
Total other investments	789.9	112.8
Market value of shares in listed undertakings	1.4	7.0

In December 1999 the Group completed a hedging programme whereby it locked in the value of its shareholding in Vivendi, which is included as an equity investment held for resale, at some € 1.2 billion. The Group intends to dispose of its Vivendi shares and unwind these hedging arrangements during the financial year to 31 March 2001.

Note 16 – Inventories

	2000 € m	1999 € m
Raw materials and consumables	19.9	9.2
Work in progress	285.2	221.1
Finished goods and goods for resale	751.5	620.5
	1 056.6	850.8

Note 17 – Debtors

	2000 € m	1999 € m
Trade debtors	364.3	332.2
Amounts owed by associated undertakings	5.2	–
Other debtors	168.8	98.9
Dividend receivable from BAT	158.2	–
Prepayments and accrued income	70.5	63.8
	767.0	494.9

Note 18 – Marketable securities

	2000 € m	1999 € m
Listed securities	27.5	44.7
Unlisted securities	64.4	5.6
	91.9	50.3
Market value of listed securities at 31 March	27.5	45.8

Note 19 – Current liabilities

	2000 € m	1999 € m
Bank loans and overdrafts	665.1	360.2
Short-term portion of long-term loans	11.8	0.9
Trade creditors	114.9	91.3
Obligations under finance leases	0.4	0.4
Duty and excise taxes	25.1	23.2
Other creditors	220.8	202.7
Accruals and deferred income	217.3	140.2
	1 255.4	818.9

Note 20 – Share capital

	2000 € m	1999 € m
Authorised, issued and fully paid:		
5 220 000 “A” bearer shares with a par value of SFr 100 each	303.6	303.6
5 220 000 “B” registered shares with a par value of SFr 10 each	30.4	30.4
	334.0	334.0

Note 21 – Participation reserve

	2000 € m	1999 € m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	645.0	644.6

During the year the functional currency of Richemont SA, Luxembourg was converted from sterling to euros with effect from 1 April 1999. As part of that process, reserves amounting to € 0.4 million were capitalised, increasing the participation reserve to € 645.0 million.

Note 22 – Unitholders' capital

In accordance with the articles of incorporation of the respective companies, the shares issued by the Company and the participation certificates issued by Richemont SA have been twinned as follows:

(a) Each "A" bearer share in the Company with a par value of SFr 100 is twinned with one bearer participation certificate in Richemont SA with no par value to form one "A" unit, issued to bearer.

(b) Every ten "B" registered shares in the Company with a par value of SFr 10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one "B" unit, issued in registered form.

The total number of units in issue is thus made up as follows:

	2000	1999
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	5 220 000	5 220 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	522 000	522 000
	5 742 000	5 742 000

In view of this indivisible twinning of shares and participation certificates, the participation reserve of Richemont SA is presented in the consolidated balance sheet of the Company as a component of unitholders' funds. For the same reason, information which would normally be stated on a per share basis is stated in these financial statements on a per unit basis.

Note 23 – Retained earnings and other reserves

	2000 € m	1999 € m
Balance at 1 April	3 069.1	2 659.0
Effect of applying IAS 19 (revised)	19.6	–
Exchange and other adjustments	(28.5)	99.3
Profit attributable to unitholders	2 981.9	473.3
Dividend paid on Richemont SA participation reserve	(117.9)	(96.5)
Reserve for buy-back of Richemont units established in Compagnie Financière Richemont AG and Richemont SA entity accounts	(171.5)	(66.0)
Balance at 31 March	5 752.7	3 069.1
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	5 681.8	1 967.8
Associated undertakings	70.9	1 101.3
	5 752.7	3 069.1

On 25 February 1999 Richemont announced the buy-back of 100 000 "A" units in the context of an equity based long-term executive compensation scheme. At 31 March 1999 a total of 46 220 units had been acquired with the remaining units acquired by 23 April 1999.

In November 1999 the Board approved a programme to repurchase up to 100 000 Richemont "A" units, again in the context of an equity based long-term executive compensation scheme. By 31 March 2000, 50 000 units had been repurchased. A further 25 000 units were repurchased in April 2000 and it is anticipated that the remaining 25 000 units will be acquired in the period to 30 November 2000.

Legal reserves amounting to € 94.6 million (1999: € 94.6 million) are included above but are not available for distribution.

Note 24 – Long-term borrowings

	2000 € m	1999 € m
Bank loans	682.4	792.2
Other loans	1.2	1.2
	683.6	793.4
Short-term portion of long-term loans (note 19)	(11.8)	(0.9)
Long-term loans	671.8	792.5
Obligations under finance leases	1.4	1.2
	673.2	793.7

Bank and other loans are subject to market rates of interest. No bank loans (1999: € 14.4 million) are secured on tangible assets of Group undertakings.

An analysis of long-term loans by due date of repayment is set out below:

	2000 € m	1999 € m
Amount repayable in the financial years ending 31 March:		
2001	–	176.3
2002	115.3	120.0
2003	528.9	489.0
2004	8.2	–
thereafter	19.4	7.2
	671.8	792.5

Obligations under finance leases fall due for payment as follows:

	2000 € m	1999 € m
Amounts payable between two and five years	0.8	1.0
Amounts payable between one and two years	0.7	0.4
Amounts payable within one year	0.6	0.5
	2.1	1.9
Less: future finance charges included above	(0.3)	(0.3)
	1.8	1.6
Included in current liabilities (note 19)	(0.4)	(0.4)
Included in long-term borrowings	1.4	1.2

Note 25 – Other long-term liabilities

	2000 € m	1999 € m
Obligations for post retirement benefits (note 26)	46.9	51.1
Other provisions	22.5	9.6
	69.4	60.7

Note 26 – Employee benefits

Post retirement benefit obligations

Movement in the liability recognised in the balance sheet:

	2000 € m
At beginning of year	
– Gross as previously reported	51.1
– Less net asset included in ‘Other investments’	(0.3)
	50.8
– Effect of adopting IAS 19 (revised)	(16.9)
– As restated	33.9
Acquisition of subsidiaries	1.4
Exchange differences and other adjustments	(1.6)
Total expenses for the year	7.8
Contributions paid	(3.6)
Net liability	37.9
Add net asset included in ‘Other investments’	9.0
At end of year (see note 25)	46.9

The net liability reflected in long-term liabilities in the balance sheet is determined as follows:

	2000 € m
Present value of funded obligations	171.1
Fair value of plan assets	(175.5)
	(4.4)
Present value of unfunded obligations	35.3
Unrecognised actuarial gain	7.0
Net liability	37.9

The amounts at 31 March 1999 have been restated to take account of the implementation of IAS 19 (revised). Comparative information is not available as it is impracticable to do so.

The transitional asset under IAS 19 (revised) was calculated at 31 March 1999, the decrease of € 16.9 million over the existing liability mainly representing previously unrecognised actuarial gains. This amount, net of the deferred tax asset of € 2.7 million, was credited to opening shareholders’ equity.

The amounts recognised in the profit and loss account are as follows:

	2000 € m
Current service cost	10.3
Interest cost	9.2
Expected return on plan assets	(11.7)
Total included in staff costs (note 4)	7.8

Note 26 – Employee benefits (continued)

The principal actuarial assumptions used for accounting purposes reflected prevailing market conditions in each of the countries in which the Group operates and were as follows:

	1999/2000 cost	Year end benefit obligation	Weighted average
Discount rate	2.0% to 7.0%	2.0% to 7.0%	5.4%
Expected return on plan assets	2.0% to 8.5%	3.0% to 8.5%	8.4%
Future salary increases	2.0% to 5.5%	2.0% to 5.5%	4.8%
Future pension increases	2.0% to 3.0%	2.0% to 3.0%	2.8%

Assumptions used to determine the benefit expense and the end-of-year benefit obligations for the defined benefit plans varied within the ranges shown above. The weighted average rate for each assumption used to measure the benefit obligation is also shown. The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's anticipated cost.

The Group operates a number of defined benefit and defined contribution retirement arrangements.

Principal amongst these are the arrangements in the UK, Switzerland and Germany.

In the UK, benefits are related to service and final salary. The plan is funded by a separate trust, with a funding target such as to maintain assets equal to the value of accrued benefits based on projected salaries.

In Germany, benefits are related to service and final salary. No external pre-financing exists in that no assets are held external to the company to back these liabilities, but the liability is recognised within the balance sheet of the Company, in line with local practice.

In Switzerland, benefits are essentially defined contribution in nature, but subject to a statutory minimum benefit. Although the defined contribution element dominates the plan benefit structure, the 'hybrid' nature of the promise means that, under IAS 19, the plan is technically a defined benefit scheme. Nevertheless, it has been concluded that the most appropriate accounting treatment is to consider this arrangement as if it were a defined contribution plan, subject to a continuing review.

The Group does not have any significant liabilities in respect of any other post-retirement benefits, including post-retirement healthcare liabilities.

Unit-based executive compensation schemes

At 31 March 2000 the Group had repurchased a total of 150 000 Richemont "A" units, in order to hedge obligations arising in respect of long-term unit-based executive compensation schemes. Under the terms of the schemes, executives are either awarded options to acquire Richemont units, or may purchase units subject to certain restrictions or may receive a long-term bonus based on the appreciation of the unit price over a given period of time. The benefits granted under the schemes typically vest over a period of three to six years. No benefits vested during the year to 31 March 2000.

The 100 000 "A" units repurchased in March and April 1999 were fully utilised in respect of awards granted to senior executives. A further 50 000 units were acquired in January and February 2000 and will also be used in respect of awards under the long-term executive compensation plans.

Of the 100 000 units repurchased in 1999, 23 400 were subsequently sold to Group executives as part of the share purchase scheme. Accordingly, the Group has recorded an interest bearing receivable of € 31.8 million in respect of the units sold.

Note 27 – Financial commitments and contingent liabilities

At 31 March 2000 certain Group companies had contingent liabilities and commitments. These principally related to commitments under forward exchange contracts together with commodity contracts which are appropriate to the companies' respective businesses. Such contracts are entered into exclusively to hedge current and forecast future foreign currency exposures and trading commitments arising in the ordinary course of business. No material losses are expected to arise in respect of these contingent liabilities and commitments.

At 31 March 2000 the Company and its subsidiary undertakings had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings		Other assets		Total	
	2000 € m	1999 € m	2000 € m	1999 € m	2000 € m	1999 € m
Within one year	87.7	72.9	5.2	3.3	92.9	76.2
Between two and five years	218.7	174.4	5.2	3.2	223.9	177.6
Thereafter	209.9	160.4	0.7	0.2	210.6	160.6
	516.3	407.7	11.1	6.7	527.4	414.4

In accordance with the second phase of the unit buy-back scheme announced in November 1999, a total of 50 000 units had been purchased by 31 March 2000. The Board has approved the buy-back of a further 50 000 units over the period to end November 2000.

Note 28 – Cash inflow from operating activities

	2000 € m	1999 € m
Operating profit	534.1	390.4
Depreciation of tangible fixed assets	83.5	60.4
Other non-cash items	4.6	(1.6)
Increase in inventories	(19.3)	(66.9)
Decrease/(increase) in debtors	12.0	(61.8)
Increase/(decrease) in current liabilities	44.3	(26.0)
Cash inflow from operating activities	659.2	294.5

Cash inflow from operating activities reflects underlying cash flows incurred in respect of each caption and specifically excludes foreign exchange effects and movements in non-operating assets and liabilities together with increases in working capital as a result of acqusitions.

Note 29 – Acquisitions of subsidiary undertakings and minority interests

	2000 € m	1999 € m
Consideration paid during the year	240.9	38.3
Cash and cash equivalents of subsidiary undertakings acquired	(9.8)	–
Acquisitions of subsidiary undertakings and minority interests – cash outflow	231.1	38.3
Analysed as:		
Acquisitions of subsidiary undertakings, net of cash acquired	230.9	27.7
Acquisitions of other minority interests	0.2	10.6
	231.1	38.3

Note 30 – Cash and cash equivalents

The cash and cash equivalents figure in the consolidated cash flow statement comprises:

	2000 € m	1999 € m
Marketable securities	91.9	50.3
Cash	281.7	419.1
Bank loans and overdrafts	(665.1)	(360.2)
	(291.5)	109.2

Note 31 – Principal group companies

Details of Richemont's underlying investments are given in the schedule of Principal Group Companies on page 83.

Note 32 – Financial instruments

(a) Primary financial instruments

The balance sheet values of cash, debtors, current liabilities and long-term borrowings are approximately equal to their market values and are therefore not dealt with under this note. In the case of the following items, the stated balance sheet amounts differ from their market or fair values at the balance sheet date:

	Net book values		Fair values	
Category	2000 € m	1999 € m	2000 € m	1999 € m
Marketable securities	91.9	50.3	91.9	51.4
Other long-term investments	147.3	112.8	148.5	118.0

(b) Derivative financial instruments

The Group is exposed to financial risks arising from the international nature of its business operations and has therefore established appropriate policies to manage such risks. It is the responsibility of the Group's treasury operations to monitor and manage these financial risks within approved policies. To manage such financial risks, the Group uses derivative hedging instruments to offset exposure whereby the market risk associated with such instruments is primarily offset by equal and opposite movements in the positions covered. The instruments are treated as off balance sheet financial instruments, with related gains and losses recorded in the settlement of the underlying transactions. In the event of early termination of a hedging instrument, the gain or loss continues to be deferred and is included in the settlement of the underlying transaction. Treasury operations are restricted to the hedging of underlying financial risks; trading is not permitted.

Foreign exchange and interest rate risk

To manage foreign exchange risk the Group transacts forward foreign exchange contracts. Forward foreign exchange contracts hedge receivables or payables denominated in foreign currencies or related commitments in foreign currency. Hedging is undertaken as appropriate on a rolling monthly basis out to a maximum maturity of 12 months. The profit or loss on each contract is recognised on maturity in order to match the underlying exposure.

To manage interest rate risk the Group selectively undertakes interest rate swaps and forward rate agreements. Interest rate swaps and forward rate agreements are treated as off balance sheet financial instruments and the resulting interest differentials are recorded as an adjustment to interest expense. In the event of early termination of an interest rate swap or forward rate agreement, gains and losses are deferred and modify the interest cost over the remaining term of the underlying debt. The underlying capital gains or losses on forward interest rate contracts that are designated as hedges are used to adjust the interest expense for the duration of the underlying debt.

Other risks, such as funding risk and credit risk, may be managed, from time to time, by the use of derivative hedging instruments. Except as noted below, no such instruments have been used in the year.

The nominal amount of currency forward contracts includes the forward sale of the proceeds of the BAT preference shares, which are denominated in sterling, for € 740.3 million (see note 33), and the forward sale of the Group's share of BAT's final dividend, also denominated in sterling, for € 158.2 million together with forward sales of foreign currencies in the normal course of business.

	Nominal amount		Fair value adjustment		Credit risk	
Category	2000 € m	1999 € m	2000 € m	1999 € m	2000 € m	1999 € m
Currency forward contracts	1 067.2	51.5	(38.4)	–	–	–
Interest rate swaps	10.7	–	–	–	–	–

Note 32 – Financial instruments (continued)

i) Nominal amount

Nominal amounts represent the sum of all currency contracts by category bought or sold but not offset at the balance sheet date. The contracts have been translated from underlying currencies to euros using exchange rates existing at the balance sheet date. Nominal amounts do not represent amounts exchanged by the contracting parties, but rather represent the contract on which payments are calculated. The potential risk relates to fluctuations in market prices as well as the credit risk of counterparties.

ii) Book value

The Group does not generally recognise the value of any derivative instruments in place at the balance sheet date within its financial statements. At 31 March 2000 no derivative instruments are recognised within the financial statements.

iii) Fair value adjustment

The fair value adjustments of existing interest rate swap agreements and forward rate agreements represent the amount that the Group would have to pay or would receive if the contract were terminated at the balance sheet date. The computation of fair values does not consider the offsetting change in the value of the item being hedged. The fair values of forward foreign exchange contracts are calculated based on market prices for contracts of similar term.

iv) Credit risk

The credit risk is the sum of the fair value adjustments of derivatives with a positive fair value. The credit risk is the danger of non-performance by counterparties. This risk is minimised by entering into contracts exclusively with banks of high credit standing and ensuring that the limits set by the Group for each bank are adhered to. The Group has no significant concentrations of credit risk.

Note 33 – Post balance sheet event

Redemption of BAT preference shares

Under the terms of the merger agreement between Richemont, Rembrandt Group Limited ('Rembrandt') and BAT, up to half of the convertible redeemable preference shares were redeemable for cash at a fixed price of £ 5.75 per share on 7 June 2000. As provided for under the merger agreement, in December 1999 and March 2000, Richemont and Rembrandt jointly notified BAT that they wished to redeem these shares. As a result, Richemont and Rembrandt have redeemed a total of 120.8 million convertible redeemable preference shares, resulting in a cash payment to Richemont of £ 463.3 million or some € 740.3 million on 7 June 2000.

REPORT OF THE GROUP AUDITORS

To the General Meeting of Shareholders of Compagnie Financière Richemont AG, Zug

As auditors of the Group, we have audited the consolidated financial statements on pages 51 to 70, consisting of the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements of Compagnie Financière Richemont AG for the year ended 31 March 2000. The financial statements for the year ended 31 March 1999 have been restated in euros. Further, the Group's interest in Rothmans International BV has been de-consolidated in the comparative financial statements and included in the comparative figures and in the first two months of the current financial year as an associated undertaking accounted for under the equity method.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and cash flows, in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG
Kurt Hausheer Clive Bellingham
Zurich, 7 June 2000

FINANCIAL STATEMENTS OF THE COMPANY

COMPAGNIE FINANCIÈRE RICHEMONT AG

COMPAGNIE FINANCIÈRE RICHEMONT AG
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 SFr m	1999 SFr m
INCOME			
Dividends		60.2	49.7
Interest income		7.2	5.0
Other income		5.1	5.8
		72.5	60.5
EXPENSES			
Interest paid		0.2	1.1
General expenses	2	26.4	15.8
		26.6	16.9
PROFIT BEFORE TAXATION		45.9	43.6
Taxation		0.6	0.8
NET PROFIT FOR THE YEAR		45.3	42.8

BALANCE SHEET
AT 31 MARCH 2000

	Notes	2000 SFr m	1999 SFr m
NON-CURRENT ASSETS			
Investments	3	708.0	700.6
Fixed assets	4	26.4	21.9
		734.4	722.5
CURRENT ASSETS			
Loans to affiliated companies		229.1	224.8
Debtors		0.2	0.1
Cash		1.2	1.3
		230.5	226.2
		964.9	948.7
SHAREHOLDERS' EQUITY			
Share capital	5	574.2	574.2
Legal reserve	6	117.6	117.6
Reserve for own shares	7	95.7	26.9
Retained earnings	8	170.1	193.6
		957.6	912.3
LIABILITIES			
Current liabilities			
Accrued expenses		1.4	0.4
Taxation		0.9	0.8
Loans from affiliated companies		4.8	35.0
		7.1	36.2
Long-term liabilities		0.2	0.2
		7.3	36.4
		964.9	948.7

Compagnie Financière Richemont AG
Notes to the Financial Statements
at 31 March 2000

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 2000 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

	2000 SFr m	1999 SFr m
General expenses are comprised as follows:		
Personnel costs	4.2	3.9
Depreciation	0.5	0.5
Other	21.7	11.4
	26.4	15.8

Note 3 – Investments

These comprise investments in wholly-owned subsidiary companies, which are stated at cost.

	2000 SFr m	1999 SFr m
Richemont SA, Luxembourg	700.0	700.0
Other investments	8.0	0.6
	708.0	700.6

Note 4 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr 18.8 million (1999: SFr 14.3 million). The fire insurance value of tangible fixed assets amounts to SFr 21.5 million (1999: SFr 20.1 million).

Note 5 – Share capital

	2000 SFr m	1999 SFr m
5 220 000 "A" bearer shares with a par value of SFr 100 each, fully paid	522.0	522.0
5 220 000 "B" registered shares with a par value of SFr 10 each, fully paid	52.2	52.2
	574.2	574.2

Note 6 – Legal reserve

	2000 SFr m	1999 SFr m
Balance at 1 April	117.6	114.5
Transfer from retained earnings	–	3.1
	117.6	117.6

The legal reserve is not available for distribution.

Note 7 – Reserve for own shares

On 25 February 1999, proposals were announced to initiate the buy-back of up to 100 000 Richemont "A" units in the context of an equity based long-term executive compensation scheme. By 31 March 1999, a wholly-owned subsidiary of the Company had acquired a total of 46 220 Richemont "A" units, for a total consideration of SFr 107.5 million. The remaining units were acquired by 23 April 1999 bringing the total consideration paid to SFr 234.7 million. In November 1999, a further programme was approved to repurchase up to 100 000 Richemont "A" units, again in the context of an equity based long-term executive compensation scheme for employees. By 31 March 2000, a wholly-owned subsidiary of the Company had acquired 50 000 units for a total consideration of SFr 198.7 million.

During the current year 23 400 units were sold to executives of the Group companies under the Group's executive unit purchase scheme.

A Richemont "A" unit is composed of one "A" bearer share issued by the Company and one participation certificate issued by Richemont SA. At the time of formation of Richemont, 25 per cent of the value of an "A" unit was attributed to the "A" bearer share issued by the Company and 75 per cent to the participation certificate issued by Richemont SA. In terms of the reserve for own shares established in respect of the units repurchased an amount of SFr 68.8 million (1999: SFr 26.9 million), being 25 per cent of the purchase consideration net of sales to Group executives attributable to the share element of the units repurchased during the year, has been transferred to the reserve for own shares. The balance of the net purchase consideration has been transferred to a reserve in respect of the participation certificates repurchased in the balance sheet of Richemont SA.

Note 8 – Retained earnings

	2000 SFr m	1999 SFr m
1 April, before appropriation of prior year retained earnings	193.6	180.8
Transfer to legal reserve	–	(3.1)
Transfer to reserve for own shares	(81.6)	(26.9)
Transfer from reserve for own shares	12.8	–
1 April, after appropriations	124.8	150.8
Net profit for the year	45.3	42.8
	170.1	193.6

The retained earnings are stated before the proposed appropriation as set out on page 76.

Note 9 – Contingent liabilities

At 31 March 2000 the Company had given guarantees totalling SFr 1 707.3 million in respect of which it had received indemnities from subsidiaries in the same amount to cover obligations of various Group companies amounting to SFr 1 160.6 million. The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

COMPAGNIE FINANCIÈRE RICHEMONT AG
NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2000

Note 10 – Significant shareholders

At the Annual General Meeting of shareholders which was held on 16 September 1999, the following significant shareholdings were notified to the Company:

- 5 220 000 "B" registered shares held by Compagnie Financière Rupert, representing 50.0 per cent of the voting rights in the Company.
- 949 934 "A" bearer shares held by Richemont Securities AG, representing 9.1 per cent of the voting rights in the Company. Richemont Securities AG acts as Depositary for depositary receipt holders and votes on their behalf and acts on their instructions at shareholders' meetings. The depositary receipts are listed on the Johannesburg Stock Exchange and represent claims against the Depositary in respect of a one hundredth undivided share of the rights and benefits, including voting rights, attaching to an "A" bearer unit.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS
AT 31 MARCH 2000

	SFr m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	193.6
Transfer to reserve for own shares	(81.6)
Transfer from reserve for own shares	12.8
Net profit for the year	45.3
	170.1

PROPOSED APPROPRIATION

The Board of Directors proposes that the available retained earnings of SFr 170.1 million be carried forward.

The Board of Directors
Zug, 7 June 2000

REPORT OF THE STATUTORY AUDITORS

To the General Meeting of Shareholders of
Compagnie Financière Richemont AG, Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Compagnie Financière Richemont AG for the year ended 31 March 2000.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG
Kurt Hausheer Clive Bellingham
Zurich, 7 June 2000

FINANCIAL STATEMENTS OF THE COMPANY

RICHEMONT SA
société anonyme holding

RICHEMONT SA DIRECTORS' REPORT

The Board of Directors of Richemont SA is pleased to submit its report on the activities of the Company for the year ended 31 March 2000. The following financial statements set out the financial position of the Company and the results of its operations for the year then ended.

STATEMENT OF ACCOUNTING POLICIES

(A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and are presented in euros.

(B) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies during the year are recorded at exchange rates ruling at the time the transactions take place. Monetary assets and liabilities, expressed in currencies other than the euro, are translated at exchange rates ruling at the year end. The resulting exchange gains or losses are credited or charged to income in the current year.

(C) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature. Dividend income is recognised upon declaration by the subsidiary undertaking concerned.

RICHEMONT SA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	2000 € m	1999 € m
INCOME		
Dividends	279.1	149.7
Other income	1.3	–
	280.4	149.7
EXPENSES		
General expenses	2.9	2.9
Profit before taxation	277.5	146.8
Taxation	0.2	0.2
NET PROFIT FOR THE YEAR	277.3	146.6

BALANCE SHEET
AT 31 MARCH 2000

	Notes	2000 € m	1999 € m
ASSETS			
Investments	*3*	3 206.7	1 832.6
Cash		0.8	1.5
Loans to group companies	*4*	134.2	13.3
		3 341.7	1 847.4
LIABILITIES			
Loans from group companies	*4*	(1 374.9)	(0.7)
		1 966.8	1 846.7
CAPITAL AND RESERVES			
Share capital	*5*	215.0	215.0
Participation reserve	*6*	645.0	645.0
Legal reserve	*7*	21.5	21.5
General reserve	*8*	427.0	427.0
Reserve for own participation certificates	*9*	180.6	50.5
Retained earnings	*10*	477.7	487.7
		1 966.8	1 846.7

RICHEMONT SA
NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2000

Note 1 – Basis of preparation of the financial statements

Richemont SA is a Luxembourg holding company, incorporated on 5 March 1979. It is a wholly-owned subsidiary of Compagnie Financière Richemont AG, Zug, Switzerland. The financial statements represent the financial position of the Company at 31 March 2000 and the results of its operations for the year then ended.

Note 2 – Change of reporting currency

An extraordinary general meeting of shareholders held on 21 March 2000 resolved to change the currency of denomination of the share capital of the Company from pounds sterling to euro and to restate the subscribed capital of the Company at € 215 million comprising 1 914 000 shares of no par value (formerly with a par value of £ 75 each) and the participation reserve at € 645 million comprising 5 220 000 bearer non-voting participation certificates with no par value and 522 000 registered non-voting participation certificates with no par value.

The comparative figures have been restated in euros at the pound sterling/euro exchange rate prevailing at the close of business on 31 March 1999.

Note 3 – Investments

These comprise investments in subsidiary companies, which are stated at cost.

Note 4 – Loans to and from group companies

The loans to and from group companies are principally interest free and are repayable on demand.

Note 5 – Share capital

	2000 € m	1999 € m
Issued and fully paid		
1 914 000 shares of no par value	215.0	215.0

Note 6 – Participation reserve

	2000 € m	1999 € m
Reserve established in respect of 5 742 000 participation certificates with no par value	645.0	645.0

The Company has set aside a participation reserve amounting to € 645.0 million and issued, in respect of this reserve, 5 220 000 (1999: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (1999: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 7 – Legal reserve

The legal reserve amounting to a € 21.5 million (1999: € 21.5 million) is not available for distribution.

Note 8 – General reserve

The general reserve amounting to € 427.0 million (1999: € 427.0 million) is available for distribution subject to the approval of the shareholders.

Note 9 – Reserve for own participation certificates

On 25 February 1999, proposals were announced to initiate the buy-back of up to 100 000 Richemont "A" units in the context of an equity based long-term executive compensation scheme. By 31 March 1999, a wholly-owned subsidiary of the Company had acquired a total of 46 220 Richemont "A" units, for a total consideration of € 67.3 million. The remaining units were acquired by 23 April 1999 bringing the total consideration paid to € 148.6 million. In November 1999, a further programme was approved to repurchase up to 100 000 Richemont "A" units, again in the context of an equity based long-term executive compensation scheme for employees. By 31 March 2000, a wholly-owned subsidiary of the Company had acquired 50 000 units for a total consideration of € 123.8 million.

During the current year 23 400 units were sold to executives of the group companies under the Group's executive unit purchase scheme.

A Richemont "A" unit is composed of one "A" bearer share issued by Compagnie Financière Richemont AG and one participation certificate issued by the Company. At the time of formation of Richemont, 25 per cent of the value of an "A" unit was attributed to the "A" bearer share issued by Compagnie Financière Richemont AG and 75 per cent to the participation certificate issued by the Company. In terms of the reserve for own shares established in respect of the units repurchased an amount of € 130.1 million (1999: € 50.5 million), being 75 per cent of the purchase consideration net of sales to Group executives attributable to the participation certificate element of the units repurchased during the year, has been transferred to the reserve for own participation certificates. The balance of the net purchase consideration has been transferred to a reserve in respect of the shares repurchased in the balance sheet of Compagnie Financière Richemont AG.

Richemont SA
Notes to the financial statements
at 31 March 2000

Note 10 – Retained earnings

	2000 € m	1999 € m
1 April, before appropriation of prior year retained earnings	487.7	521.9
Dividend paid on share capital	(37.7)	(30.8)
Dividend paid on participation reserve	(119.5)	(98.8)
1 April, after appropriation	330.5	392.3
Transfer to reserve for own participation certificates	(154.1)	(50.5)
Transfer from reserve for own participation certificates	24.0	–
Capitalised on conversion of share capital to euro	–	(0.3)
Capitalised on conversion of participation reserve to euro	–	(0.4)
Net profit for the current year	277.3	146.6
	477.7	487.7

The retained earnings at 31 March are stated before the proposed appropriation thereof as set out below:

Note 11 – Contingent liabilities

At 31 March 2000 the Company had given guarantees totalling € 1 585.8 million (1999: € 1 732.2 million) to cover obligations of various group companies amounting to € 952.7 million (1999: € 816.1 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

Proposal of the Board of Directors for the appropriation of retained earnings
at 31 March 2000

	€ m
Available retained earnings	
1 April, after appropriation	330.5
Transfer to reserve for own participation certificates	(154.1)
Transfer from reserve for own participation certificates	24.0
Net profit for the year	277.3
	477.7
Proposed appropriation	
Dividend payable on share capital	43.8
Dividend payable on participation reserve	137.8
Balance to be carried forward	296.1
	477.7

The proposed dividend on the share capital will be payable to Compagnie Financière Richemont AG, Zug.

The proposed dividend on the participation reserve amounts to € 24.00 per participation certificate. It will be payable to unitholders of Richemont on 2 October 2000 in respect of coupon number 44, free of charges, at the banks designated as paying agents.

The Board of Directors
Luxembourg, 5 June 2000

RICHEMONT SA
REPORT OF THE STATUTORY AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA for the year ended 31 March 2000. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying annual accounts give, in conformity with the legal requirements, a true and fair view of the financial position of Richemont SA as of 31 March 2000 and of the results of its operations for the year then ended.

PricewaterhouseCoopers S.à.r.l.
Statutory auditors
represented by Luc Henzig
Réviseur d'Entreprises
Luxembourg, 5 June 2000

PRINCIPAL GROUP COMPANIES

AS AT 31 MARCH 2000

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings		
France	Cartier SA	100.0%
	Chloé International SA	100.0%
	Lancel SA	100.0%
	Old England SA	93.5%
	Van Cleef & Arpels SA	60.0%
Germany	Cartier GmbH	100.0%
	Karl Seeger Lederwarenfabrik GmbH	100.0%
	Montblanc – Simplo GmbH	100.0%
Hong Kong	Les Must de Cartier Far East Limited	100.0%
Italy	Vendôme Italia Spa	100.0%
	Officine Panerai Marketing and Communicazione Srl	100.0%
Japan	Cartier Japan Limited	100.0%
	Dunhill Group Japan Limited	66.0%
	Montblanc Japan Limited	100.0%
Luxembourg	Cartier Monde SA	100.0%
	Richemont Finance SA	100.0%
	Richemont Luxury Group SA	100.0%
Netherlands	Cartier International BV	100.0%
	Montblanc International BV	100.0%
	Van Cleef & Arpels BV	60.0%
Switzerland	Baume & Mercier SA	100.0%
	Cartier SA	100.0%
	Cartier International SA	100.0%
	CTL Horlogerie SA	100.0%
	Interdica SA	100.0%
	Piaget (International) SA	100.0%
	Richemont International SA	100.0%
	Richemont Securities AG	100.0%
	Vacheron & Constantin SA	100.0%
	Van Cleef & Arpels SA	60.0%
United Kingdom	Alfred Dunhill Limited	100.0%
	Cartier Limited	100.0%
	Hackett Limited	100.0%
	James Purdey & Sons Limited	100.0%
	Richemont International Limited	100.0%
United States of America	A Sulka & Company Limited	100.0%
	Cartier, Incorporated	100.0%
	VLG North America Inc.	100.0%
	Montblanc Inc.	100.0%
	Van Cleef & Arpels Inc.	60.0%
Subsidiary undertakings – tobacco		
Luxembourg	R&R Holdings SA	66.7%
Associated undertakings		
United Kingdom	British American Tobacco p.l.c. (Tobacco products)	23.3%
United States of America	Hanover Direct, Inc. (Direct retailing)	48.2%

FIVE YEAR RECORD

PROFIT AND LOSS ACCOUNT

	1996 € m	1997 € m	1998 € m	1999 € m	2000 € m
Sales	1 777.0	1 878.6	2 205.0	2 318.1	2 924.2
Cost of sales	(693.7)	(703.7)	(809.8)	(839.8)	(995.0)
Gross profit	1 083.3	1 174.9	1 395.2	1 478.3	1 929.2
Net operating expenses	(789.3)	(863.5)	(1 040.0)	(1 087.9)	(1 395.1)
Operating profit	294.0	311.4	355.2	390.4	534.1
Net investment income/(expense)	(6.4)	13.3	13.0	(15.3)	(20.8)
Profit before taxation	287.6	324.7	368.2	375.1	513.3
Taxation	(78.5)	(81.4)	(93.1)	(113.1)	(152.2)
Profit after taxation	209.1	243.3	275.1	262.0	361.1
Minority interests	(71.7)	(72.3)	(84.8)	(2.0)	(3.3)
Attributable profit of the parent and its subsidiaries	137.4	171.0	190.3	260.0	357.8
Share of results of associated undertakings	245.6	219.9	380.8	415.2	424.8
Tobacco	316.4	356.7	403.5	428.1	430.0
Pay television	(67.5)	(129.7)	(20.2)	(1.9)	2.5
Direct retailing	(3.3)	(7.1)	(2.5)	(11.0)	(7.7)
Profit attributable to unitholders	383.0	390.9	571.1	675.2	782.6
Gross profit margin	61.0%	62.5%	63.3%	63.8%	66.0%
Operating profit margin	16.5%	16.6%	16.1%	16.8%	18.3%
Effective taxation rate	27.3%	25.1%	25.3%	30.2%	29.7%

Basis of preparation

1. The profit and loss account is presented on an adjusted basis excluding the effect of exceptional items and goodwill amortisation. A reconciliation of the results presented on a reported basis is given on page 86.
2. The results for the years 1996 to 1999 have been restated. As set out in note (I) on page 52 of this document, the restated results include the results of the Group's tobacco interests on an equity accounted basis over the five year period, thereby facilitating a comparison of the results of the Group's luxury goods businesses over the period.

FIVE YEAR RECORD

ANALYSIS OF SALES

	1996 € m	1997 € m	1998 € m	1999 € m	2000 € m
Sales by product category					
Jewellery	311.1	329.4	414.0	473.1	667.4
Gold and jewellery watches	374.4	441.9	544.1	532.8	652.8
Other watches	288.5	320.4	404.5	466.4	639.6
Leather goods	195.8	185.0	211.3	223.9	267.1
Writing instruments	208.7	200.3	213.5	206.4	234.2
Menswear	107.7	116.2	120.9	111.8	137.4
Other	290.8	285.4	296.7	303.7	325.7
	1 777.0	1 878.6	2 205.0	2 318.1	2 924.2
Sales by geographic region					
Europe	692.4	697.9	871.2	994.3	1 152.6
Far East	703.7	757.0	809.8	790.9	1 115.6
Americas	322.6	371.7	458.0	468.3	605.6
Other	58.3	52.0	66.0	64.6	50.4
	1 777.0	1 878.6	2 205.0	2 318.1	2 924.2
Sales by distribution channel					
Retail	552.9	643.1	825.5	900.0	1 272.1
Wholesale	1 224.1	1 235.5	1 379.5	1 418.1	1 652.1
	1 777.0	1 878.6	2 205.0	2 318.1	2 924.2

EXCHANGE RATES

	1996	1997	1998	1999	2000
Average rates					
Ecu/€ : £	0.8254	0.7749	0.6759	0.6839	0.6403
Ecu/€ : SFr	1.5105	1.5963	1.6222	1.6277	1.6031
Ecu/€ : US$	1.2910	1.2298	1.1111	1.1353	1.0318
Ecu/€ : yen	124.57	138.59	136.40	145.21	114.53

Note

The exchange rates above are the average ecu rates for the years 1996 to 1998 as quoted by Reuters. For the year to 31 March 1999 the average rate is calculated using the average weekly closing ecu rate for the nine months to 31 December 1998 as quoted by Reuters and the average weekly closing euro rate for the three months to 31 March 1999. For the year ended 31 March 2000, actual euro exchange rates have been used. Throughout the five year record the € sign has been used interchangeably for the ecu and the euro.

FIVE YEAR RECORD

CASH FLOW FROM OPERATIONS

	1996 € m	1997 € m	1998 € m	1999 € m	2000 € m
Operating profit	294.0	311.4	355.2	390.4	534.1
Depreciation	41.1	46.9	51.3	60.4	83.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	335.1	358.3	406.5	450.8	617.6
Other non-cash items	7.4	6.5	4.9	(1.6)	4.6
(Increase)/decrease in working capital	(80.3)	27.1	78.5	(154.7)	37.0
Cash inflow from operating activities	262.2	391.9	489.9	294.5	659.2
Capital expenditure	(59.5)	(94.8)	(76.7)	(75.0)	(150.3)
Net cash inflow from operating activities	202.7	297.1	413.2	219.5	508.9

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1996 € m	1997 € m	1998 € m	1999 € m	2000 € m
Reconciliation of profit attributable to unitholders					
On a reported basis	504.5	662.5	487.4	473.3	2 981.9
Goodwill amortisation	72.7	104.6	134.3	201.9	277.1
Gain on merger of Rothmans International with British American Tobacco					(2 582.4)
Share of British American Tobacco exceptional items					106.0
Share of Canal+ exceptional items			(50.6)		
Gain on merger of media interests		(376.2)			
Gain on merger of tobacco interests	(194.2)				
On an adjusted basis	383.0	390.9	571.1	675.2	782.6

FIVE YEAR RECORD

PER UNIT INFORMATION

	1996	1997	1998	1999	2000
Earnings per unit excluding exceptional items and goodwill amortisation					
– basic	€ 66.70	€ 68.08	€ 99.46	€ 117.59	**€ 138.39**
– fully diluted	€ 66.70	€ 68.08	€ 99.46	€ 117.59	**€ 137.04**
Earnings per unit including exceptional items and goodwill amortisation					
– basic	€ 87.86	€ 115.38	€ 84.88	€ 82.43	**€ 527.30**
– fully diluted	€ 87.86	€ 115.38	€ 84.88	€ 82.43	**€ 520.06**
Dividend per unit – as declared in sterling	£ 8.00	£ 9.40	£ 11.50	£ 13.50	**–**
– in euros (Note 1)	€ 9.69	€ 12.13	€ 17.01	€ 19.74	**€ 24.00**

Note 1

In the years 1996 to 1999 the dividend per unit expressed in euros has been calculated using the average ecu/euro : sterling exchange rate for the relevant financial year as set out on page 85. The euro equivalent on the date of payment of the £ 13.50 in respect of the financial year ended 31 March 1999 was €20.80. The dividend in respect of the financial year ended 31 March 2000 is denominated in euros.

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 p.m. in the "Grosser Saal", Artherstrasse 2-4, 6300 Zug on Thursday, 14 September 2000.

AGENDA

1. Business Report

The Board of Directors proposes that the General Meeting, having taken cognisance of the reports of the Auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the Directors' Report for the business year ended 31 March 2000.

2. Appropriation of Profits

The Board of Directors proposes that the available retained earnings of the Company at 31 March 2000 of SFr 170 100 000 be appropriated as follows:

Balance to be carried forward	SFr 170 100 000

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 2000.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected to serve for a further term of one year: Nikolaus Senn, Jean-Paul Aeschimann, Johann Rupert, Jan du Plessis, Leo Deschuyteneer, Yves-André Istel, Joseph Kanoui, Lord Renwick of Clifton and Ernst Verloop. The Board further proposes that Lord Douro and Mr Alan Quasha be elected to the Board.

5. Election of the Auditors

The Board of Directors proposes that PricewaterhouseCoopers be re-appointed for a further term of one year as Auditors of the consolidated financial statements of the Group and of the financial statements of the Company.

The financial statements of the Group and of the Company along with the related reports of the Auditors together with the Directors' Report for the year ended 31 March 2000 will be available for inspection at the registered office of the Company from 21 August 2000 onwards. A copy of these documents, which are contained in the Richemont Annual Report 2000, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms may be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 8 September 2000:

UBS AG
Bank J Vontobel & Co AG
Darier, Hentsch & Cie
Pictet & Cie
Bank von Ernst & Cie AG

Deposited shares will be blocked until the close of the meeting. No admission cards will be issued on the day of the meeting itself.

A shareholder may appoint a proxy, who need not be the shareholder, as his or her representative at the meeting. Forms of proxy are provided on the reverse of the admission cards. In accordance with Swiss law, each shareholder may be represented at the meeting by the Company, by a bank or similar institution or by Dr Jost A Windlin, Notary Public, Baarerstrasse 8, 6300 Zug as independent agent. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors.

Depositary agents, as defined in Article 689d of the Swiss Company Law, are requested to indicate to the Company, as soon as possible and in any event to the admission control prior to the commencement of the meeting, the number and par value of the shares they represent together with the reference numbers of the relevant admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 and professional fund managers and trustees may be considered as depositary agents.

For the Board of Directors

Nikolaus Senn
Chairman
Zug, 7 June 2000

Johann Rupert
Chief Executive

Designed and produced by AMD Brand Evolution, London