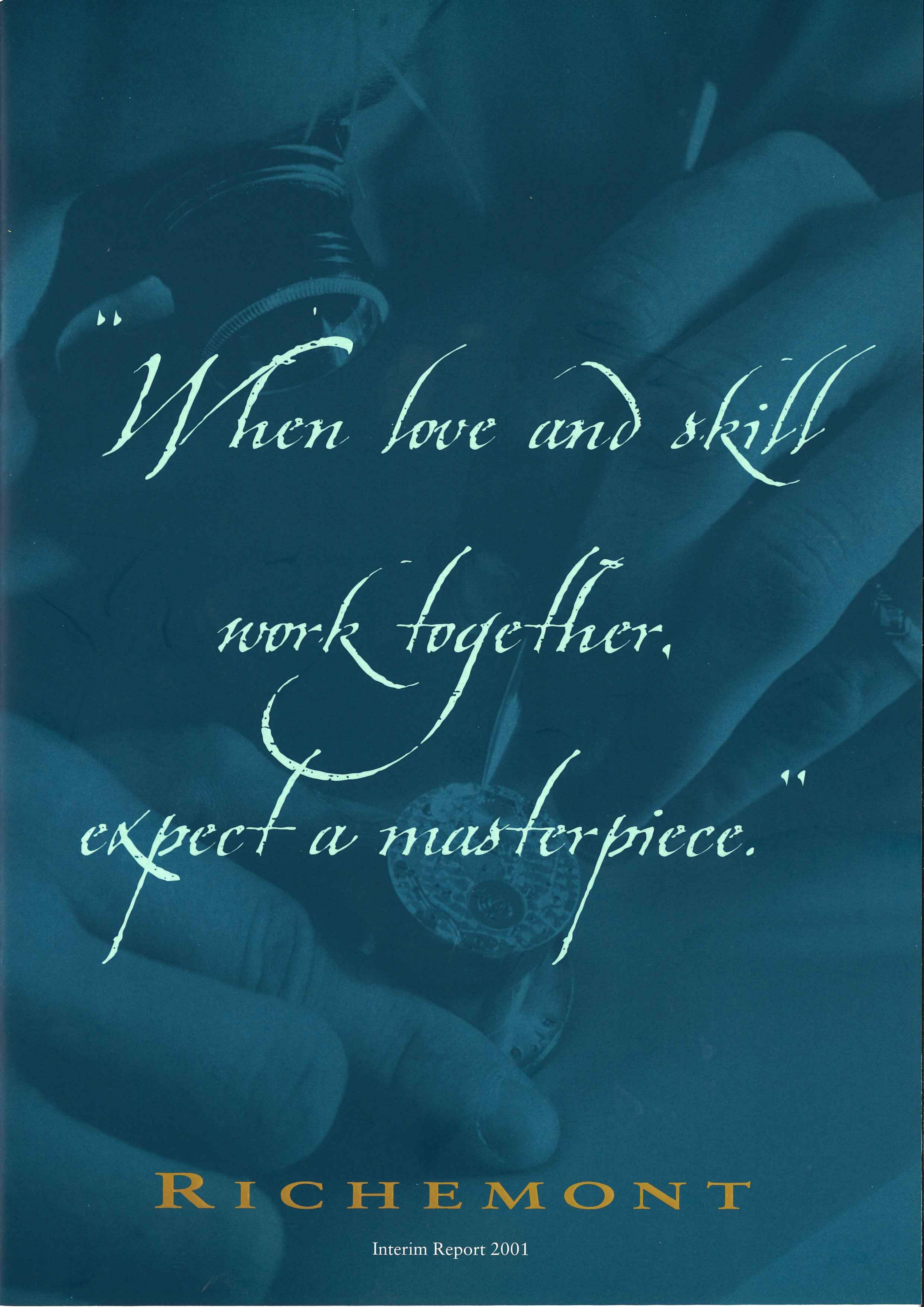

"When love and skill work together, expect a masterpiece."

RICHEMONT

Interim Report 2001

"When love and skill work together, expect a masterpiece."
John Ruskin (1819–1900)

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RICHEMONT

Richemont, the Swiss luxury goods group, announces its unaudited results for the six month period ended 30 September 2001.

	September 2001	September 2000	
Sales	€ 1 836 m	€ 1 669 m	+ 10 %
Operating profit	€ 253 m	€ 319 m	- 21 %
Attributable profit			
– parent and subsidiaries	€ 165 m	€ 227 m	- 27 %
– share of associated companies	€ 260 m	€ 236 m	+ 10 %
– the Group	€ 425 m	€ 463 m	- 8 %
Earnings per unit – fully diluted basis	€ 0.754	€ 0.823	- 8 %

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

- Sales increased by 10 per cent to € 1 836 million, largely reflecting the inclusion for the first time of the sales of Jaeger-LeCoultre, IWC and A. Lange & Söhne. On a like-for-like basis, sales increased by 2 per cent from the prior year's level.
- Jewellery sales – being principally through Cartier and Van Cleef & Arpels – grew by 4 per cent in the period whilst watch sales, including the sales of the acquired businesses, grew by 14 per cent. Sales of writing instruments, reflecting the continuing success of Montblanc, increased by 18 per cent.
- Sales in Europe grew by 24 per cent, or by 8 per cent adjusting for sales reported by the newly acquired brands. In Asia, sales were some 5 per cent higher, reflecting the continued strength of the Japanese market, offset by weakness in other territories. In the Americas, sales fell by 6 per cent, as a result of the particularly poor economic environment in the United States.
- Operating expenses increased by 20 per cent, reflecting the continued investment in the Group's infrastructure, marketing and communication programmes, as well as the inclusion for the first time of the newly acquired watch brands. This resulted in an overall decline of 21 per cent in operating profit.
- The Group's equity accounted share of the results of its investment in British American Tobacco amounted to € 260 million, an increase of 10 per cent over the contribution from associated companies in the prior year.
- Richemont units were split in the ratio 100 to 1 with effect from 12 November 2001. Earnings per unit for the period on a fully diluted basis, restated to reflect the split, decreased by 8 per cent from € 0.823 to € 0.754.

GROUP CHIEF EXECUTIVE'S COMMENTARY ON THE RESULTS

Since October of last year, the luxury goods industry has experienced a slowdown in demand. In recent months this trend has been exacerbated, reflecting the worsening economic situation in the United States, Europe and Asia. The events of 11 September have clearly had a significant negative impact on the economic climate and the mood of all consumers. The outlook for the second half of the current year is therefore not promising.

Richemont's 'maisons' have the capacity to endure these difficulties, having survived various slowdowns during the course of their respective histories. Their focus on products of enduring value in terms of jewellery, watches and writing instruments, together with the geographic balance of the Group's sales, add to their strength. This will enable them to continue to prosper once the economy improves and consumer confidence returns.

Over the past few years we have often expressed concerns about the sustainability of the 'boom economy', and have purposely avoided adding financial leverage to operating leverage. Richemont is thus in the fortunate position of having a sound balance sheet, with low financial leverage and a good cash flow from its interest in British American Tobacco. As such, the Group is well placed to weather the storm whilst continuing to invest in its underlying businesses.

BUSINESS REVIEW

Sales and operating profit

The acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne was completed in December 2000 and the results of these companies have been included in the Group's financial statements with effect from 1 January 2001. Sales and operating profit for the six months ended 30 September 2001 therefore include the full incremental impact of these acquisitions.

Sales in the six months under review reflected the depressed economic environment. On a like-for-like basis – reflecting sales of the newly acquired brands in the results of both the current and the prior periods – revenues to end-August 2001 showed growth of some 5 per cent. However, sales for the month of September declined by 13 per cent such that, for the six month period as a whole, like-for-like sales were 2 per cent above the level seen in the prior year. Including the results of the newly acquired entities only in the current period, sales increased by some 10 per cent overall.

	Sept 2001 €m	Sept 2000 €m	
Sales	1 836	1 669	*+ 10 %*
Cost of sales	(644)	(565)	
Gross margin	1 192	1 104	*+ 8 %*
Net operating expenses	(939)	(785)	*+ 20 %*
Operating profit	253	319	*– 21 %*

The decline in the gross margin percentage from 66.1 per cent to 64.9 per cent reflects a slightly negative impact of exchange rate movements, together with a shift in the Group's sales mix towards wholesale as a result of the inclusion of Jaeger-LeCoultre, IWC and A. Lange & Söhne for the first time.

Operating expenses increased by 20 per cent in the period, reflecting the continued investment in the Group's infrastructure, marketing and communication programmes, many of which were initiated over the course of the prior financial year. Also included for the first time in the results for the period under review are the costs associated with the newly acquired watch brands.

Infrastructure investments include the costs of establishing selling and distribution organisations in a number of regions. These regional structures will provide services across all of the Group's businesses and will facilitate the integration of the sales and distribution activities of Jaeger-LeCoultre, IWC and A. Lange & Söhne. This will be particularly true in territories where these brands are currently under-represented.

Van Cleef & Arpels has expanded its presence in the Japanese retail market through the acquisition of its distribution network there and Lancel has moved into the important U.S. market. The significant expansion of Montblanc's retail presence, particularly in the United States, has also increased its cost base. Linked in part to the expansion of these businesses, communications costs also rose during the period under review.

Recognising the need to meet the high standards of after-sales service demanded by clients, Richemont has also invested in enhancing its capabilities in this area. New regional after-sales service centres have been opened and others expanded to offer customers a faster response time for servicing and repairs. This strategy inevitably involves an increased cost base but will ensure an even higher standard of customer service in the future.

The significant increase in operating expenses resulted in an overall decline in operating profit of some 21 per cent to € 253 million.

Sales by product line

	Sept 2001 €m	Sept 2000 €m	
Jewellery	394	379	+ 4 %
Watches	877	772	+ 14 %
Gold and jewellery watches	452	374	+ 21 %
Other watches	425	398	+ 7 %
Leather goods	138	136	+ 1 %
Writing instruments	129	109	+ 18 %
Clothing and other	298	273	+ 9 %
	1 836	1 669	+ 10 %

Sales of jewellery product lines grew by 4 per cent over the same period last year. Cartier's classic jewellery collections, including the *Cartier de Lune* range launched in 2000, continued to perform well. The launch of the new *Alhambra* range by Van Cleef & Arpels was also well received.

Sales of watches include for the first time the results of Jaeger-LeCoultre, IWC and A. Lange & Söhne. Overall, watch sales increased by 14 per cent but, excluding the impact of acquisitions, fell by 3 per cent, reflecting a general weakness in demand. Gold and jewellery watch sales benefited from strong performances by Piaget and Vacheron Constantin together with the *Collection Privée* by Cartier.

Sales of leather goods showed a marginal improvement, a strong performance by Montblanc in this product area being offset by a decline at Dunhill. Sales by both Cartier and Lancel showed modest increases.

Montblanc's core writing instrument business performed strongly in the period under review, being the principal factor behind the 18 per cent growth reported in this product category. Montblanc is significantly expanding its retail distribution network, with a positive impact on both sales and gross margin percentage. The *Bohème* range continues to enjoy wide appeal and increased sales.

Clothing and other products have benefited from increased sales of fragrances and eyewear with new product launches from Cartier, Dunhill and Montblanc. Chloé has also enjoyed good growth, albeit from a small base. The repositioning of the Dunhill brand has seen a fall in sales as the transition is implemented across the company's markets.

Sales by region

	Sept 2001 €m	Sept 2000 €m	
Europe	815	657	+ 24 %
Asia	688	658	+ 5 %
Americas	333	354	– 6 %
	1 836	1 669	+ 10%

In Europe, underlying sales excluding the impact of acquisitions grew by 8 per cent during the period. Jaeger-LeCoultre, IWC and A. Lange & Söhne are however strongly represented in this region such that, overall, sales increased by some 24 per cent to € 815 million.

In Asia as a whole, underlying sales were broadly in line with the prior year's levels, the increase of 5 per cent being largely due to the three watch brands being included for the first time. Within the region, sales in Japan grew by 6 per cent on a like-for-like basis.

Overall, sales in the Americas fell by 6 per cent over the six month period, the depressed market conditions being exacerbated by the reaction to the events of 11 September. During the month of September alone, like-for-like sales in the United States declined by 42 per cent.

Sales by distribution channel

	Sept 2001 €m	Sept 2000 €m	
Retail sales	722	721	–
Wholesale sales	1 114	948	+ 18 %
	1 836	1 669	+ 10 %

The retail distribution channel showed no growth in sales for the six month period whilst wholesale sales on a like-for-like basis, increased by 3 per cent. The 18 per cent growth in wholesale sales therefore largely reflected the inclusion of Jaeger-LeCoultre, IWC and A. Lange & Söhne for the first time. Retail sales as a percentage of total sales moved from 43 per cent to 39 per cent. This reflected the change in distribution mix due to the inclusion of the three new watch brands for the first time.

At 30 September, the Group operated some 497 owned stores with a further 272 stores operated by external partners.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The summary profit and loss account as well as the earnings per unit information set out below is presented on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items from the results of both periods. A reconciliation of the profit and loss account on this basis to the result on a reported basis is presented as an appendix to this announcement.

	Sept 2001 €m	Sept 2000 €m
Operating profit	253	319
Net investment income/(expense)	(26)	5
Profit before taxation	227	324
Taxation	(65)	(96)
Profit after taxation	162	228
Minority interests	3	(1)
Attributable profit of the parent and its subsidiaries	165	227
Share of attributable profit of associates:	260	236
British American Tobacco	260	250
Hanover Direct	–	(14)
Attributable profit of the Group	425	463
Earnings per unit – basic	€ 0.761	€ 0.831
Earnings per unit – fully diluted	€ 0.754	€ 0.823

Net investment expense was € 26 million during the period, compared to income of € 5 million in the prior period. The realisation of part of the holding of preference shares in British American Tobacco in June 2000 gave the Group a net cash position for the latter part of the comparative period. In contrast, the Group has been in a net borrowing situation during the period under review, following the investment in Jaeger-LeCoultre, IWC and A. Lange & Söhne in December 2000. The prior period also reflected the inclusion of dividend income of € 18 million from the Group's investment in Vivendi, which was subsequently sold.

Earnings per unit

Following the 100 to 1 split of Richemont units on 12 November 2001, basic earnings per unit has been calculated by reference to the weighted average number of units outstanding during the period of 558.2 million (2000: 557.7 million) units and the attributable profit of the Group on an adjusted basis of € 425 million (2000: € 463 million) for the period. The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to 574.2 million units outstanding (2000: 574.2 million units) and attributable profit on an adjusted basis for the period of € 433 million (2000: € 472 million) which reflects the notional additional interest of € 8 million (2000: € 9 million) which would have accrued to the company had the full number of units been outstanding during the period.

ASSOCIATED COMPANIES

The Group's share of the results of associated companies increased by 10 per cent to € 260 million. Whereas the results for the comparative period included the Group's share of the losses reported by Hanover Direct as well as its share of the profit reported by British American Tobacco, the figure in respect of the current period is solely in respect of the Group's interest in British American Tobacco.

In June 2000, Richemont exercised its put options over one half of its holding of BAT preference shares, reducing its effective interest in that company from 23.3 per cent to 21.1 per cent for the latter part of that six month period. In the period under review, Richemont has equity accounted its effective 21.1 per cent interest in BAT for the full six month period.

Notwithstanding the reduction in its effective interest, Richemont's share of the results of BAT is some € 10 million higher at € 260 million. This reflects an increase of some 8 per cent in BAT's adjusted earnings per unit on a fully diluted basis, arguably the best measure of that company's underlying performance.

British American Tobacco performed well in the nine month period to end September. Sales volumes, at 602 billion cigarettes, were slightly above the prior year's level, with international brands increasing by more than 2 per cent in that period. BAT's key global brands achieved an overall growth of 9 per cent in the period.

Each of the company's operating regions contributed to the good overall performance. Profits were well ahead in all the main America-Pacific markets and, although market share in the US domestic business was down on the prior year, there are now some encouraging trends in the market place.

In Asia Pacific, profit increased despite deteriorating overall economic conditions in South-East Asia, while in Latin America profit benefited from good performances in several markets, where market shares were generally higher. In the Africa, Middle East and Central Asia region, excellent profit growth was combined with slightly higher volumes.

The underlying profit in Europe was also driven by volume growth, as the region continues to build on the benefits of the merger with Rothmans International. Volume increases reflected excellent growth in Eastern Europe, offset by market size reductions in the Netherlands, Belgium and the UK.

During the six month period under review, Richemont received a total of € 228 million in dividends from BAT. This comprised both the final dividend in respect of BAT's financial year ended 31 December 2000 and the 2001 interim dividend, received in September.

CONSOLIDATED CASH FLOW STATEMENT

	Sept 2001 €m	Sept 2000 €m
Operating profit	253	319
Depreciation and other non-cash items	91	47
Increase in working capital	(378)	(79)
Net cash inflow/(outflow) from operating activities	(34)	287
Dividends received from associates	228	236
Returns on investments and servicing of finance	(24)	7
Taxation paid	(117)	(64)
Net acquisitions of tangible fixed assets	(147)	(82)
Buy-back of Richemont units	–	(142)
Proceeds on redemption of BAT preference shares	–	741
Proceeds of disposal of Vivendi shares	–	1 176
Other acquisitions and investments	(154)	(226)
Net cash inflow/(outflow) before financing activities	(248)	1 933
Repayment of long-term borrowings	(69)	(677)
Equity contribution by minority	20	–
Exchange rate effects	23	(39)
Increase/(decrease) in cash, cash equivalents and short-term borrowings	(274)	1 217
Cash and cash equivalents at beginning of period	(375)	(291)
Cash and cash equivalents at end of period	(649)	926

Net cash outflow from operating activities during the period amounted to € 34 million, the operating profit being more than offset by the higher level of working capital. This reflected the generally difficult trading environment and the shortfall in sales compared to planned levels.

Dividends received from associates reflects those received from BAT, being the final dividend in respect of BAT's financial year ended 31 December 2000 and the interim dividend in respect of the 2001 financial year.

Other acquisitions and investments during the period under review include the acquisition of a further 20 per cent interest in Van Cleef & Arpels, increasing the Group's effective interest from 60 per cent to 80 per cent. During the period under review, the Group has also strengthened its manufacturing base through the acquisition of Petitjean, a Swiss producer of watch components.

In June 2000, the Group put one half of its holding of BAT preference shares back to that company under the terms of the agreement relating to the merger of BAT and Rothmans International. The resultant proceeds totaled € 741 million. The proceeds from the disposal of the Group's interest in Vivendi in September 2000 totaled € 1 176 million.

CONSOLIDATED BALANCE SHEET

	30 Sept 2001 €m	31 March 2001 €m
Fixed assets		
Tangible	779	691
Investments in associated companies	616	507
Other investments	419	355
	1 814	1 553
Net working capital	1 589	1 482
Net operating assets	3 403	3 035
Goodwill	5 910	6 036
Net borrowings	(1 255)	(1 048)
Cash, cash equivalents and short-term borrowings	(649)	(375)
Long-term borrowings	(606)	(673)
Other long-term liabilities	(158)	(161)
	7 900	7 862
Capital employed		
Unitholders' funds	7 810	7 737
Minority interests	90	125
	7 900	7 862

Tangible fixed assets increased by € 88 million, largely reflecting further investment in the Group's retail network and manufacturing infrastructure, net of depreciation.

The increase in the investments in associated companies represents the increase in the Group's equity accounted share of the net assets of British American Tobacco.

CHANGES IN UNITHOLDERS' FUNDS

	Sept 2001 €m	Sept 2000 €m
Profit attributable to unitholders on an adjusted basis	425	463
Goodwill amortisation	(192)	(151)
Exceptional items:	(18)	706
– gain on the sale of investment in Vivendi	–	533
– gain on partial disposal of BAT preference shares	–	189
– as reported by associated company	(18)	(16)
Profit attributable to unitholders on a reported basis	215	1 018
Dividend declared	(168)	(133)
Unit based executive compensation scheme reserve	41	(142)
Translation and other adjustments	(15)	43
Net increase in unitholders' funds	73	786
Unitholders' funds at the beginning of the period	7 737	6 732
Unitholders' funds at the end of the period	7 810	7 518

Unitholders' funds increased by € 73 million during the period, the attributable profit for the period being offset by the dividend declared and accounting adjustments.

At the annual meeting of shareholders held in September 2001, a dividend of € 30 per unit (€ 0.30 per unit on a post-split basis) was approved, a total of € 168 million being paid to unitholders on 1 October 2001.

The increase in unitholders' funds in respect of the unit-based executive compensation scheme reserve reflects the value of units sold to executives under the Group's unit purchase scheme. In the prior period, the decrease in unitholders' funds related to the buy-back of units for the purposes of the unit purchase and related option schemes, net of sales to executives.

Accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies as those set out on pages 51 to 53 of the Annual Report for the year to 31 March 2001.

Richemont will implement 'IAS 39-Financial Instruments' in its financial statements for the year ending 31 March 2002. No adjustment has been made in the financial statements for the period ended 30 September 2001 to reflect the requirements of this Accounting Standard on the basis that the adjustment is not material.

Swiss Stock Exchange compliance

These interim financial statements comply with the listing rules of the Swiss Stock Exchange.

OUTLOOK FOR THE YEAR

Current trading conditions, as evidenced by the results of the first six-month period, are difficult. The effects of the global recession, compounded by more recent events, have seriously dampened consumer demand. Sales in the month of October, on a like-for-like basis, were some 8 per cent below last year's level and we do not expect to see any meaningful improvement in the critical pre-Christmas season. As in prior years, we will be commenting in mid-January on trading during the third quarter.

The programme of investment in the Group's manufacturing and distribution infrastructure, in marketing and in communication will continue. Nevertheless, additional steps have been taken to closely monitor and evaluate all administrative expenses and infrastructure programmes. In consequence, the rate of growth in operating expenses in the second six months is expected to be in the region of half that seen in the first six months. In the light of the slowdown in sales, however, we currently expect to see a significantly higher rate of decline in operating profit in the second six months compared with that reported in respect of the first half year.

We would emphasise that Richemont's long-term commitment to the development of its businesses remains unchanged. Significant investment programmes have been launched to consolidate the Group's position as a leader in the luxury watch industry. In Switzerland, the new Piaget factory in Geneva is now in full production and the construction of the third Cartier production facility in the canton of Fribourg is well advanced. Detailed design and planning work continues in respect of the new Vacheron Constantin headquarters and production centre in Geneva, whilst land has been acquired for the significant expansion of Jaeger-LeCoultre's Le Sentier factory. IWC's production capacity in Schaffhausen will also be expanded further. The Group's principal distribution facility in Fribourg, which is strategically located close to the various Swiss production centres, will also benefit from further investment and will become a focal point for the Group's IT infrastructure.

Richemont has a strong balance sheet and benefits from a significant dividend flow from its investment in British American Tobacco. The Group is, therefore, well able to weather the current economic downturn and has the resources to continue to invest in its core businesses for the future.

Whilst the current year – in contrast to the record performance seen last year – will be disappointing, we must not lose sight of the core values of the Group's businesses. Richemont's 'maisons' have a heritage, which, for most of them, goes back over a century. During that period there have been many setbacks but their inherent strength and appeal have endured and allowed them to reach the prestigious positions they enjoy today. We therefore remain confident in the long-term potential for the future development of Richemont's businesses.

Nikolaus Senn
Chairman
Compagnie Financière Richemont AG

Johann Rupert
Group Chief Executive
Zug, 14 November 2001

APPENDIX 1

Consolidated profit and loss account on a reported basis

	Notes	Sept 2001 €m	Sept 2000 €m
Operating profit		253	319
Goodwill amortisation	1	(91)	(48)
Exceptional items	2	–	722
Profit before net investment income/(expense) and taxation		162	993
Net investment income/(expense)		(26)	5
Profit before taxation		136	998
Taxation		(65)	(96)
Profit after taxation		71	902
Minority interests		2	1
Attributable profit of the parent and its subsidiaries		73	903
Share of attributable profit of associates		142	115
Share of attributable profit on an adjusted basis		260	236
Goodwill amortisation in respect of associates		(100)	(105)
Share of exceptional items reported by associates		(18)	(16)
Attributable profit of the Group on a reported basis	3	215	1 018

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

	Notes	Sept 2001 €m	Sept 2000 €m
Attributable profit of the Group on a reported basis		215	1 018
Elimination of goodwill amortisation	1	192	151
Reported by the parent and its subsidiaries		91	48
In respect of associates		100	105
Minority interests		1	(2)
Elimination of exceptional items		18	(706)
Gain on sale of the investment in Vivendi		–	(533)
Gain on the partial disposal of BAT preference shares		–	(189)
Items reported by BAT		18	16
Attributable profit of the Group on an adjusted basis		425	463

Note 1 – Goodwill amortisation

The reported results reflect the Group's accounting policy of amortising goodwill through the consolidated profit and loss account. The goodwill amortisation charge at the pre-tax profit level for the six months ended 30 September 2001 was € 91 million. An additional goodwill amortisation charge of € 100 million arises in respect of the Group's interest in associated companies, all of which relates to the Group's investment in BAT. The goodwill amortisation relating to minority interests is in respect of goodwill arising on the acquisition of Van Cleef & Arpels.

Note 2 – Exceptional items

The exceptional items appearing in the six months ended 30 September 2000 comprise the following:

a) Gain on partial disposal of BAT preference shares
The exceptional gain of € 189 million represented Richemont's gain on the partial disposal of its holding of BAT preference shares. Under the terms of the merger agreement between Richemont, Remgro Limited (Remgro is the successor company to the former Rembrandt Group Limited) and BAT, up to half of the convertible redeemable preference shares were redeemed for cash at a fixed price of £ 5.75 per share on 7 June 2000. As a result, Richemont and Remgro have redeemed a total of 120.8 million convertible redeemable preference shares, resulting in a cash payment to Richemont of £ 463 million or € 741 million on 7 June 2000. The gain was calculated on the basis of the redemption proceeds less the value of the share of BAT's net assets attributable to the preference shareholding at the date of transaction together with goodwill and costs related thereto. On a consolidated basis there was no tax effect.

b) Gain on sale of the investment in Vivendi
The exceptional gain in the six months to 30 September 2000 represented Richemont's gain on disposal of its holding of 17.5 million shares in Vivendi. The gain of € 533 million was calculated by reference to the proceeds less the carrying value of Vivendi together with costs related thereto. The Group had previously hedged the value of the investment such that the net proceeds on disposal amounted to € 1 176 million. Once again, on a consolidated basis there was no tax effect.

Note 3 – Earnings per unit on a reported basis

	Sept 2001	Sept 2000
Earnings per unit on a reported basis – basic	€ 0.385	€ 1.825
Earnings per unit on a reported basis – fully diluted	€ 0.388	€ 1.788

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the year of 558.2 million units (2000: 557.7 million) and the attributable profit of the Group of € 215 million for the period (2000: € 1 018 million). The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to 574.2 million units outstanding (2000: 574.2 million units) and attributable profit for the period of € 223 million (2000: € 1 027 million) which reflects the notional additional interest of € 8 million (2000: € 9 million) which would have accrued to the company had the full number of shares been outstanding during the period.

APPENDIX 2

Exchange rates used in the preparation of this report

The results of the Group's subsidiaries and associates which do not report in euros have been translated at average rates of exchange against the euro.

Average exchange rates against the euro	6 months to 30 Sept 2001	6 months to 30 Sept 2000
Pounds sterling	0.62	0.61
Swiss franc	1.52	1.55
US dollar	0.88	0.92
Japanese yen	107.81	98.61

Closing exchange rates against the euro	30 Sept 2001	31 March 2001
Pounds sterling	0.62	0.62
Swiss franc	1.48	1.52
US dollar	0.91	0.87
Japanese yen	108.43	110.44