Compagnie Financière Richemont AG
is a Swiss holding company which exercises
financial and operational control
over companies operating primarily in the
fields of tobacco and luxury goods.

Richemont's tobacco interests are held
through Rothmans International.
Its interests in the luxury goods industry are
held through Vendôme Luxury Group
which, in turn, controls
Cartier, Alfred Dunhill, Montblanc,
Piaget, Baume & Mercier, Karl Lagerfeld,
Chloé, Sulka and Hackett.

The Group is managed with a view to the
profitable long-term development of successful
international brands.

Compagnie Financière Richemont AG
Rigistrasse 2, 6300 Zug, Switzerland

RICHEMONT

INTERIM REPORT 1993

Effect of the Reconstruction on Net Liquid Funds

	Rothmans International £ m	Vendôme £ m	Richemont and Wholly Owned Subsidiaries £ m	Total £ m
Cash and marketable securities	1 150.3	649.9	400.1	2 200.3
Short-term borrowings	(77.0)	(206.5)	(105.1)	(388.6)
Cash and cash equivalents	1 073.3	443.4	295.0	1 811.7
Effects of the Group restructuring:				
- liquidation distributions	(449.8)	(75.0)	303.3	(221.5)
- costs of the restructuring	(48.0)	(23.0)	(6.0)	(77.0)
- other items	21.1	–	–	21.1
Cash and cash equivalents restated to reflect the impact of the restructuring	596.6	345.4	592.3	1 534.3
Long-term borrowings	(69.8)	(62.4)	(612.7)	(744.9)
Net liquid funds/(net borrowings)	526.8	283.0	(20.4)	789.4

Long-term borrowings in respect of Richemont and its wholly owned subsidiaries are repayable in October 1994.

Outlook Trading conditions are difficult in a number of the markets where the Rothmans International group operates, as demonstrated by the decline in tobacco sales volumes in the first half of the year. In these difficult circumstances, it is expected that the trading results for the year ending March 1994 will be satisfactory. Difficult trading conditions are expected to continue in certain of Vendôme's major markets in the second half of the year, which includes the important months of November and December. Sales in October were slightly below the corresponding month of the previous year. In spite of current uncertainties, it is believed that Vendôme's trading results for the year to 31 March 1994 will also be satisfactory. In terms of Richemont's other interests, further investment will be required in developing the Group's media interests. Significant additional costs are likely to be incurred in the second six-month period in connection with these interests.

Nikolaus Senn
Chairman

Johann Rupert
Managing Director

1 December 1993

Interim Report

The Board of Directors of Compagnie Financière Richemont AG announces the following results for the six month period ended 30 September 1993.

Net sales revenue	£1 744.0 million	–	increased by 13.2%
Operating profit	£ 294.0 million	–	increased by 9.8%
Profit before taxation	£ 310.9 million	–	increased by 9.8%
Attributable profit	£ 96.6 million	–	increased by 2.2%
Earnings per unit	£ 16.82	–	increased by 2.2%

Consolidated Profit and Loss Account

	Six months ended 30 Sept 1993 £ m	Six months ended 30 Sept 1992 (restated) £ m	Year ended 31 March 1993 (restated) £ m
Operating profit	**294.0**	267.8	581.2
Net investment income	**16.9**	15.3	52.0
Profit before taxation	**310.9**	283.1	633.2
Taxation	**(100.3)**	(100.3)	(220.3)
Profit after taxation	**210.6**	182.8	412.9
Minority interests	**(114.0)**	(88.3)	(204.7)
Profit attributable to unitholders	**96.6**	94.5	208.2
Earnings per unit	**£16.82**	£16.46	£36.26

Group results Operating profit of £294.0 million was 9.8 per cent higher than in the six months ended 30 September 1992. This reflected growth in operating profit in the Group's two principal businesses, tobacco and luxury goods. Outside these core activities, the Group's operating profit was adversely affected by the continuing costs of developing its media interests.

Net investment income increased by 10.5 per cent from £15.3 million to £16.9 million. The effective taxation rate charged was 32.3 per cent, against 35.4 per cent in the comparable period last year. The fall in the rate was mainly due to lower effective rates reported by both the Group's tobacco and luxury goods interests. The share of profit attributable to minority interests increased, largely as a result of higher profits in Rothmans International's publicly quoted subsidiary undertakings, in particular in Rothmans of Pall Mall (Malaysia) Berhad and Rothmans Holdings Limited of Australia. These factors meant that profit attributable to unitholders increased in total by £2.1 million (2.2 per cent) to £96.6 million.

Average exchange rates for the six months ended 30 September 1993, compared with those for the corresponding period last year, had the effect of increasing profit before taxation by some £43 million and profit attributable to unitholders by £12 million.

Analysis of Net Sales Revenue and Operating Profit

	Six months ended 30 Sept 1993 £ m	Six months ended 30 Sept 1992 (restated) £ m	Year ended 31 March 1993 (restated) £ m
Net Sales Revenue			
Tobacco	1 219.6	1 085.7	2 412.6
Luxury goods	524.4	454.6	1 030.5
	1 744.0	1 540.3	3 443.1
Operating Profit			
Tobacco	212.6	195.8	419.0
Luxury goods	90.1	72.7	173.0
Other interests	(8.7)	(0.7)	(10.8)
	294.0	267.8	581.2

TOBACCO The worldwide volume of cigarette sales by Rothmans International group companies was some 9 per cent lower than that achieved in the six months ended 30 September 1992. This was principally due to reduced sales in Europe where France, the United Kingdom and the former Yugoslavia showed the largest declines. Volumes were also significantly lower in the Philippines, partly due to the discontinuance of certain operations there.

Despite lower sales volumes, net sales revenue increased by £133.9 million or 12.3 per cent to £1 219.6 million, mainly due to exchange rate movements on translation of the sales of subsidiary undertakings with reporting currencies other than sterling.

Operating profit increased by £16.8 million, or 8.6 per cent, to £212.6 million with all regions, except Western Europe, showing an improvement against last year. The largest gains were in Rothmans of Pall Mall (Malaysia) Berhad and in Rothmans Holdings Limited of Australia. Rothmans International has a 50 per cent interest in each of these companies. Operating profit in Malaysia benefited from price increases and a favourable change in the mix of brands sold. Operating profit in Rothmans Holdings Limited recovered from the effects of exceptional provisions made in the comparative period, principally in respect of rationalisation of the Australian and Philippine operations and stock write downs in both the Philippines and Indonesia. Results improved in Canada, largely due to cost savings.

Consolidated Balance Sheet

	30 Sept 1993 £ m	31 March 1993 (restated) £ m
Assets		
Tangible fixed assets	628.9	646.3
Investments in associated undertakings	145.6	122.0
Other long-term investments	211.8	115.9
	986.3	884.2
Net working capital	753.2	806.7
Net operating assets	1 739.5	1 690.9
Goodwill	23.6	25.5
Cash and cash equivalents	1 811.7	1 701.9
	3 574.8	3 418.3
Capital employed		
Unitholders' funds, including minority interests	2 325.5	2 168.8
Long-term liabilities	1 249.3	1 249.5
	3 574.8	3 418.3

THE BALANCE SHEET of the Group has remained essentially unchanged since 31 March 1993, the restructuring having taken effect only in October of this year.

At 30 September 1993, cash and cash equivalents, which comprises cash and marketable securities net of short-term borrowings, amounted to £1 811.7 million, representing an increase of £109.8 million since 31 March 1993. Special liquidation distributions, of £493.0 million and £75.0 million, were paid by Rothmans International and Dunhill Holdings respectively subsequent to the period end and have not been reflected in the balance sheet above. Of these amounts, £303.3 million has been retained within Richemont. Long-term borrowings, which are included in long-term liabilities, decreased by £0.5 million to £744.9 million.

Under the previous group structure, there were complex cross holdings between Rothmans International and the luxury goods companies. In view of this, any allocation between tobacco and luxury goods of the goodwill carried in Richemont's balance sheet in respect of the acquisition, in 1989, of the further significant interest in Rothmans International could only be made on an arbitrary basis. The Board of Richemont has therefore decided, in order to improve the comparability of the Group's results with those of the tobacco and luxury goods companies, to eliminate from the consolidated balance sheet the goodwill in respect of the Group's tobacco and luxury goods interests. This results in a one-off charge of £494.7 million to consolidated reserves. Goodwill in respect of Richemont's other interests will continue to be carried in the consolidated balance sheet and amortised through the profit and loss account. In accordance with the recently adopted, revised International Accounting Standard covering this topic, Richemont has changed its accounting policy in respect of the current period and the previous year's comparative figures to amortise the remaining goodwill over a 20 year period.

Comparative information The effect of the changes outlined above on the comparative information included in this report are set out below:

	Six months ended 30 September 1992		Year ended 31 March 1993	
	Profit before taxation £m	Attributable profit £m	Profit before taxation £m	Attributable profit £m
Results as previously reported	279.4	87.6	651.9	206.6
Impact of:				
Change of reporting period	4.6	2.9	(5.9)	(3.6)
Dunhill foreign currency hedging activities	(7.3)	(1.8)	(25.6)	(6.2)
Goodwill amortisation	6.4	5.8	12.8	11.4
Restated results	283.1	94.5	633.2	208.2

The results of the Group for the six months ended 30 September 1993 do not reflect any provision for the costs associated with the group restructuring. Total expenses, including taxes, to be absorbed by Richemont, Rothmans and Vendôme are currently estimated to amount in total to some £77 million. Richemont's share of these costs at the attributable profit level will amount to some £52 million.

Trading results in Western Europe were substantially lower than the corresponding period last year, reflecting reduced cigarette volumes in most markets and a fall in sales of fine cut products in Germany, following changes in taxation which have reduced the tax differential between tobacco rolls and manufactured cigarettes. Operating profit in this region was depressed further by charges for rationalisation costs of £16.7 million, principally in Belgium.

Luxury goods Despite difficult market conditions, Vendôme's turnover for the six months was at the same level as the comparable period of the previous year, albeit with some benefit from the strengthening of the exchange rates in certain key markets.

Of Vendôme's four major product lines, jewellery and writing instruments have shown an increase over the previous period. Jewellery sales have benefited, in particular, from increased high jewellery sales in the six months. The increase in sales of writing instruments was largely due to investments made in the distribution network in the last 18 months. Sales of watches were down 3 per cent on the previous year, although demand for higher margin gold and jewellery watches has been well maintained. Sales of leather goods, which were 11 per cent down, have suffered from reduced demand from Asian customers primarily due to continuing economic difficulties in Japan. In sterling terms, net sales revenues increased from £454.6 million to £524.4 million due almost exclusively to exchange rate movements.

Sales were broadly constant in Europe and the Americas, Europe remaining Vendôme's major market. The downturn in demand from Japan has led to a drop of roughly 10 per cent in sales volumes in the Far East compared to the comparable period of the previous year. However, the loss of volume has been compensated by exchange rate fluctuations and, in terms of value, sales have increased by 6 per cent.

Despite the unchanged level of sales, Vendôme's operating profit increased by 8 per cent in Swiss franc terms against the corresponding period of the prior year, largely due to savings in operating expenses, resulting from strict control of costs by each of the group's brand management teams. Operating profit as a percentage of turnover has increased from 16.0 per cent to 17.2 per cent for the six months ended 30 September 1993. In sterling terms, favourable exchange rate movements meant that operating profit increased by £17.4 million or some 23.9 per cent to £90.1 million.

Other interests Operating losses from the Group's other activities increased by £8.0 million to £8.7 million, largely as a result of higher losses incurred by FilmNet SA, together with a reduced profit contribution from NAR Group Limited.

Further losses have been incurred in developing the Group's investment in FilmNet SA during the period. Significant investment has been made in broadening the appeal of the service offered with the introduction of sports and children's programmes and a wider range of special events. In each of FilmNet's territories, a second channel, FilmNet Plus, is now being offered to subscribers. Subscriber numbers are now growing satisfactorily, having been disappointing in the early part of the year.

NAR's principal subsidiary, Hanover Direct - one of the leading specialty direct retailers in the United States - reported sales in line with the comparative period last year. Since its acquisition by NAR, Hanover Direct's balance sheet has been considerably strengthened through the elimination of most of its long-term debt. The company's direct retailing operations have been restructured and made more responsive to the needs of its customers. This has resulted in higher levels of customer satisfaction and significantly improved profitability. NAR's operating profit in the comparable period to September 1992 was influenced positively by a number of non-recurring gains.

Group structure In June of this year, Richemont announced plans for the restructuring of its tobacco and luxury goods interests. The objective of the restructuring was to considerably simplify the corporate structure and to centralise the management of the Group's luxury goods interests in one company. Following the restructuring, which was completed on 23 October 1993, Richemont's interests are as follows:

- a 60.6% interest in Rothmans International, the vehicle for the Group's interests in the tobacco industry,
- a 69.7% interest in Vendôme Luxury Group, the holding company for the Group's luxury goods interests,
- a 50% interest in Network Holdings SA, which in turn holds 90% of FilmNet SA, the Group's principal media investment and
- a 50% interest in NAR Group Limited, which in turn owns 58.4% of Hanover Direct, one of the leading specialty direct retailers in the United States.

Rothmans International units, formed by twinning the shares of Rothmans International plc with those of Rothmans International NV, are quoted on the stock exchanges of London and Amsterdam. The shares issued by Vendôme Luxury Group PLC are similarly twinned with those issued by Vendôme Luxury Group SA to form Vendôme units which are quoted on the stock exchange in London. It is anticipated that a listing of the Vendôme units on the Luxembourg exchange will be implemented in due course.

Basis of preparation of financial information In addition to the important management benefits referred to previously, the restructuring of Richemont's tobacco and luxury goods interests has simplified the corporate structure, eliminating the cross shareholdings between the former Rothmans International and the luxury goods companies and the minority interests which previously arose within companies in the luxury goods group. One important consequence of this will be improved transparency and comparability of financial information between Richemont, Rothmans International and Vendôme.

The results for the six months ended 30 September 1993 reflect Richemont's interests in the adjusted results of the tobacco businesses transferred to the new Rothmans International and the pro-forma results of Vendôme for the period. For both the six months ended 30 September 1993 and 1992, Richemont's percentage interest in Rothmans International and Vendôme reflects the actual percentages held in the underlying businesses prior to the restructuring. In order to ensure

the comparability of results between those reported by Richemont and those of its two principal operating groups, the results for the six-month period ended 30 September 1992 have been restated to reflect the adjusted comparative figures reported by Rothmans International and the pro-forma comparative figures reported by Vendôme for that period.

The net impact of these changes for the six-month period ended 30 September 1993 is to increase the rate of growth in profit before taxation from 8.0 % to 9.8% and to decrease the rate of growth in attributable profit from 2.6% to 2.2%.

The specific adjustments to the figures are as follows:

Change of reporting period in respect of former Luxco SA companies The results of Luxco SA and its subsidiary companies reported in the Richemont 1992 interim report were based on Luxco SA's interim financial statements drawn up to 30 June 1992, Luxco's financial year end having previously been 31 December. As a consequence of the formation of Vendôme, all former Luxco companies have now adopted 31 March as their financial year end, in line with both Richemont and Rothmans. Vendôme's comparative figures therefore reflect the results of the Vendôme group for the period 1 April to 30 September 1992. Richemont's comparative figures for the six-month period and the financial year ended 31 March 1993 reflect Vendôme's results on this revised basis.

Dunhill foreign currency hedging activities In the listing particulars in respect of Vendôme issued on 12 August 1993, it was reported that the results of the Vendôme group for the years ending 31 March 1994 and 1995 would be impaired by £19 million and £13 million respectively as a result of foreign currency hedging transactions. The policy of matching hedging gains and losses with revenues and expenses had been consistently applied by Dunhill group companies over a number of years. Vendôme management have decided to discontinue the hedging strategy previously applied by Dunhill and to adopt the policy of providing in full for unrealised losses on foreign exchange hedging transactions. Accordingly Vendôme have provided in full for unrealised exchange losses as at 31 March 1992 and the results for the six-month period ended 30 September 1992 and the year ended 31 March 1993 reflect the movement on those accruals and further provisions during those periods. Richemont's results now reflect the Vendôme results on the revised basis.

Changes of accounting treatment of goodwill Richemont's accounting policy in respect of goodwill has been to capitalise goodwill arising on acquisitions and to amortise it through the consolidated profit and loss account over a period of 40 years. In this respect, Richemont's accounting policy has been different from that applied by Rothmans International and Vendôme. In both cases, goodwill arising on acquisitions has been charged directly to reserves, with no subsequent amortisation charge being expensed through the profit and loss accounts of the two groups. Richemont's policy has resulted in goodwill written off by its subsidiaries being reinstated in the Richemont balance sheet and subsequently amortised. Richemont's total goodwill amortisation charge in the year ended 31 March 1993 amounted to £14.8 million.