RICHEMONT

INTERIM REPORT 1997

Note 1 Goodwill amortisation As shown above, the reported results have been impacted by 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 1997 was £ 53.4 million (1996: £ 51.1 million). At the attributable profit level, after deduction of minority interests, the amortisation charge amounted to £ 39.1 million (1996: £ 38.0 million).

Note 2 Gain on merger of media interests The exceptional gain on the merger of media interests in the year to 31 March 1997 represented the gain realised by Richemont on the merger of the European operations of NetHold with Canal+. The transaction has been accounted for as the effective disposal of the Group's interest in NetHold in return for an equity interest in the enlarged Canal+, resulting in a gain of £ 291.5 million.

Note 3 Accounting policies The interim financial statements have been prepared in accordance with the same accounting policies as those set out on pages 55 to 57 of the Annual Report for the year ended 31 March 1997.

Note 4 Swiss Stock Exchange compliance The interim financial statements comply with the listing rules of the Swiss Exchange.

The Board of Directors of Compagnie Financière Richemont AG announces the following unaudited results for the six month period ended 30 September 1997.

	Six months ended 30 Sept 1997	Six months ended 30 Sept 1996	
Net Sales Revenue	£ 2 316.3 m	£ 2 343.6 m	- 1.2 %
Operating Profit	£ 564.2 m	£ 466.2 m	+ 21.0 %
Profit Attributable to Unitholders	£ 200.6 m	£ 143.3 m	+ 40.0 %
Earnings per Unit	£ 34.94	£ 24.96	+ 40.0 %

The financial highlights shown above exclude the effects of goodwill amortisation from the results for both periods.

- Strong growth in operating profit reflected:
  - a 13.6 per cent increase in tobacco operating profit, reflecting a major improvement in Europe as well as a substantial, duty-related windfall gain in Australia;
  - a 4.5 per cent increase in operating profit in sterling terms reported by Vendôme Luxury Group;
  - a significant reduction in Richemont's share of operating losses in respect of its media interests, from £ 35.0 million to £ 1.0 million.
- Profit attributable to unitholders and earnings per unit, adjusted to exclude goodwill amortisation from the results for both periods, increased by 40.0 per cent to £ 200.6 million and £ 34.94, respectively.
- The continuing strength of sterling had an adverse effect on the Group's results for the period, reducing operating profit by some £ 73 million and profit attributable to unitholders by some £ 29 million.

Consolidated Profit and Loss Account

To facilitate the comparison of the Group's results across the relevant periods, the summary profit and loss account set out below is presented on an adjusted basis, which excludes the effects of exceptional items and goodwill amortisation from the results for all periods shown. The Group's profit and loss account on a reported basis is presented as an attachment to this announcement.

	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Year ended 31 March 1997 £ m
Operating profit	564.2	466.2	954.2
Net investment expense	(13.3)	(12.7)	(39.4)
Profit before taxation	550.9	453.5	914.8
Taxation	(174.7)	(162.8)	(308.5)
Profit after taxation	376.2	290.7	606.3
Minority interests	(175.6)	(147.4)	(303.4)
Profit attributable to unitholders	200.6	143.3	302.9
Earnings per unit	£ 34.94	£ 24.96	£ 52.75

Operating profit of £ 564.2 million reflects an increase of 21.0 per cent against the first half of last year. The vehicle for Richemont's tobacco interests, Rothmans International, reported an operating profit of £ 455.7 million, representing an increase of 13.6 per cent. The Group's luxury goods interests, which are held through Vendôme Luxury Group, reported an operating profit increase of 30.7 per cent to SFr 272.8 million although in sterling terms growth was limited to 4.5 per cent.

The results of Richemont's associated undertakings favourably impacted the Group's results for the current period. The operating results showed an aggregate improvement of £ 43.3 million over the first half of last year. This primarily reflected a decrease of £ 34.0 million in operating losses from the Group's media interests, following the merger of NetHold and Canal+ at the end of the previous financial year.

Attachment
Consolidated Profit and Loss Account on a Reported Basis

	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Year ended 31 March 1997 £ m
Operating profit	564.2	466.2	954.2
Goodwill amortisation (Note 1)	(53.4)	(51.1)	(111.0)
Gain on merger of media interests (Note 2)	–	–	291.5
Profit before net investment expense and taxation	510.8	415.1	1 134.7
Net investment expense	(13.3)	(12.7)	(39.4)
Profit before taxation	497.5	402.4	1 095.3
Taxation	(174.7)	(162.8)	(308.5)
Profit after taxation	322.8	239.6	786.8
Minority interests	(161.3)	(134.3)	(273.4)
Profit attributable to unitholders	161.5	105.3	513.4
Earnings per unit	£ 28.13	£ 18.34	£ 89.41

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

	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Year ended 31 March 1997 £ m
Profit attributable to unitholders on a reported basis	161.5	105.3	513.4
Goodwill amortisation (Note 1)	39.1	38.0	81.0
Gain on merger of media interests (Note 2)	–	–	(291.5)
Profit attributable to unitholders on an adjusted basis	200.6	143.3	302.9

Acquisition of Vendôme minority units The board of Richemont announced on 28 November 1997 that it had approached the board of Vendôme to seek its support for possible proposals which may result in the effective acquisition, by a wholly-owned subsidiary of Richemont SA, Luxembourg, of the outstanding minority units in Vendôme for 495 pence per unit in cash. The proposals would be subject, *inter alia,* to the recommendation of the Vendôme board and the approval of Vendôme's minority unitholders. Richemont may decide not to proceed with the proposals in the event of any further collapse in the world markets which would be likely to have a material adverse impact on the business of Vendôme. The price values the whole of Vendôme at £ 3 454 million and the entire minority holdings at £ 1 036 million. A financing commitment for the full amount of the cash consideration has been provided by Deutsche Bank.

Outlook The strength of sterling during the period under review adversely affected the results of Rothmans International, although this was partially compensated by significant, non-recurring trading gains. Whilst the underlying businesses of Rothmans International continue to show satisfactory growth, it is expected that the significant further weakening of certain currencies against sterling in recent months will impact the results of Richemont's tobacco interests during the second six month period.

In terms of Richemont's luxury goods interests, the first half year has seen a continuation of the positive trend identified during the second six months of last year. Vendôme's recent interim announcement stated that, unless customer confidence is adversely affected in the rest of the year by further volatility in financial markets, Vendôme's net sales revenue and profits should continue to show increases in the second half year. It is anticipated, however, that Vendôme's results may be adversely impacted upon translation from Swiss francs into sterling.

Richemont's share of the results of Canal+ in the second half year will reflect the inclusion for the full six month period of the results of the former NetHold territories together with the continuing costs associated with the launch of the digital services. The level of losses will, however, be significantly lower than those reported in the previous year in respect of the NetHold operations.

The continuing financial turmoil in Far Eastern economies is a cause for international concern, the full extent of the problems not yet being fully apparent. Notwithstanding these uncertainties, we currently anticipate that the Group's overall profitability for the financial year as a whole will show satisfactory progress.

Nikolaus Senn
Chairman

Johann Rupert
Chief Executive

Compagnie Financière Richemont AG

Zug, 1 December 1997

The Group's effective taxation rate decreased to 31.7 per cent, reflecting in particular the positive effect of the significantly reduced level of losses from Richemont's associated undertakings.

The share of profit attributable to minority interests increased by £ 28.2 million to £ 175.6 million in the period under review. This was largely due to improved results in Rothmans International's publicly quoted subsidiaries.

The continuing strength of sterling adversely impacted the results of Group companies not reporting in sterling. On translation into sterling, operating profit was reduced by £ 73 million and profit attributable to unitholders on an adjusted basis was lower by some £ 29 million as a result of the strength of sterling compared to the average rates prevailing in the same period of the previous year.

The Group's results on a reported basis also reflected a higher goodwill amortisation charge, which increased by £ 1.1 million to £ 39.1 million at the attributable profit level. On a reported basis, profit attributable to unitholders and earnings per unit increased by 53.4 per cent to £ 161.5 million and £ 28.13, respectively.

Analysis of Operating Results by Business Segment

The following table analyses the Group's results between the two principal business segments, tobacco and luxury goods, as well as other activities.

	Net sales revenue		Operating profit	
	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m
Tobacco	1 623.2	1 640.0	447.2	395.3
Luxury goods	693.1	703.6	115.4	110.4
Other	–	–	(4.1)	(1.9)
The Company and its subsidiary undertakings	2 316.3	2 343.6	558.5	503.8
Share of associated undertakings			5.7	(37.6)
Tobacco			8.5	5.8
Media interests			(1.0)	(35.0)
Hanover Direct and NAR			(1.8)	(8.4)
			564.2	466.2

Note: Amounts shown in respect of other activities include operating costs which are incurred centrally and not allocated to a specific business segment.

Tobacco The commentary that follows discusses Rothmans International's operating results for the six months to 30 September 1997.

The worldwide volume of sales by Rothmans International group companies was some 4.1 per cent higher than that achieved in the six months ended 30 September 1996. The principal gains were achieved in France, Switzerland (due to the inclusion of the Burrus group for six months compared with three months in the half year ended 30 September 1996), the Middle East, Malaysia and Vietnam. These gains outweighed lower volumes in China, Southern Africa and Germany. Net sales revenue decreased by £ 16.8 million (1.0 per cent) to £ 1 623.2 million, despite overall volume growth and price increases, due to the adverse impact of exchange rate movements on the translation of the sales of subsidiary undertakings reporting in currencies other than sterling.

Summary Cash Flow Statement

	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Year ended 31 March 1997 £ m
Net cash inflow from operating activities	339.9	488.6	975.9
Returns on investments and servicing of finance	(28.1)	(19.7)	(10.6)
Taxation paid	(147.2)	(193.1)	(356.6)
Net acquisition of tangible fixed assets	(79.2)	(80.8)	(196.3)
Acquisitions of subsidiary and associated undertakings, minority interests and investments	(23.9)	(512.7)	(269.3)
Net cash inflow / (outflow) before financing activities	61.5	(317.7)	143.1
Financing activities	(93.4)	144.2	227.8
Dividends paid	(172.3)	(118.9)	(258.0)
Net cash inflow / (outflow) after financing activities	(204.2)	(292.4)	112.9
European rationalisation costs	(4.7)	(7.4)	(19.7)
Exchange rate effects	(35.9)	(49.7)	(185.5)
Decrease in cash and cash equivalents	(244.8)	(349.5)	(92.3)
Cash and cash equivalents – opening	737.6	829.9	829.9
Cash and cash equivalents – closing	492.8	480.4	737.6
Long-term borrowings	(1 025.1)	(1 179.0)	(1 146.9)
Net borrowings	(532.3)	(698.6)	(409.3)

Net cash inflow from operating activities decreased in the current six months due mainly to the increase of £ 207.9 million in working capital within Rothmans International.

Acquisitions of subsidiary and associated undertakings, minority interests and investments fell substantially in comparison to the six months to 30 September 1996 due to the non-recurrence of short-term financing to NetHold and the inclusion of the acquisition of Burrus in the prior year period.

The financing activities' inflow in 1996 relates to the increase in long-term borrowings principally to finance the Burrus acquisition, while the outflow in 1997 relates to the repayment of long-term loans.

Consolidated Balance Sheet

	30 Sept 1997 £ m	31 March 1997 £ m
Fixed assets		
Tangible	721.3	717.7
Investments in associated undertakings	354.9	379.2
Other long-term investments	120.4	108.9
	1 196.6	1 205.8
Net working capital	1 287.1	1 078.9
Net operating assets	2 483.7	2 284.7
Goodwill	1 979.9	2 001.8
Net borrowings	(532.3)	(409.3)
Cash and cash equivalents	492.8	737.6
Long-term borrowings	(1 025.1)	(1 146.9)
Other long-term liabilities	(528.5)	(542.2)
	3 402.8	3 335.0
Capital employed		
Unitholders' funds	2 366.5	2 276.1
Minority interests	1 036.3	1 058.9
	3 402.8	3 335.0

The balance sheet at 31 March 1997 has been restated to reflect the goodwill on the merger of NetHold with Canal+. The revised opening balance sheet at 31 March 1997 of the enlarged Canal+ now being available, £ 225.8 million has been reclassified from investments in associated undertakings to goodwill.

The increase in net working capital is largely due to reduced excise creditors and increased inventory levels within Rothmans International. The financing of the higher inventories resulted in the decrease in cash and cash equivalents.

Goodwill decreased by £ 21.9 million to £ 1 979.9 million at 30 September 1997. The decrease follows the amortisation charge for the period, partly offset by the goodwill arising from the investment in Hanover Direct.

Unitholders' funds in the period increased by £ 90.4 million. The attributable net profit of £ 161.5 million being partially offset by dividends to unitholders of £ 54.0 million. The effect of the translation of foreign currency assets and liabilities into sterling reduced unitholders' funds by £ 17.1 million.

	Net sales revenue		Operating profit	
	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m	Six months ended 30 Sept 1997 £ m	Six months ended 30 Sept 1996 £ m
Europe	688.2	710.1	147.5	119.7
Africa and the Middle East	333.5	327.3	91.8	108.8
Americas	156.7	156.4	51.9	49.8
Asia	275.3	259.6	86.0	75.6
Pacific	169.5	186.6	70.0	41.4
Rothmans International and its subsidiary undertakings	1 623.2	1 640.0	447.2	395.3
Share of associated undertakings			8.5	5.8
			455.7	401.1

Operating profit for the period increased by £ 54.6 million (13.6 per cent) to £ 455.7 million, the principal factors being:

- Higher operating profit in Europe was largely due to volume improvement in France, mainly reflecting the outstanding success of the Winfield brand as well as volume and price gains in the United Kingdom. In addition, the 30 September 1996 results included the results of the Burrus group for only the last three months of that period.
- The decrease in operating profits in Africa and the Middle East was due to a downturn in volumes in some African markets.
- In the Americas the improvement in operating profit was due to price gains and growth in the USA premium cigar market.
- Volume and price gains in Malaysia resulted in improved profits in Asia. However, the full benefit of this has been masked by weakness in the Malaysian ringgit as well as reduced volumes in China.
- The substantial improvement in Pacific was primarily due to a windfall gain of £ 36.2 million in Australia arising from excise gains on the clearance of finished goods stock prior to a change in the taxation structure. This offsets a fall in margin in Australia due to lower volumes and an adverse brand mix.

Luxury goods The first half of the year has seen continued growth in underlying demand, leading to a 23.9 per cent increase in net sales revenue to SFr 1 656.3 million and a 30.7 per cent increase in operating profit to SFr 272.8 million. In sterling terms, however, net sales revenue fell by £ 1.7 million (0.2 per cent) but operating profit rose by £ 5.0 million (4.5 per cent).

Sales of jewellery increased by 46.1 per cent in the period, to SFr 292.9 million, and represented 17.7 per cent of total sales. Sales of gold and jewellery watches increased by 39.0 per cent in the period to SFr 451.4 million. Total sales of jewellery, and gold and jewellery watches represented 44.9 per cent of total net sales revenue in the period. Sales of other watches increased by 35.0 per cent to SFr 312.6 million. Sales of writing instruments increased in the period by 26.5 per cent to SFr 184.4 million and menswear sales increased by 18.2 per cent to SFr 96.2 million. In terms of geographic area, growth has been achieved in all major markets. Sales in Europe returned to significant growth in the period, up 24.9 per cent to SFr 632.6 million, with good performances particularly in France, Italy and Switzerland.

Sales in the Far East increased by 18.4 per cent to SFr 632.6 million with the Japanese market continuing to show good growth. The highest level of growth achieved in the period was in the Americas, where sales increased by 31.1 per cent to SFr 341.1 million with strong growth in all product categories.

On 2 October 1997 Vendôme completed the acquisition of Lancel, the prestigious French leather goods group. This acquisition will reinforce Vendôme's position in the luxury leather goods market, offering substantial potential for further development whilst leading to an increase of around 40 per cent in Vendôme's sales of leather goods. This product line will then become the third most important behind watches and jewellery.

Media interests Following the merger of NetHold and Canal+ at the end of March 1997, the Group's results for the year to March 1998 will include Richemont's 15 per cent share of the profits or losses of Canal+. Richemont's results for the six months to September 1997 include the results of Canal+ for the three months to June 1997 given that Canal+ reports on a calendar year basis.

Canal+ is Europe's leading pay television operator. During the period under review the company reported a satisfactory increase in net income before taking account of the former NetHold operations. However, on a consolidated basis, including the results of the former NetHold companies for the three month period ended 30 June 1997, net income declined. During the quarter to June 1997, Canal+ experienced satisfactory growth in subscriber revenues particularly in terms of the development of the "Canalsatellite" digital offering in France. Canal+ has reorganised the NetHold group and relaunched the FilmNet channels under the Canal+ name. The new channels have been favourably received.

Following the acquisition of NetHold's 45 per cent shareholding in Telepiù, Canal+ has identified a potential shortfall of Telepiù subscribers compared to the number warranted by Richemont and its partner in NetHold, MIH Holdings Limited. The agreement between Canal+, Richemont and MIH specifically provides for Canal+ to be compensated for any shortfall identified in the course of a post closing audit. It is anticipated that any compensation payable to Canal+ will be adequately covered by available general provisions and that the settlement of any claim will have no impact on earnings in the current year.

Hanover Direct Inc. Richemont underwrote a rights issue by Hanover Direct in May 1997 and, in consequence, has acquired a direct interest of some 20 per cent in the common stock of the company. In addition Richemont holds a 24 per cent effective interest in Hanover Direct through NAR Group Limited. Richemont's results for the six months to September 1997 include the results of Hanover Direct for the six months to June 1997.

In the first six months of its financial year ending 31 December 1997, Hanover Direct reported decreased operating losses, reflecting the company's new operating plan and business formula for its speciality catalogue marketing operations in the USA. The positive results further reflect the operational improvements at Hanover Direct's fulfilment centre in Roanoke, Virginia, the focus of its facility consolidation plans. The rights issue has improved liquidity and vendor confidence. Richemont's share of Hanover Direct's and NAR Group's net operating loss decreased by £ 6.6 million against the first half of last year to £ 1.8 million.