

RICHEMONT

INTERIM REPORT 1992



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.  
It is the ultimate parent of a family of some  
of the world's leading consumer brands.

Richemont's tobacco interests are held  
through Rothmans International p.l.c.  
Its interests in the luxury goods industry are  
held through its controlling interests in  
Cartier Monde SA, including Cartier,  
Piaget and Baume & Mercier, and  
Dunhill Holdings PLC, including  
Alfred Dunhill, Montblanc, Karl Lagerfeld  
and Chloé.

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

# CONSOLIDATED BALANCE SHEET

	30 Sept 1992 £ m	31 March 1992 £ m
<b>Assets</b>		
Tangible fixed assets	610.1	553.4
Investments in associated undertakings	91.8	83.0
Other long-term investments	116.2	90.9
	<u>818.1</u>	<u>727.3</u>
Net working capital	775.4	702.4
Net operating assets	1 593.5	1 429.7
Goodwill	538.0	523.4
Cash and cash equivalents	1 600.9	1 425.4
	<u>3 732.4</u>	<u>3 378.5</u>
<b>Capital employed</b>		
Unitholders' funds	1 470.0	1 296.9
Minority interests	989.2	897.4
Long-term liabilities	1 273.2	1 184.2
	<u>3 732.4</u>	<u>3 378.5</u>

**T**HE BALANCE SHEET of the Group strengthened, partly reflecting favourable currency effects resulting from the weakening of sterling compared to the rates prevailing at 31 March 1992. At 30 September 1992 cash and cash equivalents, which comprise cash and marketable securities net of short-term borrowings, amounted to £1600.9 million, representing an increase of £175.5 million since 31 March 1992. This includes favourable currency effects of £62.1 million. Long-term borrowings, which are included in long-term liabilities, increased by £23.0 million to £770.6 million.

**O**UTLOOK As foreseen in the Group's last annual report, adverse economic conditions have prevailed during the period under review. These conditions are expected to continue for the remainder of the financial year. Richemont's strength lies in its ability to take a long-term view, as demonstrated by its recent investment in new businesses notwithstanding their adverse effect on short-term profitability.

The decline of sterling seen in recent months is expected to have a beneficial impact on the results to 31 March 1993. However, as most of the Group's foreign currency exposures are covered by forward contracts, and because the results of companies with reporting currencies other than sterling are translated into sterling at average rates for the year, the full benefits are only likely to be realised in the following financial year.

Nikolaus Senn  
CHAIRMAN

Johann Rupert  
MANAGING DIRECTOR

25 November 1992

## INTERIM REPORT

The Board of Directors of Compagnie Financière Richemont AG announces the following results for the six month period ended 30 September 1992.

Net sales revenue	£ 1 524.3 million	– increased by 1.0%
Operating profit	£ 266.8 million	– increased by 2.1%
Profit before taxation	£ 279.4 million	– decreased by 2.1%
Attributable profit (before extraordinary item)	£ 87.6 million	– increased by 0.6%
Earnings per unit	£ 15.26	– increased by 0.6%

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended 30 Sept 1992 £ m	Six months ended 30 Sept 1991 £ m	Year ended 31 March 1992 £ m
Operating profit	266.8	261.2	584.2
Net interest receivable and similar items	12.6	24.3	35.9
Profit before taxation	279.4	285.5	620.1
Taxation	(102.9)	(105.3)	(220.6)
Profit after taxation	176.5	180.2	399.5
Minority interests	(88.9)	(93.1)	(202.2)
<b>Net profit attributable to unitholders</b>			
before extraordinary item	87.6	87.1	197.3
Extraordinary item	–	33.7	33.7
Profit attributable to unitholders	87.6	120.8	231.0
<b>Earnings per unit</b>	<b>£ 15.26</b>	<b>£ 15.17</b>	<b>£ 34.36</b>

**GROUP RESULTS** Operating profit of £ 266.8 million was 2.1 per cent higher than in the comparable period last year. This reflected growth in tobacco operating profit of 6.3 per cent, partly offset by a decrease of 4.5 per cent in the operating profit from luxury products. Outside the Group's two core businesses, operating profit was affected by the cost of developing new businesses within associated undertakings.

Net interest receivable and similar items fell by £ 11.7 million to £ 12.6 million. The effective tax rate remained almost unchanged at 36.8 per cent. Profit attributable to minority interests decreased, largely due to sharply reduced tobacco profits in the Group's Australian subsidiary undertaking, Rothmans Holdings Limited. These factors resulted in a small increase of 0.6 per cent in profit attributable to unitholders before extraordinary item and earnings per unit, to £ 87.6 million and



£15.26, respectively. Earnings per unit reflect the split of Richemont units in the ratio of 10 for 1 which took effect on 6 October 1992.

Average exchange rates for the six months ended 30 September 1992, compared with those for the corresponding period last year, had the effect of reducing profit before taxation and attributable profit by £4.9 million and £1.4 million, respectively. This was mainly due to higher average sterling exchange rates against the US, Canadian and Australian currencies during the period preceding sterling's depreciation and withdrawal from the ERM during September.

The extraordinary item in the previous year of £33.7 million represented the gain realised on the disposal of the Group's investment in TransAtlantic Holdings PLC.

#### ANALYSIS OF SALES AND OPERATING PROFIT

	Net sales revenue		Operating profit	
	Six months ended 30 Sept 1992 £ m	Six months ended 30 Sept 1991 £ m	Six months ended 30 Sept 1992 £ m	Six months ended 30 Sept 1991 £ m
Tobacco	1 085.7	1 085.0	191.5	180.1
Luxury products	438.6	423.7	76.7	80.3
Other activities	—	—	(3.6)	(5.0)
The Company and its subsidiary undertakings	<u>1 524.3</u>	<u>1 508.7</u>	<u>264.6</u>	<u>255.4</u>
Share of associated undertakings			9.5	12.3
Goodwill amortisation			<u>(7.3)</u>	<u>(6.5)</u>
Operating profit			<u>266.8</u>	<u>261.2</u>

**T**OBACCO The worldwide volume of cigarette sales by Group companies was marginally lower than that achieved in the six months ended 30 September 1991. Improved volumes were achieved in eastern Europe, particularly in respect of sales to the Commonwealth of Independent States, and in the United Kingdom. Volume declines affected a number of other markets including Australia, Germany, Indonesia, the Philippines and the former Yugoslavia.

Net sales revenue from tobacco amounted to £1 085.7 million, in line with the corresponding period last year. However, exchange rate movements had an unfavourable effect on the translation of the net sales revenue of subsidiary undertakings with reporting currencies other than sterling. If translated at the average rates for the comparable period last year, net sales revenue from tobacco would have shown an increase of £24.0 million or 2.2 per cent.

Tobacco operating profit earned by subsidiary undertakings increased by £ 11.4 million, or 6.3 per cent, to £ 191.5 million. The improvement in profits was mainly due to improved margins resulting from higher selling prices in certain of the Group's markets, notably Canada, the volume improvement in Eastern Europe and increased sales of fine cut products in Germany.

Operating profit from tobacco is shown after charging exceptional items amounting to £ 9.2 million. These items were in respect of rationalisation of the Australian and Philippines operations (£ 5.3 million) and stock write downs of £ 3.9 million principally relating to surplus leaf stocks in both the Philippines and Indonesia. The results for the six months ended 30 September 1991 included a one-off charge of £ 10.1 million arising from a change in accounting policy in respect of tobacco licence fees in Australia.

**LUXURY PRODUCTS** During the six months under review net sales revenue from the Group's luxury products companies – mainly comprising Cartier Monde SA and Dunhill Holdings PLC – increased by 3.5 per cent to £ 438.6 million. Operating profit decreased by 4.5 per cent to £ 76.7 million.

Net sales revenue of Cartier Monde SA increased by 7.3 per cent in terms of Swiss francs – its own reporting currency – partly reflecting the depressed sales picture resulting from the effects of the Gulf War during the early months of 1991. However, as a result of negative exchange rate effects, exacerbated on a one-off basis by Cartier Monde's decision during the previous financial year to change its reporting currency from US dollars to Swiss francs, net sales revenue in sterling terms was 2.0 per cent down at £ 311.6 million. Similarly, operating profit increased by 4.0 per cent in Swiss franc terms but decreased in pound terms by 5.3 per cent to £ 57.1 million.

Dunhill Holdings PLC increased net sales revenue by 20.0 per cent to £ 124.3 million, principally due to acquisitions made after 30 September 1991. Operating profit at £ 21.8 million showed an improvement of 6.3 per cent.

**OTHER INTERESTS** The Group's share of operating profit of associated undertakings decreased by £ 2.8 million to £ 9.5 million. An increased operating profit contribution from North American Resources Limited was offset by an operating loss incurred by FilmNet SA. The prior year figure included a contribution from TransAtlantic Holdings up to the date of disposal of the investment. North American Resources Limited has completed the restructuring of Horn & Hardart, the mail order company, and now owns 62.5 per cent of the equity of that company. Horn & Hardart, with substantially reduced debt, is already making a positive contribution to profit. The loss incurred by FilmNet SA is the result of planned investment expenditure incurred to expand the subscriber base by widening the range of programmes being offered, increasing marketing activities and improving the subscriber management system.