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R I C H E M O N T

RESULTS FOR THE YEAR ENDED 31 MARCH 1999

Richemont, the Swiss tobacco and luxury goods group, announces its results for the year ended 31 March 1999.

	1999	1998	
Operating profit			
- at actual exchange rates	£ 1 077.7 m	£ 1 044.4 m	+ 3.2 %
- at constant exchange rates	£ 1 173.4 m	£ 1 044.4 m	+ 12.4 %
Profit Attributable to Unitholders	£ 461.8 m	£ 386.0 m	+ 19.6 %
Earnings per Unit	£ 80.42	£ 67.22	+ 19.6 %
Dividend per Unit	£ 13.50	£ 11.50	+ 17.4 %

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

- Richemont's attributable profit increased by 19.6 per cent to £ 461.8 million, reflecting satisfactory growth in operating profits and a lower overall corporate taxation rate, combined with the benefits of significantly higher profits at Vendôme Luxury Group attributable to Richemont.
- Operating profit in constant currency terms increased by 12.4 per cent to £ 1 173.4 million. These results were, however, adversely affected by the weakness of certain currencies against sterling during the year. Consequently, adverse currency translation effects amounting to £ 95.7 million reduced the growth in operating profit at actual exchange rates to 3.2 per cent.
- Despite a 4.2 per cent drop in sales volumes, Richemont's tobacco interests, held through Rothmans International, reported an increase in operating profit of 10.4 per cent at constant exchange rates, reflecting improved profitability in most major markets due to price increases and cost savings.
- The merger of Rothmans International with British American Tobacco, announced in January 1999, was successfully completed on 7 June 1999, as a result of which Richemont now holds an effective interest of 23.3 per cent in British American Tobacco.
- Richemont's luxury goods businesses, held through Vendôme Luxury Group, produced particularly good results. Sales for the year increased by 5.5 per cent to SFr 3 773.2 million, whilst operating profit grew by 12.2 per cent, reflecting significant improvements in profitability in the second half of the year. The latter part of the year also saw a return of consumer confidence in a number of important markets in the Far East, resulting in increased sales in that region.
- The annual dividend is increased by 17.4 per cent to £ 13.50 per unit.

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Richemont

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. Given the material impact of exchange rate movements on the results for the year, the table has been presented to show sales and operating profit expressed at constant exchange rates as well as at actual rates.

	1999 At actual exchange rates £ m	1999 At constant exchange rates £ m	1998 £ m
Sales revenues			
Tobacco	3 022.2	3 279.1	3 171.9
Luxury goods	1 585.4	1 607.1	1 490.4
	4 607.6	4 886.2	4 662.3
Operating profit			
Tobacco	817.1	906.0	820.9
Luxury goods	272.4	279.5	240.6
Other	(11.8)	(12.1)	(17.1)
	1 077.7	1 173.4	1 044.4

The Group's net sales revenue increased by 4.8 per cent at constant exchange rates. This was, however, adversely effected by the weakness of certain key currencies during the year under review, resulting in an adjustment of £ 278.6 million to bring net sales revenue at actual rates to £ 4 607.6 million.

Operating profit at constant exchange rates grew by 12.4 per cent to £ 1 173.4 million. At actual exchange rates, this growth was reduced to 3.2 per cent, the adverse impact of currency movements of some £ 95.7 million reducing the Group's operating profit to £ 1 077.7 million.

Operating losses of £ 11.8 million from other interests largely reflect losses arising from Richemont's 15 per cent interest in Canal+, Europe's leading pay television operator, and its 49 per cent interest in Hanover Direct, a leading direct to home catalogue retailer in the United States.

Tobacco

On 11 January 1999, the boards of Richemont and Rembrandt Group Limited announced the terms of a merger of their combined interests in Rothmans International B.V. with British American Tobacco p.l.c. Following receipt of the necessary regulatory approvals, the merger became effective on 7 June 1999. As a result, Richemont and Rembrandt together indirectly own 35 per cent of the fully diluted ordinary share capital of British American Tobacco. The Richemont and Rembrandt interests are held through a joint holding company, which is two-thirds owned by Richemont and one-third by Rembrandt.

The following comments relate to the performance of Rothmans International in the year to 31 March 1999.

Sales volumes declined by 4.2 per cent in the year under review. The principal factor in the volume decrease was the impact of the economic crises in Central and Eastern Europe, which reduced sales in Russia, Ukraine and the Central Asian Republics by approximately 50 per cent. Volumes also declined in several of the group's established markets, notably in South Africa, the United Kingdom, France and Malaysia. Volume growth was achieved in certain of the group's development markets, particularly in Indonesia and Vietnam.

The table set out below analyses net sales revenues and operating profit by geographic areas of operation. Given the material impact of exchange rate movements on the results for the year, the analysis shown is at constant exchange rates with a reconciliation to actual exchange rates.

	Net sales revenue		Operating profit	
	1999 £ m	1998 £ m	1999 £ m	1998 £ m
Europe	1 394.3	1 369.4	291.5	244.6
Africa and the Middle East	714.8	693.4	265.2	225.2
Americas	296.5	299.6	89.7	99.3
Asia	476.3	475.8	153.7	139.8
Pacific	397.2	333.7	85.3	97.2
Rothmans International and its subsidiary undertakings	3 279.1	3 171.9	885.4	806.1
Share of associated undertakings	-	-	20.6	14.8
At constant exchange rates	3 279.1	3 171.9	906.0	820.9
Exchange adjustment	(256.9)	-	(88.9)	-
At actual exchange rates	3 022.2	3 171.9	817.1	820.9

An underlying improvement in the profitability of the tobacco business was masked by the adverse effects of the weakness of certain key currencies, in particular the South African rand, the Malaysian ringgit and the Australian dollar. Translated at constant currencies, net sales revenue increased by 3.4 per cent and operating profit by 10.4 per cent, respectively. However, at actual rates net sales revenue declined by 4.7 per cent and operating profit was largely unchanged from the prior year.

Tobacco (continued)

The underlying growth in net sales revenue was achieved as price increases more than offset the effect of lower volumes. Operating profit at constant rates in respect of the geographic regions referred to above was influenced by the following key factors:

- In Western Europe operating profit benefited from price increases and cost reductions, principally in France and the United Kingdom, which more than compensated for the adverse impact on volumes in Russia, Ukraine and the Central Asian Republics resulting from the economic turmoil following the devaluation of the Russian rouble.
- Operating profit in Africa and the Middle East increased by 17.8 per cent, largely reflecting pricing benefits and improved results from a number of markets in Africa. In South Africa volumes declined further following excise increases.
- The major factor in the decrease in operating profit in the Americas region was the reduction in sales of premium cigars in the United States. Volumes in Canada fell slightly, but profitability was maintained through improved margins.
- Despite the significant economic problems in Asia, operating profit for the region improved due to volume growth, notably in Vietnam, and improved margins in Malaysia and Singapore, which offset the effect of reduced volumes in those markets. In China the continuing over-supply in the market resulted in lower volumes, although the trading result improved due to a reduction in costs.
- Underlying operating profit in the Pacific region increased by 31 per cent at constant exchange rates, excluding last year's windfall excise duty gain in Australia. This was largely as a result of improved margins in Australia and New Zealand. In Indonesia sales volumes more than doubled. This market, however, continued to report operating losses, as this growth was offset by higher import costs resulting from the weakness of the Indonesian ruppiah.
- The increased profit resulting from interests in associated undertakings principally reflects continuing improvements in profitability from the Jamaican cigarette operation.

As a consequence of the completion of the merger of Rothmans International and British American Tobacco, Richemont's tobacco interests will, in future, be equity accounted rather than fully consolidated. For information purposes, summary financial information in respect of Rothmans International for the financial year ended 31 March 1999 is provided in Attachment 2 to this announcement.

Luxury goods

Vendôme's net sales revenue increased by 5.5 per cent during the year to SFr 3 773.2 million. This reflected a good performance in Europe throughout the year and a return to growth in the Far East in the second six month period. Operating profit for the year increased by 12.2 per cent to SFr 648.2 million, largely reflecting lower operating expenses in the second half of the year.

The table below analyses sales by major product line:

	1999	1998	
	SFr m	SFr m	
Jewellery	770.0	671.6	+ 14.7 %
Gold and jewellery watches	867.2	882.6	- 1.7 %
Other watches	759.1	656.2	+ 15.7 %
Leather goods	364.5	342.8	+ 6.3 %
Writing instruments	336.0	346.3	- 3.0 %
Menswear	182.0	196.1	- 7.2 %
Other	494.4	481.3	+ 2.7 %
	3 773.2	3 576.9	+ 5.5 %

Sales in all product areas were affected by the downturn in the Far East in the first half of the year, with the exception of jewellery sales, which showed substantial increases throughout the year. The increase in jewellery sales has been primarily achieved through increased retail sales at Cartier.

Retail growth has also been the major factor in the increase in sales of gold and jewellery watches in Europe, although decreased sales in the Far East, an area more dependent on wholesale sales, in the first half of the year have offset this good performance. Sales of other watches benefited from the launch of successful new products by almost all of the watch brands, with growth of 15.7 per cent achieved for the year.

Menswear and leather goods are the two product areas which are most dependent upon sales in the Far East; both have therefore experienced a difficult year. A downturn in sales of leather goods was more than compensated by the inclusion of a full years' results for Lancel, compared to six months in the prior year, resulting in the reported increase of 6.3 per cent.

Sales of writing instruments declined in the year following the positive impact of successful product launches in the prior year. In addition, the continuing effects of a long-term rationalisation of distribution channels in the United States has reduced sales in that region, whilst sales in the Far East have decreased due to the decline in spending in the tourist and duty free markets.

Luxury goods (continued)

Net sales revenues by geographic area are shown in the following table:

	1999	1998	
	SFr m	SFr m	
Europe	1 618.5	1 413.3	+ 14.5 %
Far East	1 287.3	1 313.7	- 2.0 %
Americas	762.3	742.9	+ 2.6 %
Other	105.1	107.0	- 1.8 %
	<u>3 773.2</u>	<u>3 576.9</u>	+ 5.5 %

Europe was the main contributor to growth in the year, reflecting improvements in all the major markets. The European market also benefited from the inclusion of Lancel, which has a very strong European base, for a full year for the first time.

Sales in Japan continued to grow rapidly, with the successful introduction of new products and further investment in the distribution network. In the other major markets in the Far East, sales increased in the second half year, but this was insufficient to compensate fully for decreases experienced in the first six months.

Sales in the Americas showed modest growth, with good increases at Cartier partly offset by lower growth in certain other brands and a decrease at Montblanc.

Sales through the Group's network of owned stores increased by 9.4 per cent, to SFr 1 465.0 million, to represent 38.8 per cent of total sales, reflecting a combination of new store openings, new products and marketing initiatives. Wholesale sales increased by 3.1 per cent, with good performances in Europe and the Americas partly offset by lower sales in a difficult environment in the duty free and tourist markets of the Far East.

Associated companies

Pay television

Richemont holds a 15 per cent investment in Canal+ SA of France, Europe's leading pay television operator. Canal+ operates analogue and digital services in France, Spain, Italy, Scandinavia, the Benelux, francophone Africa and Poland and had some 12.1 million subscribers at 31 March 1999.

In its financial year to December 1998, Canal+'s operating losses decreased significantly from the prior period, reflecting improved profitability in the French operations, principally Canal+ and Canalsatellite, together with lower losses in Italy, the Benelux and Scandinavia. The performance in these markets reflects the positive impact on subscription revenues from several launches which took place during the previous year, the two most significant being the digital platform in Italy and the relaunch of premium channels in the Netherlands.

As a result of this improved performance, Richemont's share of Canal+'s operating losses for the twelve months to December 1998 fell to £ 1.7 million, from £ 16.9 million for the period to December 1997.

Direct retailing

Richemont holds its direct retailing interests through a 49 per cent stake in Hanover Direct, a leading direct to home catalogue retailer in the United States. During the year Hanover Direct has repositioned itself in the direct to home retail market, moving towards a focus on electronic commerce. In March 1999, Hanover Direct announced a strategic realignment of the company, resulting in the creation of two separate divisions. The first of these, "Brand Marketing" focuses on the merchandising and marketing of Hanover Direct's various brands through both catalogues and Internet web sites, whilst the second, "Web Services" provides telesales, fulfilment and technology platforms to the company and to third party e-commerce retailers.

In its financial year ended December 1998, Hanover Direct reported increased operating losses compared with the previous year. The increase was due to lower demand experienced in certain catalogues together with the costs related to the investment in e-commerce.

Richemont's share of Hanover Direct's operating losses increased to £ 4.7 million in the year to 31 March 1999.

Consolidated profit and loss account

To facilitate the comparison of the Group's results against last year, 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 both years. A reconciliation of this profit and loss account to the Group's results on a reported basis is presented in Attachment 1 to this announcement.

	1999	1998
	£ m	£ m
Operating profit at constant exchange rates	1 173.4	1 044.4
Adjustment to actual rates	(95.7)	-
Operating profit at actual exchange rates	1 077.7	1 044.4
Net investment expense	(63.2)	(43.6)
Profit before taxation	1 014.5	1 000.8
Taxation	(286.2)	(298.0)
Profit after taxation	728.3	702.8
Minority interests	(266.5)	(316.8)
Profit attributable to unitholders	461.8	386.0
Earnings per unit	£ 80.42	£ 67.22

Net investment expense increased from £ 43.6 million to £ 63.2 million, reflecting principally an increase of £ 20.8 million at Vendôme Luxury Group, due to the costs of financing the buy out of its minority interests, which took effect at the end of the previous financial year. Net investment expense at Rothmans International fell by £ 2.3 million, largely as a result of lower working capital requirements, primarily in the United Kingdom.

The effective taxation rate fell from 29.8 per cent to 28.2 per cent, reflecting a substantial fall in the rate incurred by Rothmans International, due to the benefits of a tax holiday in Malaysia. This was partially offset by an increase in the rate at Vendôme Luxury Group, due to the impact of the interest charge on the loan to finance the buy out of the minority interests, which is not deductible for tax purposes.

The share of profit after taxation attributable to minority interests decreased to £ 266.5 million from £ 316.8 million in the prior year as a result of the buy out of the public shareholders in Vendôme Luxury Group.

Notwithstanding the adverse impact of the strength of sterling, profit attributable to unitholders and earnings per unit, adjusted to exclude exceptional items and goodwill amortisation, increased by 19.6 per cent to £ 461.8 million and £ 80.42, respectively.

Consolidated balance sheet

	1999 £ m	1998 £ m
Fixed assets		
Tangible	746.4	700.2
Investments in associated undertakings	330.8	321.5
Other long-term investments	126.7	138.3
	<u>1 203.9</u>	<u>1 160.0</u>
Net working capital	<u>1 241.2</u>	<u>1 263.8</u>
Net operating assets	2 445.1	2 423.8
Goodwill	2 687.6	2 757.9
Net borrowings	(1 360.0)	(1 627.4)
Cash and cash equivalents	182.2	(147.0)
Long-term borrowings	(1 542.2)	(1 480.4)
Other long-term liabilities	(477.5)	(504.7)
	<u>3 295.2</u>	<u>3 049.6</u>
Capital employed		
Unitholders' funds	2 704.6	2 430.6
Minority interests	590.6	619.0
	<u>3 295.2</u>	<u>3 049.6</u>

Net working capital decreased by £ 22.6 million compared to the prior year. Within working capital a significant decrease at Rothmans International, due to a reduction in inventories, has been partially offset by an increase at Vendôme Luxury Group. The fluctuation in Rothmans International's inventory level is largely in response to the timing of excise duty increases in the United Kingdom. Vendôme's working capital increase is partly due to a rise in inventory held at the year-end, resulting from the expansion of the group's retail network, together with an increase in wholesale trade debtors, which have risen in line with the level of activity in the months of February and March.

Overall net borrowings decreased by £ 267.4 million for the year to 31 March 1999. This reflects the reduction in working capital at Rothmans International as noted above. At Vendôme, net borrowings remained broadly in line with those at last year-end.

Consolidated cash flow statement

	1999	1998
	£ m	£ m
Operating profit	1 077.7	1 044.4
Depreciation and other non cash items	64.2	112.1
Decrease/(increase) in working capital	126.4	(237.8)
Net cash inflow from operating activities	1 268.3	918.7
Returns on investments and servicing of finance	(58.6)	(43.6)
Taxation paid	(320.6)	(290.5)
Net acquisitions of tangible fixed assets	(136.7)	(164.5)
Acquisition of Vendôme Luxury Group public minorities	-	(1 053.0)
Buy-back of Richemont units	(45.0)	-
Other acquisitions of subsidiary and associated undertakings, minority interests and investments, net of disposals	(35.2)	(156.8)
Net cash inflow/(outflow) before financing activities	672.2	(789.7)
Financing activities	(38.9)	554.4
Dividends paid	(297.8)	(393.5)
Net cash inflow/(outflow) after financing activities	335.5	(628.8)
Exchange rate effects	(6.3)	(255.8)
Increase/(decrease) in cash, cash equivalents and short term borrowings	329.2	(884.6)

Net cash inflow from operating activities has increased by £ 349.6 million, largely as a result of the decrease in working capital. The reduction in working capital in the year is mainly attributable to a lower level of stocks held by Rothmans International in the United Kingdom.

In the year under review, there were no major acquisitions by the Group. During March 1999, 46,220 Richemont 'A' units were repurchased pursuant to the programme announced on 25 February 1999. The consideration for the units was £ 45.0 million. A further 53,780 units were repurchased in April 1999 for a consideration of £ 53.0 million, bringing the total number of units repurchased to 100,000 and the total cash outlay to £ 98.0 million.

The acquisition of Vendôme Luxury Group's public minorities was reflected in the balance sheet at 31 March 1998 and gave rise to significant cash flows in the prior year.

Dividend

The Board of Directors has proposed an increase of 17.4 per cent in the dividend payable to unitholders to £ 13.50 per unit. This will be payable on 4 October 1999.

Annual General 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, 16 September 1999.

Nikolaus Senn
Chairman

Johann Rupert
Chief Executive

Compagnie Financière Richemont AG

Zug, 16 June 1999

ATTACHMENT 1
CONSOLIDATED PROFIT AND LOSS ACCOUNT
ON A REPORTED BASIS

Consolidated profit and loss account on a reported basis	1999 £ m	1998 £ m
Operating profit	1 077.7	1 044.4
Goodwill amortisation (Note 1)	(165.8)	(120.3)
Exceptional items (Note 2)	-	34.9
	<hr/>	<hr/>
Profit before net investment expense and taxation	911.9	959.0
Net investment expense	(63.2)	(43.6)
	<hr/>	<hr/>
Profit before taxation	848.7	915.4
Taxation	(286.2)	(299.1)
	<hr/>	<hr/>
Profit after taxation	562.5	616.3
Minority interests	(238.8)	(286.9)
	<hr/>	<hr/>
Profit attributable to unitholders on a reported basis	323.7	329.4
	<hr/>	<hr/>
Earnings per unit on a reported basis	£ 56.37	£ 57.37
	<hr/>	<hr/>

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

	1999 £ m	1998 £ m
Profit attributable to unitholders on a reported basis	323.7	329.4
Elimination of goodwill amortisation (Note 1)	138.1	90.8
Goodwill amortisation	165.8	120.3
Goodwill amortisation attributable to minority interests	(27.7)	(29.5)
Exceptional items (Note 2)	-	(34.2)
	<hr/>	<hr/>
Profit attributable to unitholders on an adjusted basis	461.8	386.0
	<hr/>	<hr/>

Note 1 - Goodwill amortisation

The results on a reported basis, in both the current and prior years, 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 year ended 31 March 1999 was £ 165.8 million (1998 : £ 120.3 million). At the attributable profit level, after deduction of minority interests, the amortisation charge amounted to £ 138.1 million (1998 : £ 90.8 million).

Note 2 - Share of Canal+ exceptional items

The exceptional gain of £ 34.9 million in the year to 31 March 1998 represented Rlichemont's share of Canal+'s exceptional items, being primarily the disposal of its 37.5 per cent interest in Première, the German pay television channel. The Group's attributable share of the net exceptional gain was £ 34.2 million after taxation and minority interests.

ATTACHMENT 2
ROTHMANS INTERNATIONAL
SUMMARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 1999

Rothmans International
Summary profit and loss account

	1999 At actual exchange rates £ m	1999 At constant exchange rates £ m	1998 £ m
Operating profit	817.1	906.0	820.9
Net investment expense	(47.1)	(44.1)	(49.4)
Profit before taxation	<u>770.0</u>	<u>861.9</u>	<u>771.5</u>
Taxation	(210.2)	(234.3)	(237.7)
Profit after taxation	<u>559.8</u>	<u>627.6</u>	<u>533.8</u>
Minority interests	(120.4)	(140.6)	(124.8)
Profit attributable to Rothmans International's shareholders	<u><u>439.4</u></u>	<u><u>487.0</u></u>	<u><u>409.0</u></u>

Note: excludes goodwill amortisation.

Rothmans International
Statement of net tangible assets

	1999 £ m	1998 £ m
Property, plant & equipment	504	485
Investments	117	95
Net working capital	643	816
Net operating assets	<u>1 264</u>	<u>1 396</u>
Net borrowings	(879)	(1 101)
Cash and cash equivalents	<u>109</u>	<u>(140)</u>
Long-term borrowings	<u>(988)</u>	<u>(961)</u>
Other long-term liabilities	<u>(425)</u>	<u>(454)</u>
	<u><u>(40)</u></u>	<u><u>(159)</u></u>

Note: excludes goodwill.

Notes for editors

Richemont is a Swiss tobacco and luxury goods group. It is managed with a view to the profitable long-term development of successful international brands and is the ultimate parent of a family of some of the world's leading consumer brands.

Following the merger of Rothmans International and British American Tobacco completed in early June 1999, Richemont now holds a 23.3 per cent interest in the enlarged British American Tobacco. The enlarged British American Tobacco's brands include State Express 555, Rothmans, Peter Stuyvesant, Dunhill, Lucky Strike, Kent, Viceroy and Pall Mall.

Richemont's luxury goods brands are held through its wholly owned subsidiary Vendôme Luxury Group. Vendôme owns a portfolio of leading international brands including Cartier, Alfred Dunhill, Montblanc and Lancel as well as the prestigious Swiss watch manufacturers Vacheron Constantin, Piaget and Baume & Mercier.

In addition, to its tobacco and luxury goods businesses, Richemont holds investments in the pay television and direct retailing industries.

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