



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

RICHMONT

Annual Report and Accounts 2001

***“When love and skill work together,
expect a masterpiece.”***

John Ruskin (1819–1900)

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RICHEMONT



JEWELLERY

Jewellery lies at the heart of Richemont. Cartier is renowned as the 'king of jewellers and the jeweller of kings' whilst Van Cleef & Arpels is one of the most prestigious and exclusive names in the world of high jewellery. Increasingly, Piaget is also seen as a jeweller, not only with regard to its jewellery watches but also for its own jewellery ranges.



WATCHES

Jaeger-LeCoultre, IWC and A. Lange & Söhne, which were acquired in 2000, perfectly complement Richemont's established specialist watch brands – Piaget, Vacheron Constantin, Officine Panerai and Baume & Mercier. Together, these companies represent some of the world's finest watchmaking traditions and skills.



ACCESSORIES

In the fields of writing instruments, leather goods and accessories, Richemont's brands – principally Montblanc, Lancel and Dunhill - are renowned for style, quality and craftsmanship.

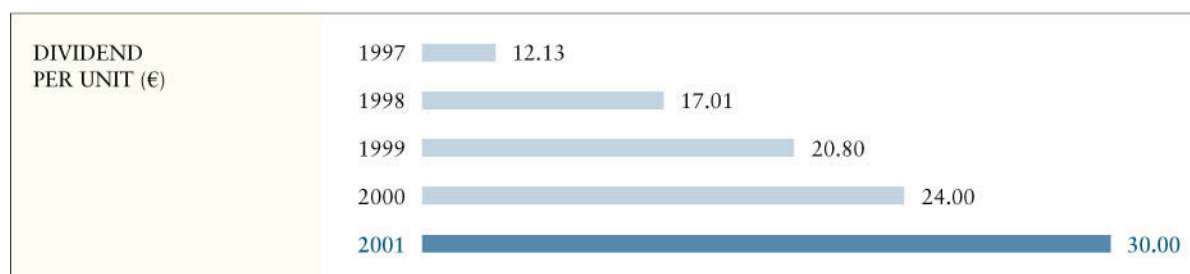
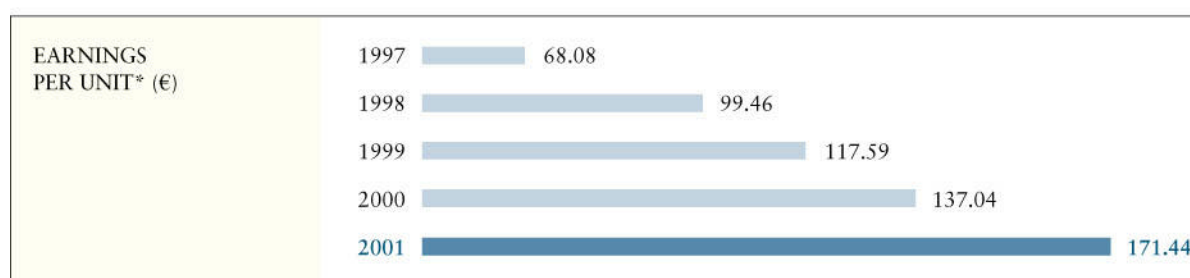
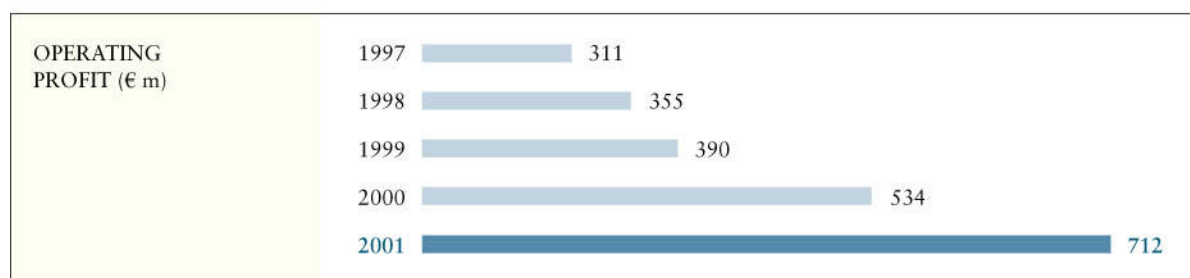
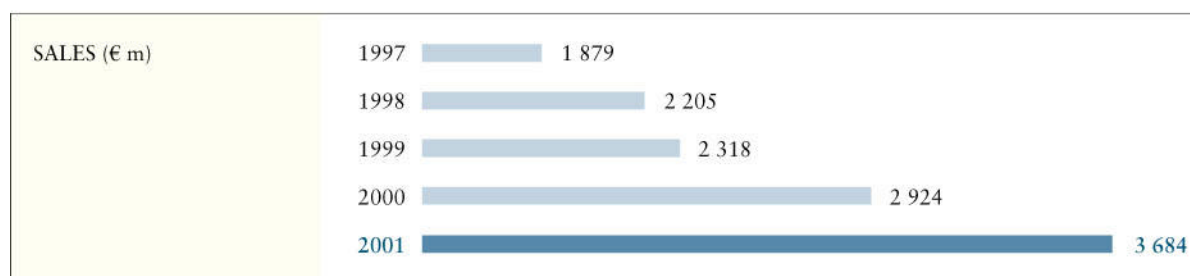


CLOTHING

Both Chloé for ladies and Hackett for men in their own distinctive way offer an exciting combination of tradition linked to contemporary styling. This particularly appeals to a younger clientele.

FINANCIAL HIGHLIGHTS

<i>All amounts in euros</i>	2001	2000	
Sales	3 684 m	2 924 m	+ 26%
Operating profit	712 m	534 m	+ 33%
Earnings per unit*	171.44	137.04	+ 25%
Dividend per unit	30.00	24.00	+ 25%



**Earnings per unit have been presented on an adjusted basis, excluding exceptional items and goodwill amortisation. Including exceptional items and goodwill amortisation, fully diluted earnings per unit amounted to € 223.11 (2000: € 520.06).*

CHAIRMAN'S STATEMENT

The past year has seen Richemont consolidate its position as one of the world's leading luxury goods groups and, in particular, as a major force in the market for luxury watches.



Nikolaus Senn chairman

The acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne was completed in December 2000 and the three companies have now been fully assimilated into the Group. The integration process was facilitated by the common philosophy of both management groups, which acknowledges the need to preserve the heritage and identity of each brand whilst constantly seeking to innovate and grow. The three new members of the Group perfectly complement Richemont's other specialist watch brands – Piaget, Vacheron Constantin, Officine Panerai and Baume & Mercier – and together they will play a leading role in shaping Richemont's future strategy as a producer of luxury timepieces.

In terms of sales and profitability, the Group has enjoyed a further year of substantial growth, with sales increasing by 26 per cent and operating profit by 33 per cent to €3 684 million and €712 million, respectively. Richemont's brands all performed well, benefiting from the very healthy economic climate which prevailed for a large part of the year.

In addition, the Group's investment in British American Tobacco contributed strongly to the result for the year, such that attributable profit on an

adjusted basis grew by 24 per cent to €968 million for the year. In the light of this excellent performance, the board proposes a dividend of €30.00 per unit, an increase of 25 per cent over the prior year's level.

The Group's position as one of the leading Swiss corporations was also enhanced by the inclusion of the Richemont "A" units in the SMI – the Swiss Market Index of leading stocks – in October 2000. This has led to increased interest in the Group from the international investment community, with a significant increase being seen in the volume of units traded each day on the Swiss Exchange.

Recent changes to Swiss law permit the reduction in the minimum par value of a company's shares. In consequence, the board proposes that the par value of an "A" share be reduced to SFr 1.00 and that of a "B" share be reduced to SFr 0.10. These changes will be tabled for shareholder approval at this year's Annual General Meeting and, if approved, will permit the split of Richemont units in the ratio of one hundred to one. This will have the effect of bringing the unit price into a range more in line with its peers in the Swiss and international markets.

The success of the Group during the past year could not have been achieved without the contribution of its employees at all levels. We thank them for their professionalism, enthusiasm and devotion to both their respective brands and to Richemont.

A handwritten signature in dark ink, appearing to read 'N. Senn', written over a light blue horizontal line.

Nikolaus Senn
CHAIRMAN



Compagnie Financière Richemont AG
6 June 2001

CHIEF EXECUTIVE'S REVIEW

During the past year, Richemont has benefited from a particularly favourable global economic environment. This, combined with the continued strength of the dollar and the yen against the euro, has allowed the Group, once again, to report excellent results.



Johann Rupert group chief executive

The year also saw an important change in emphasis for the Group. The new operational focus and management realignment, which I wrote about in last year's annual report, has moved ahead and Richemont today is seen as a leading global luxury goods group, albeit one with a strong and highly profitable investment in the tobacco industry through its holding in British American Tobacco. Three specific transactions of note took place during the year, further evidencing the shift of emphasis towards our luxury goods business.

In June 2000, Richemont exercised its right to put back to British American Tobacco up to one half of the preference shares issued at the time of the merger of BAT and Rothmans International in 1999. The provisions of the merger agreement had been drafted to allow Richemont to dispose of part of the holding of the unlisted preference shares, a provision that had been sought to protect Richemont from any downturn in global equity markets generally. In fact, at the time a decision had to be taken on whether to put the preference shares to BAT, global markets were still strong but the global tobacco industry generally was suffering from investors'

pessimism as to the outcome of key legal cases in the United States. We did not share that pessimism, a view which has subsequently been borne out by developments in respect of the cases in question and the recovery in the valuations of tobacco companies' stocks. The financial considerations at the time were, however, quite clear cut and it was decided to exercise the put option. In consequence, Richemont received some € 740 million from BAT last June.

In addition to the BAT preference shares, Richemont also disposed of its interest in Vivendi SA in September 2000 for a consideration of some € 1.2 billion. This represented the final element of the realisation of the Group's electronic media investments and, together with the proceeds of the BAT preference stock, provided Richemont with significant liquidity which was to prove useful later in the year.

The defining transaction of the year was, however, Richemont's successful SFr 3.0 billion bid for a group of three of the world's leading watchmaking companies, Jaeger-LeCoultre, IWC and A. Lange & Söhne.

Each of the three companies is a leader in its particular niche of the luxury watch industry. Jaeger-LeCoultre is one of the most integrated manufacturers of technical watches which appeal particularly, but not exclusively, to connoisseurs of Haute Horlogerie. IWC's ranges of mechanical watches and chronographs are targeted in the main at the male market and the revival of A. Lange & Söhne has created a special position for the company with a range of premium, highly complex models made not in Switzerland but in Saxony, Germany.

The three entities have an excellent manufacturing capability and an integrated management group. These executives now work together with their counterparts at Piaget, Vacheron Constantin, Officine

Panerai and Baume & Mercier in the new specialist watch division, which has been established within Richemont. As a consequence of the transaction, Richemont enjoys a leading position in the true luxury watch sector and the development of this business will be one of the principal avenues for growth in the years to come. In this context, it is worth noting that Dunhill, Montblanc and, above all, Cartier also have very significant watch businesses, which will be able to benefit from the enhanced skill base within the organisation.

The acquisition was a major strategic step for Richemont, taking into account the obvious complementarity of the two organisations. The three new companies had an industrial strength in all aspects of watch manufacture which complemented Richemont's growing competency in this area. Richemont, on the other hand, brought its integrated distribution and marketing strength to the transaction and steps have already been taken to plan the development of Jaeger-LeCoultre, IWC and A. Lange & Söhne in markets where they have been under-represented to date. The fruits of the marriage are already being seen internally, as the various companies draw on one another's strengths, and we are confident in our watch businesses' capacity to add significant value to the Group in the years to come.



Richemont has traditionally taken a very conservative approach to the expansion of its businesses and I can confirm that the year's major acquisition has not resulted in a significant increase in the level of debt on the Group's balance sheet. The disposal of one half of the Group's holding of BAT preference shares, combined with the proceeds of the sale of the Vivendi interest, have provided the bulk of the financing that was required for the acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne. As such, the Group's levels of debt at the end of the financial year are broadly in line with those of the previous year.


In this report last year, I commented that it would be interesting to see how long the unprecedented combination of a high economic growth rate and low inflation in the United States could continue. Regrettably, that slowdown, prompted by the bursting of the e-commerce bubble, took hold towards the end of 2000.

Richemont, nonetheless, enjoyed an excellent first half-year, reflecting exceptionally high levels of demand in all markets. This was combined with the added benefit of the weakness of the euro, leading to exceptional operating profit growth in the first six months. Whilst the Group also benefited generally from a strong pre-Christmas season, particularly in Europe and Asia, there has been a marked slowdown in the American market since late 2000. Equally, the macroeconomic situation in Japan remains a cause for concern, the structural problems there apparently being so deep rooted as to resist all attempts to stimulate the economy.

Richemont remains committed to the continued development of its luxury goods businesses. These are businesses which are built on unique strengths and which have the capacity to grow significantly in the medium to long-term as wealth creation forces expand the population of potential customers for their products. The Group has focused its investments in companies which offer the consumer an opportunity to enjoy true luxury. With this in mind, particular emphasis has been placed on strengthening the Group's position in jewellery, watches and writing instruments.

We continue to monitor the economic climate in our key markets. Despite the problems seen in the latter part of the financial year, the Group continues to benefit from good levels of demand, particularly in the important Japanese market. Whilst we currently believe that it will not be possible to repeat the very

high level of sales growth and exceptionally strong operating profit performance seen in the six months to 30 September 2000, we are hopeful that the results for the second half of the year will benefit from a return of consumer confidence generally. We therefore remain guardedly optimistic for the outlook for the current year as a whole.



Johann Rupert

GROUP CHIEF EXECUTIVE

Compagnie Financière Richemont AG

6 June 2001



A YEAR OF PROGRESS

Progress has been made on many fronts during the year under review.

Richemont's businesses have performed well, enjoying increased sales and showing further improvements in profitability. New products have found appreciative customers.

Whilst Cartier continued to build on the success enjoyed for a number of years, Van Cleef & Arpels, which was acquired in May 1999, has begun to blossom, with new store openings and revitalised marketing.

The acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne marked Richemont's clear intention to be one of the leaders in the luxury watch market. The new brands balance the market positioning of Richemont's other specialist watchmakers whilst the manufacturing base of the companies complements Richemont's existing strengths in this area. Richemont's distribution network will allow the three brands to expand their global presence significantly.

Other business areas consolidated their market positions, with new store openings, new product launches and, in the case of Dunhill, the creation of a new image for the brand.

The year has seen good growth in all major business areas within the Group, complemented by exchange rate benefits as the euro remained weak against key currencies such as the dollar and the yen.

SALES BY PRODUCT LINE (€ m)			
	2001	2000	
Jewellery	877	667	+ 31%
Gold and jewellery watches	834	653	+ 28%
Other watches	819	640	+ 28%
Leather goods	312	267	+ 17%
Writing instruments	263	234	+ 12%
Clothing and other	579	463	+ 25%
	3 684	2 924	

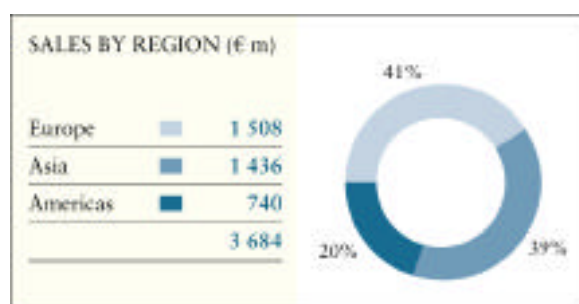
STRONG GROWTH IN SALES IN THE YEAR

Richemont's jewellery and watch businesses, in particular, showed excellent growth during the year. Jewellery sales grew by 31 per cent to € 877 million, reflecting a strong performance by Cartier, with increasingly important contributions from Van Cleef & Arpels and Piaget. Watch sales showed growth of 28 per cent during the year to reach € 1 653 million. The results of Jaeger-LeCoultre, IWC and A. Lange & Söhne were included in respect of the period January 2001 to March 2001, their acquisition being concluded in December 2000, and have therefore had only a limited impact on the results for the year. Particularly strong growth was reported by Cartier, Piaget, Vacheron Constantin and Officine Panerai. Jewellery and watches, which represent the heart of the Group, represented 69 per cent of total sales for the year.

Sales of writing instruments increased by 12 per cent, in part reflecting good growth in Montblanc's retail business as its network of owned stores expands and in part due to the success of the new *La Bohème* range launched in the autumn. Leather

goods sales increased to € 312 million including strong contributions from Cartier, with the new *Cage* handbag, Lancel and Montblanc, whose leather business is growing rapidly.

In geographic terms, Richemont benefits considerably from the breadth of its markets. Europe, the home of all of Richemont's principal brands, was the largest market, having generated some 41 per cent of total sales, whilst Asia, excluding Japan, accounted for 19 per cent and the Americas 20 per cent. The important Japanese market amounted to 20 per cent of sales. Whereas demand in the United States market softened somewhat in the second half of the year after an excellent performance in the first six month period, Europe and Asia continued to grow in the second half of the year. Sales in Asia, particularly Japan, benefited from



positive currency effects in the period. Overall, sales in the Americas grew by 22 per cent in the year with Europe increasing by 25 per cent and Asia by 29 per cent.

RETAIL PRESENCE FURTHER STRENGTHENED

Richemont's strength lies in the heritage embodied in its brands and in the originality, uniqueness and quality of its products. Louis Cartier established his first jewellery boutique in Paris in 1847 and

NUMBER OF RETAIL OUTLETS	Total	Internal	External
Cartier	205	155	50
Van Cleef & Arpels	31	23	8
Piaget	19	14	5
Montblanc	148	89	59
Lancel	113	68	45
Dunhill	158	73	85
Hackett	14	14	-
Other	37	27	10
	725	450	275

Van Cleef & Arpels opened their doors on the Place Vendôme in 1906, the same year as Montblanc was founded. Alfred Dunhill opened his first London store in 1893.

All of the Group's 'maisons' offer not only high quality, prestigious products but also cater to the dreams and aspirations of their clients. As such, they place great emphasis on the way the brand is presented and on the level of service provided to their clientele.

A key element in this process is the development of the retail distribution network. Whilst this generally focuses on opening more owned and franchised boutiques, thereby securing the environment in which the Group's products are sold, the policy also includes the presentation of products in shop-in-shop outlets and through a restricted number of key retailers. The strategy can also involve cutting down the number of retailers authorised to sell a brand's products in order to better control the image of the brand and limit distribution to only prime locations.

During the year under review, Dunhill in particular has executed a plan to limit its retail presence to key locations in preparation for the radical relaunch of the brand, which took place in May 2001.

Whilst Cartier has the largest retail distribution

chain of all of the Group's businesses, the network is continually being re-evaluated to ensure that the brand is optimally represented around the globe. To this end, new store designs have been launched to complement the more traditional layout and a programme of renovation and remodelling is constantly under way. The flagship Cartier store on Fifth Avenue in New York, for example, was closed for a large part of the year under review for an extensive refurbishment. Fortunately, the interim alternative store located nearby was able to report exceptional business during the period.

Appealing to a slightly different segment of the jewellery market from that of Cartier, Van Cleef & Arpels continues to develop ahead of expectations. Richemont acquired a 60 per cent interest in the company in May 1999 and has recently acquired a further 20 per cent interest in this, one of the world's most renowned jewellery houses. As part of its

The new Van Cleef & Arpels boutique on the rue du Faubourg St Honoré in



SALES BY DISTRIBUTION CHANNEL (€ m)	2001	2000	
Retail	1 647	1 272	+ 29%
Wholesale	2 037	1 652	+ 23%
	3 684	2 924	

development process, Van Cleef & Arpels is also expanding its retail presence and, in addition to opening new stores in Paris, Bal Harbour and Moscow during the year, took control of its own retail distribution in Japan in March 2001. The Japanese stores will be remodelled to Van Cleef & Arpels' high standards, reflecting the design first launched in the new store on the rue du Faubourg St Honoré, in Paris.

The success of Montblanc during the year is also due in part to the strategy of increasing its retail presence and cutting down on third party distribution. In particular, the brand had been over exposed in the

United States and steps have been taken over recent years to terminate third party distribution agreements and to acquire more stores to be operated under the Montblanc name. During the year, Montblanc increased its retail network to 148 stores.

WATCH DISTRIBUTION IS A PARTNERSHIP WITH SPECIALIST RETAILERS

Whilst the Group's jewellery businesses sell principally through their own retail outlets, Richemont's specialist watch brands place great emphasis on controlling the wholesale distribution process, whilst partnering with a carefully chosen network of exclusive retailers to offer product ranges to retail clients. This strategy allows management of the respective brands to



The Salon International de la Haute Horlogerie held in Geneva is a uniquely prestigious showcase for the world's leading luxury watchmakers.

maintain close links with their most important trade customers and to have an excellent understanding of their requirements.

In early spring each year, authorised retailers are invited to Geneva, the home of luxury watchmaking, to attend the *Salon International de la Haute Horlogerie*. Together with a select group of other leading luxury watchmakers, all of the Group's brands are represented at the Salon and Jaeger-LeCoultre, IWC and A. Lange & Söhne will join for the first time in 2002.

The Salon, which had some 9 000 trade visitors in March 2001, offers a uniquely prestigious showcase for the world's leading luxury watchmakers to present their product ranges to their clients. In addition, Richemont companies play a key role in the *Association Interprofessionnelle de la Haute Horlogerie*, a grouping of luxury watch manufacturers and authorised retailers formed to promote the interests of the industry as a whole. This close relationship gives Richemont's watchmakers an unrivalled position in terms of providing service to their retail partners and allows the Group to play a leading role, for example in terms of new products.



Above: The manufacturing facilities of Cartier at Le Crêt du Locle

Below: Jaeger-LeCoultre 'manufacture' at Le Sentier

RICHEMONT'S WATCH BRANDS RETAIN THEIR INDIVIDUALITY

In terms of its watch brands, Richemont has adopted a policy of verticalisation in terms of product design, manufacture and marketing which emphasises the unique identity of each brand and is designed to ensure that the traditional values of each of the watchmaking 'maisons' is fully respected. Within Richemont's watchmaking division, each brand has its own independent management, design, development and marketing teams. Equally, in addition to the manufacturing facilities acquired in terms of the acquisition of Jaeger-LeCoultre (at Le Sentier in the Swiss canton of Vaud), IWC (in Schaffhausen in the German speaking region of Switzerland) and A. Lange & Söhne (at Glashütte in Saxony), the Group is committed to a programme of capital investment to expand and develop its existing watchmaking 'manufactures' or factories to





Piaget's new 'ship of light' production centre in Geneva.

ensure that it has the capacity to meet the needs of its customers in the years to come.

At Le Crêt du Locle near La Chaux de Fonds in the Swiss Jura mountains, Cartier has consolidated its existing manufacturing facilities into a new 19 000 square metre facility, which was opened at the end of the year. The new Piaget factory in Geneva, which complements the existing 'manufacture' in La Côte aux Fées, was inaugurated in March 2001 and planning has begun for a new Vacheron Constantin facility, again in Geneva, to replace the existing building. Further development is also planned for Cartier near to its logistics centre in Fribourg, whilst the Jaeger-LeCoultre facility at Le Sentier will also be expanded.

Notwithstanding the concentration of most watch manufacturing processes in its own factories, it is Richemont's policy to continue to rely on a network of carefully selected components suppliers. Swiss watchmaking remains very much a cottage industry

with suppliers both large and small essential to its smooth functioning. Richemont has excellent relations with all of its suppliers and will continue to support them, and indeed will continue to supply components to its own industrial customers.

OTHER INVESTMENTS

During the year, the Group acquired the Italian speciality writing instrument house of Montegrappa. Although small, this company produces some of the world's most elaborately decorated pens, combining the jeweller's art with the skills of the penmaker. Whilst there will be many benefits of the acquisition in terms of enhanced distribution and access to more markets, Montegrappa will be managed quite independently of Richemont's other brands and will be allowed to maintain the individuality and uniqueness of design which have established its reputation amongst writing instrument connoisseurs around the world.



THE CRAFTSMAN'S ART

When love and skill work together...

Luxury, whether expressed as a brand name, as a symbolic value or as a quality is, above all, the product of creativity. It is a world of exception and magic, where the pleasures of the senses come together with a love of beauty.

At the very heart of the beauty of our products the skill of the craftsmen is paramount, each piece the product of dreams and creativity. History and traditions nourish the independent identity of each 'maison'.

When love and skill work together, the Group's craftsmen keep old dreams alive or create new dreams, jealously maintaining the secrecy of their craft in their 'ateliers'.

Because the magic of luxury is in what remains unsaid, this section pays homage to our craftsmen who have enriched their creations with skill and passion over the years.



A visit to the workshop of a fine jeweller or watchmaker awakens the senses. It is a unique experience to watch the skilled hands of the jewel setter in Place Vendôme or the assembly of a complicated watch movement in the heart of the Swiss Jura.

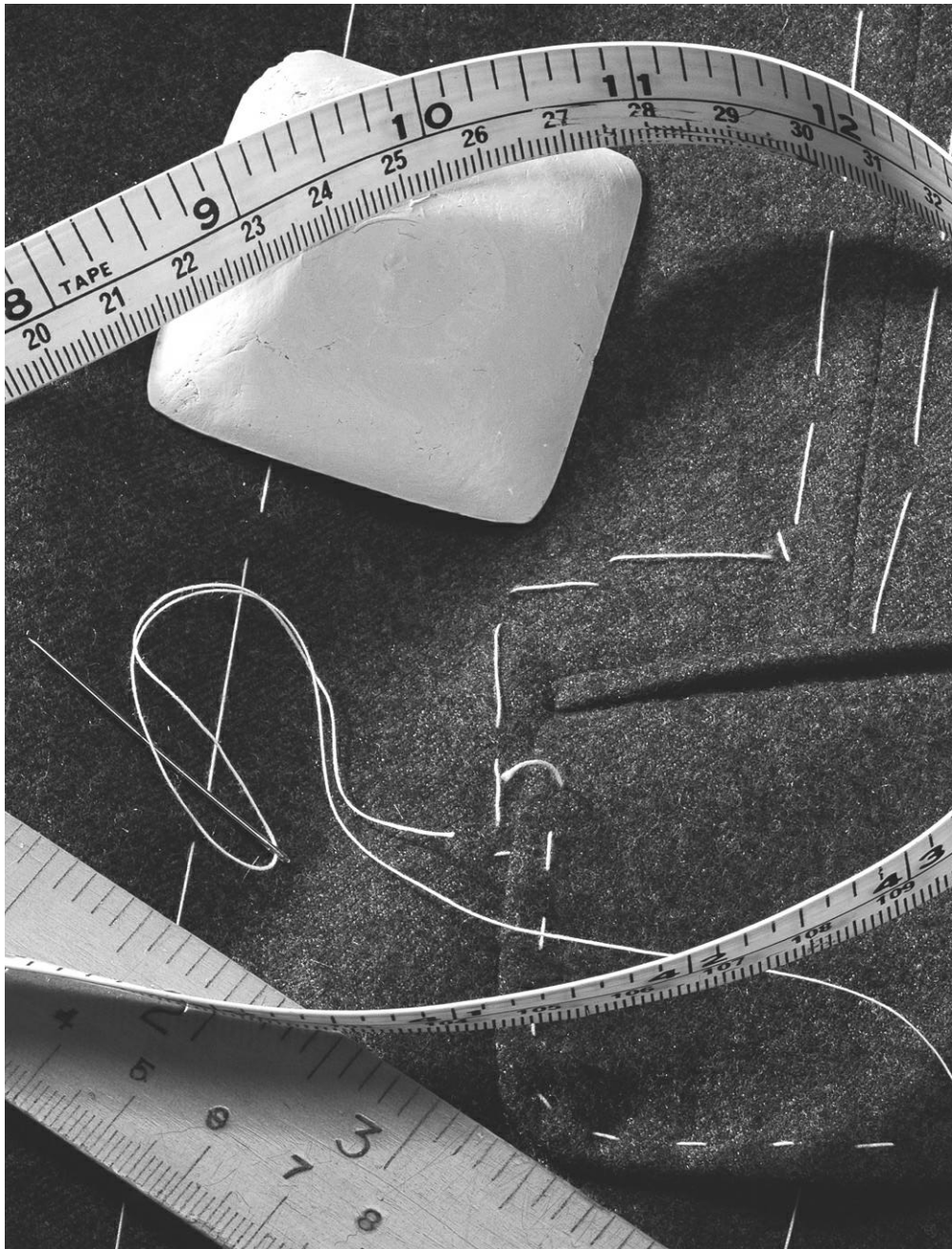


Acquiring a made-to-order piece is an unforgettable experience for the customer, who sees himself or herself as being entrusted with an element of the heritage of the particular 'maison'.





In most of our workshops, silence reigns. Exercising skills in judgement and experience, apprentices and master craftsmen communicate without words, through sureness of gesture.



...expect a masterpiece

In the luxury world more than elsewhere, the ultimate condition for success lies in a company's ability to re-invent itself and to entrust new generations with its own heritage.

A luxury brand is an expression of a lifestyle, attuned to the moment whilst anticipating the future.

Today, luxury has become an integral part of modern society, conveying a feeling of exclusivity. But there is a risk of stretching the meaning of the word luxury and what it stands for.

A brand is the most precious asset of every luxury goods company and must not be diluted by excessive expansion. Genuine luxury requires the highest possible level of quality and a true luxury brand does not attempt to exploit short-lived fashion trends.

Richemont's aim is to maintain the highest respect for and to protect the integrity of its brands. Each of the Group's 'maisons' have their own life, a past, roots, a story, legitimacy and originality. All of this, for each of them, allows the development of a concept that responds to contemporary spirit and permits them to be at one with the customer.

Richemont's strength is that it does not live only for the moment.

Jewellery lies at the heart of Richemont. Cartier is renowned as the 'king of jewellers and the jeweller of kings' whilst Van Cleef & Arpels is one of the most prestigious and exclusive names in the world of high jewellery. Increasingly, Piaget is also seen as a jeweller, not only with regard to its jewellery watches but also for its own jewellery ranges.

Cartier



Above: Myst ring, white gold, pavé set diamonds. (Photo: Daniel Schweizer © Cartier.)

Right: Platinum Tank à vis watch case, 18K gold guilloché with silvered dial, Cartier Paris stamp and central rose motif. (Photo: Gérard Panséri © Cartier.)

Opposite: A unique high jewellery masterpiece made of platinum, emeralds, sapphires, diamonds and pearls. (Photo: Michel Dubois © Cartier.)

CARTIER

Cartier has long been a byword for creativity and quality and the addition of new products and designs have reaffirmed Cartier's position at the forefront of the luxury market.

New jewellery products have continued to draw on the inspiration of Cartier's never-failing muse – Paris itself. The *Paris Nouvelle Vague Cartier* collection has been enhanced by the creation of the Myst ring. Fashioned from rock crystal and white gold, the ring is encrusted with diamonds whose transparency and sparkle reveal a precious three dimensional world. Internationally acclaimed, *Agrafe* is a new collection of bracelets, necklaces and earrings characterised by a highly unusual clasp which Cartier has transformed into a motif.

The *Collection Privée Cartier Paris* watch range has been further enhanced by two exceptional new models: the platinum *Tank à vis* watch with four screws evoking the spirit of the 1931 *Tank Étanche*, which was the first non-round watch to be made water-resistant and a platinum version of the *Tortue* watch, a sober and elegant model which reveals, through its sapphire backing, the minute detail of the mechanical movement within.

Cartier's traditional expertise, adapted to modern times, is demonstrated by the unique *Pendule Panthère* clock, the product of 2 270 hours of work by master clockmakers and jewellers.

The *Cage de Cartier* handbag collection was launched in October 2000. The new range features modern, yet feminine, jeweller's bags with a completely new sensual shape in three sizes and three colours, with accompanying exclusive editions.

Another highlight of the year, alongside the new products, has been the publication of '*Cartier, Creative Writing*' – a history of the pens created by the jeweller, from the company's first ever orders to its most recent creations.







Van Cleef & Arpels

Above: The 'Millennium Brooch' representative of the skills of Les Ateliers Van Cleef & Arpels craftsmen.

Right: The autumn 2000 advertising campaign identified nature as a source of inspiration for Van Cleef & Arpels.

VAN CLEEF & ARPELS

Almost a century of creativity testifies to the philosophy on which the Van Cleef & Arpels brand is based – that memory is a living heritage to be both conveyed and, at the same time, constantly enriched by innovation.

This philosophy is evident in their 2000/2001 collections, with completely new pieces – handmade, of course, and using the secret setting technique – appearing alongside new interpretations of classics from the past. These included the *Zip* necklace (inspired by the 'Couture' theme), the *Cadenas* watch – launched with a new design for the third millennium – and its jewellery counterpart. The *Cadenas* piece is a new interpretation of the *Passe Partout*, a multifunctional piece of jewellery which can be worn as a short necklace, a sautoir, or a belt.

To support the launch of these objets d'art, Van Cleef & Arpels launched a new advertising campaign in the autumn of 2000. Identifying nature as the source of inspiration, the campaign presents the products in a universe of flowers, conveying a sense of femininity, refinement, sensuality and fragility. A new monogram and logo have also been created, conferring unity across the brand without sacrificing any of its variety and richness.

In the past year Van Cleef & Arpels has opened three new boutiques in prestigious locations – Moscow, Bal Harbour and Paris. In Paris, the boutique is situated in the fashion district of the Faubourg Saint Honoré. A new store concept associated with this highly selective development of the international distribution network will be unveiled in the summer of 2001.



Jaeger-LeCoultre, IWC and A. Lange & Söhne, which were acquired in 2000, perfectly complement Richemont's established specialist watch brands – Piaget, Vacheron Constantin, Officine Panerai and Baume & Mercier. Together, these companies represent some of the world's finest watchmaking traditions and skills.

PIAGET

2000 has been an award-winning year for both Piaget and its craftsmen. The latest in the range of men's watches, the *Emperador Or Rose*, inspired by a 1958 model, was named 'Watch of the Year' by the Swiss magazine 'Montres Passion - Uhren Welt'. The 63.49-carat *Miss Protocole Haute Joaillerie*, the result of 1 900 hours of work, earned a 'Best Craftsman in France' awards for two craftsmen, a jeweller and a diamond cutter.

Praised for their pure and simple Art Deco lines, Piaget's diamond-set ladies' watches embody the brand's creative boldness and expertise and have enchanted women everywhere. The new *Limelight* collection, with its sparkling diamonds, pure lines and theme of 'water playing with fire', has not only received accolades but confirms Piaget's place amongst the elite of watchmaking and jewellery brands.

Piaget's architecturally bold and original new workshops at Plan-les-Ouates in Geneva are similarly a statement of the company's creative design values. This veritable 'ship of light' set glittering ring symbolising a watch face embodies the philosophy that, at Piaget, evolution is continuous.

Launched in Hong Kong in October 2000 : aimed principally at the Asian market, the 'vieux univers' television commercial is another of the important steps taken in the rejuvenation of the brand's image.

PIAGET



Above: The new *Limelight* jewellery collection, 18K white gold and yellow gold rings.

Right: Pink Gold Piaget *Emperador*, 'Watch of the Year 2000', a blend of tradition and modernity.



A. LANGE & SÖHNE
GLASHÜTTE 1/SA

A. LANGE & SÖHNE

Lange Uhren GmbH, with the brand name A. Lange & Söhne, was founded immediately after the reunification of Germany in 1990 and launched its first collection of high quality mechanical wristwatches in 1994.

Its team of specialist watchmakers, goldsmiths, engravers, master craftsmen, mechanics, toolmakers and engineers has since grown to 260 strong.

The Lange wristwatches of the new era, with their clean, classical elegance and cases made of gold or platinum, beautifully revive traditional design elements taken from the pocket watches originally made by A. Lange & Söhne. They combine technical originality and practical innovation with the sophistication and finished quality of movements exclusively produced in Lange's own state-of-the-art workshops.

Lange watches rival the finest and most prestigious Swiss luxury timepieces. They are distributed worldwide through an extremely selective and exclusive network of the finest jewellers and specialist retailers. The limited production runs and the 'Made in Germany' label are significant image enhancers.



The Lange 1 model, with solid silver dial and the off-centre hour and minute hands, embodies what connoisseurs intuitively associate with the great name A. Lange & Söhne.



VACHERON CONSTANTIN

Vacheron Constantin has drawn upon its aesthetic and technical heritage to create a new interpretation of the spirit of our times – the *Malte* collection.

Keeper of an uninterrupted watchmaking tradition stretching back 200 years, Vacheron Constantin's inheritance constitutes a continuous source of inspiration for its new models. Destined to become a benchmark of the Vacheron Constantin pedigree, the *Malte* collection is a perfect illustration of inspiration at work. It is the culmination of the ingenuity and craftsmanship of generations of master-watchmakers.

Launched in October 2000, the collection will be at the core of the Vacheron Constantin range. It bears the unmistakable hallmark of unique aesthetics, combined with refined technique, to ensure that the timepieces continue to stand out from those produced by the rest of the watchmaking world.

At the heart of the collection is the *Grande Classique*. With an entirely new 'calibre', conceived and created in the Geneva and Vallée de Joux workshops, it is typical of the innovative but classical approach.

From the multiple functions of the *Grande Complication* to the elegance of the ladies' range, with its full-sized diamonds, the whole collection brings a contemporary edge to technical 'Haute Horlogerie'. It confirms the timelessness of the classic Vacheron Constantin watch.

The Malte Collection, a contemporary touch technical Haute Horlo





JAEGER-LECOULTRE

Founded in 1833 by Antoine LeCoultre, Jaeger-LeCoultre is a unique watchmaking house.

Over 40 different professions and 20 cutting-edge technologies bring together the development, design, crafting, finish and assembly of each watch in specialised workshops all housed under one roof.

In 1844 Antoine LeCoultre devised his *Millionometer*, the first instrument capable of measuring the micron. This pioneering spirit has since led to the filing of hundreds of patents, and by 1890, the factory was already producing a range of 125 different movements.

As wristwatches superseded pocket watches, LeCoultre & Co found new fields to conquer. The tiny wristwatches of the Art Deco era were fitted with the twin-level rectangular *Duoplan* movement, invented in 1925. This was followed, in 1929, by *Calibre 101* – the smallest mechanical watch movement ever made and still in production. Introduced in 1931, the *Reverso* was to become one of the world's best known watches and an enduring Art Deco classic. The 1950s and 60s saw a number of innovative wristwatches with evocative names such as the *Geomatic*, the *Geophysic*, the *Futurematic* and the *Memovox*.

After what are referred to as the quartz years, when the future of mechanical watchmaking appeared to be in jeopardy, Jaeger-LeCoultre demonstrated a renewed explosion of creative energy during the latter part of the 20th century. The 1990s in particular witnessed the legend of six pink gold limited editions of the *Reverso*, each a masterpiece of watchmaking excellence.

Built to meet quality criteria guaranteed by an unprecedented battery of stringent tests, Jaeger-LeCoultre *Master Control* watches set rigorous standards in reliability. Guardian of a traditional legacy of craftsmanship, the company is also one of the most avant-garde in terms of precision technologies and design. Authenticity, an inventive spirit and absolute quality make each Jaeger-LeCoultre watch an exceptional object in its own right.



The legendary Reverso watch in the Sun Moon edition: 18K pink gold case and Jaeger-LeCoultre Calibre 823 movement.



OFFICINE PANERAI

The Italian word 'Officine' is derived from the Latin words 'opus' and 'facere', meaning to conceive and create a masterpiece. Officine Panerai enters the third millennium not just as the workshop where the first legendary specialist watches for the commandos of the Italian Navy were designed and made. It is also a laboratory of ideas, in which the best of creativity in design combines with technological innovation.

Panerai's strategy for the year 2000 was to add depth to the product range, with a titanium version of all its models being offered for the first time.

As well as a 40mm white gold version of the *Radiomir*, the first watch that Panerai produced for the Italian Navy in 1938, three new special edition watches were launched, each highlighting the brand's traditional association with the sea: the *Luminor Marina Militare*, dedicated to the celebrated Italian

sailing ship the 'Amerigo Vespucci', the *Luminor Marina Automatic Montecarlo 2000* expressly made to celebrate the Laureus World Sports Awards and in particular the Laureus Regatta and, perhaps the most notable of all, the professional version of the *Luminor Marina Submersible*, water resistant to a depth of 1 000 metres.

Panerai is recognised today not just as a maker of luxury-sports watches, but of pieces which are timeless in their own right. It is this awareness and appreciation, not just by connoisseurs but by trend-setters and celebrities too, that will be the foundation of the future development of the brand.

*Luminor Marina Subn
1000m with automati
Calibre Panerai OP II
mechanical movement*

OFFICINE PAN
FIRENZE 1861



IWC

At its headquarters in Schaffhausen, Switzerland, IWC has been manufacturing its unique watches since 1868. Connoisseurs of pocket and wristwatches refer to their timepieces reverentially as 'genuine IWCs', an acknowledgement of the high esteem which these exclusive watches enjoy.

Numerous technical breakthroughs and inventions have cemented the company's reputation as a technological innovator in the luxury watch industry. In the 1930s IWC created a special watch for pilots, with a rugged, high-precision movement. Known to collectors as the *Mark IX*, many of its successors also achieved cult status – some famous names include the *Portuguese*, the *Da Vinci*, the *Il Destriero Scafusia* and the *GST Deep One*.

IWC's two core competencies are product development and traditional watchmaking. The results are highly competitive products for the 'classic complications', 'sports watch' and 'historical watch' segments. IWC is the market leader in

perpetual calendars and split seconds chronographs. All new products released in the future will belong to these strategic product families, supplemented from time to time with limited special editions.

Due to the enormous success of IWC watches, the factory is consistently building new production capacity to satisfy eagerly waiting customers. This is allied to continued expansion of company-owned distribution centres in strategically important markets. The exclusiveness of IWC watches will be reflected by limited distribution through high-end jewellers and watch retailers worldwide.



The limited edition Portuguese Automatic 2000 is recognised as a masterpiece of the watchmaker's art.



BAUME & MERCIER
GENÈVE · 1830

BAUME & MERCIER

Baume & Mercier is constantly seeking to maximise the value of its watchmaking expertise. Product quality is of paramount importance in enhancing the brand's prestigious image.

The company has placed particular emphasis on consolidating its base by capitalising on the success and consumer awareness of existing product lines, the pillars of the brand. A better structured product range, in terms of price and choice, will contribute to the further strengthening of the brand.

The 2001 diamond and steel collection, which reflects this strategy, was launched at the *Salon International de la Haute Horlogerie* and saw the unveiling of two major new products – the new *Linea* and the *CapeLand 'S'*.

Linea has been a bestseller in many markets since 1987. In 2001 it steps out again in grand style, completely redesigned. New features include an innovative case with some intriguing diamond settings, new dials, a new bezel and movement and, its most outstanding addition, an interchangeable strap and bracelet.

Its powerful design aesthetic, combined with technical advances, make the *CapeLand 'S'* a masculine sports watch par excellence. Crafted in stainless steel with an automatic chronograph movement, this officially certified chronometer is in itself an expression of the high aspirations of the company, whose name it bears.

New interchangeable strap with 24 diamonds, for leather strap or steel bracelet.

In the fields of writing instruments, leather goods and accessories, Richemont's brands – principally Montblanc, Lancel and Dunhill – are renowned for style, quality and craftsmanship.

MONTBLANC

The strong performance of Montblanc in the year 2000 demonstrates the success of the company's products in their market segment. Two major initiatives focusing on innovation and sophistication have, in particular, contributed to the improvement of the brand's momentum, image and perception.

Both initiatives centred on the jewellery trade which has been identified as crucially important to the development and distribution of the Montblanc brand.

The first of these was the successful launch of the new *Bohème* product line. This represented the company's first attempt to establish a second major product family of prestigious writing instruments, in direct competition with the legendary Montblanc *Meisterstück* range. Positioned as a 'writing jewel', the *Bohème* line is focused on the 'Bohemian Bourgeoisie' and a more female clientele, with various *Solitaire* versions in precious materials envisaged for development.

The launch of the new Montblanc *Meisterstück Sport* watch collection, with eight different models, has further enhanced the brand's profile and reputation in the demanding jewellery trade. The new collection has also generated interest and awareness of the brand among younger luxury goods buyers.

Montblanc has continued to accelerate its strategy for store development and retail control by increasing its worldwide network of retail outlets to 148 in the year. These include 13 new stores in the United States, while in Paris a new dedicated design studio began its work on product development in spring 2001.

Across its ranges of leather goods and watches, Montblanc has enjoyed strong growth and thus laid a solid foundation for the further development of its name as a diversified and timeless luxury brand.

Classics in black and steel: Meisterstück Sport Watch and Bohème Fountain Pen.



Montegrappa

MONTEGRAPPA

During the First World War, two volunteer ambulance drivers for the Italian Red Cross sought relaxation from the horrors of combat in a building on the shores of the River Brenta. Then unknown, these visitors to one of the most beautiful stretches of the Bassano del Grappa were John Dos Passos and Ernest Hemingway. They were buying the raw materials of their art – pens and ink – from the oldest pen factory in Italy.

Founded in 1912, the company, now known as Montegrappa, started life as the *Manifattura Pennini d'Oro e Penne Stilografiche* and was based in premises bought from the local hydro-electric company. In the years since the two great American writers featured among their earliest and very satisfied clients, Montegrappa's craftsmen have led the way in the introduction of new materials and the application of jewellery manufacturing techniques. Although the Vicenza area of Italy is famous for this type of expertise, never before had it been used in the making of writing instruments.

The acquisition of the Montegrappa brand by Richemont in November 2000 will guarantee its continued success and increase awareness of the brand within the exclusive environment of the luxury industry.

Above: The exquisite, decorated Montegrappa Gea fountain pen.

Left: The Montegrappa fountain pen, with 18k nib and high ink capacity.





DUNHILL

A year of intense strategic reflection and aggressive internal re-organisation culminated in the launch of a new retail concept and product range in London's Old Bond Street in April 2001.

The store will be home to a range of exceptional merchandise, including leather goods, accessories and menswear – the latter designed by a new creative team offering a bespoke service for the most discerning clients.

Dunhill's positioning as a purveyor of a New Classicism for men has grown organically out of the brand's retail heritage. It clearly establishes a

commitment to luxury and style for men which will be delivered through a global network of emporiums, each offering butler service. The London store launch sets new conventions for the Dunhill target market and will be rolled out across the retail network, with flagship stores planned for Tokyo and New York before the end of 2001. The strategy is being supported by a global communications campaign 'suggested for mature audiences' through a variety of channels.

Financially, the year recorded steady growth, creating a solid framework for the company's future development strategy.



Top: Façade of the new flagship store in Bond Street, London.

Above: Dunhillion Cricket Collection.

LANCEL

During the year, the continued expansion plans have led to Lancel enjoying significant growth since its integration into Richemont.

Greater design resources and the creation of new lines have given Lancel the opportunity to appeal to a younger clientele, while retaining its loyal client base. Supported by intensive retail staff training and marketing efforts, the launch of the new handbag range has been well received. In addition, luggage and leather products designed for men have produced impressive results.

Lancel opened a total of 15 new retail outlets during the year, while the refurbishment programme has gained momentum with a further seven boutiques being renovated during the period. Stores which were renovated during the previous year in Paris, Lyons, Beijing, Moscow and Hong Kong have proved to be highly successful and have contributed significantly to the company's growth. The expansion of international distribution, particularly in the Asian market, has been key to Lancel's overall growth.

The new management team has embarked upon an ambitious international development programme, the vision of which is encapsulated in the opening of the first concept boutique in New York in April 2001. Central to this strategy was the opening of a new 13 000 square metre logistics centre north of Paris.

Over the next financial year, Lancel aims to pursue its growth policy by continuing to redefine its image, to further develop its distribution network and to increase its creativity across all of its product lines.

LANCEL

*Luggage from the
successful Enjoy range*



Chloé

Both Chloé for ladies and Hackett for men, in their own distinctive way, offer an exciting combination of tradition linked to contemporary styling. This particularly appeals to a younger clientele.

CHLOÉ

During the past twelve months, Chloé has reached a crucial point in its development. Whilst staying true to its heritage, Chloé has developed a very edgy design direction and attracted a young and trendy clientele looking for feminine designs with a 'ready to party' feel.

Sales have grown steadily over the last year, allowing the brand to achieve a well-balanced revenue stream. In particular, European sales strengthened thanks to especially good performances in the United Kingdom, Italy and France.

In pursuit of the strategy of building a major brand Chloé launched *See by Chloé*, a licensed, secondary line, casual collection. Leveraging the brand's youth appeal, and tapping into a new market layer, the *See* line has the potential to eclipse the volume of the 'main' Chloé collection over a period of three to four years.

The launch of this casual line is the first of several extensions planned for the Chloé brand. Priorities include handbags, for which a separate in-house division has already been set up, but in the more immediate future the targets are lingerie, footwear and the revamping of the fragrance range.

This strategy is designed to speed up the development of the brand's retail programme and accelerate the company's growth curve. In September last year, Chloé unveiled its new concept store in Paris, which has provided the blueprint for a programme of two new store openings per year.

Long coat from the fall/winter 2001-2002 collection, with 'sea grass' embroidery executed to give an organic sense of movement.



HACKETT
LONDON

HACKETT

The past year has been one of consolidation, with solid brand marketing and organisational foundations being laid by new management to prepare for a growing international presence with an aggressive three to five year expansion plan.

The look of the Hackett store of the future took shape with a prototype concept which opened in the City of London. Two further stores, at Heathrow and in Madrid, have been refurbished in the same way.

Building on the profile of the brand in Spain, a concession was opened at the El Corte Ingles department store in Madrid, which was launched successfully. In London, the company has opened a flagship store in Regent Street to expose the Hackett brand to more international consumers. Deals have been signed for four new stores, to be opened in the next twelve months, adding UK locations outside London for the first time, with further sites in London and Europe.

The product focus has been on core categories, building on past 'icon' products that made Hackett's reputation as a quality, premium brand for 'head-to-toe' menswear.

In the year ahead, the priorities will be fine-tuning the marketing mix and increasing volumes, as Hackett starts the journey to become the pre-eminent British menswear brand on the international stage.

'Icon' products have built Hackett's reputation as a pre-eminent British menswear brand.





OLD ENGLAND

Old England has enjoyed another good year as part of the Richemont stable. This performance has been largely due to excellent sales of its luxury ready-to-wear collection, and most notably its keynote colourful duffel coat range.

The Monty handbag, made of leather and fabric and launched during the winter of 2000, has quickly become a best seller in the Paris store. The success of this item has sent a clear message to the company's clientele – Old England remains committed to maintaining a balance between tradition and modernity.

Modernity will be a major theme, as

Old England's Paris flagship is about to undergo significant refurbishment. It will, of course, remain faithful to the classical traditions and refined ambiance that have always marked out the brand.

Right: The Monty handbag has become a Parisian bestseller.

Below: Purdey's clothing ranges are being updated, whilst maintaining the brand's tradition for quality.



PURDEY

Purdey's guns, clothing and accessories all share one philosophy – elegance and style in design, functionality and pleasure in use or wear. During the past year Purdey has made significant progress in advancing this philosophy across its entire business and, as a result, demand over the past year for both new and second-hand Purdeys has remained buoyant.

As a result of substantial investment in new computer-controlled machinery and the benefit of being part of Richemont and sharing its expertise, Purdey is now applying standards of microprecision engineering to fine gunmaking similar to those used in fine watchmaking. This allows traditionally trained craftsmen to focus their skills on the all-important detail of fit and finish, ensuring impeccable standards of quality in every gun that leaves the factory.

Purdey has continued the steady redevelopment of its clothing and accessories ranges. A new and exclusive range of tweeds has been sourced, and ladies' shooting clothing will be reintroduced in time for the 2001 season.

Emphasising the link between shooting and significant benefits to the countryside is the key objective of Purdey's public relations programme, which centres on the annual Purdey Awards for Game and Conservation.



A dark blue, monochromatic image of a hand holding a pen, poised to write on a document. The image is heavily shadowed, with the hand and pen appearing in a lighter shade against the dark background. The text 'FINANCIAL REVIEW' is overlaid in white, serif, all-caps font in the upper left quadrant.

FINANCIAL REVIEW

FINANCIAL REVIEW

OVERVIEW

The Group's results for the year ended 31 March 2001 reflect a further year of strong sales and operating profit growth.

	2001	2000	
Sales	€ 3 684 m	€ 2 924 m	+ 26%
Operating profit	€ 712 m	€ 534 m	+ 33%
Attributable profit			
– parent and subsidiaries	€ 528 m	€ 358 m	+ 47%
– share of associated companies	€ 440 m	€ 425 m	+ 4%
– the Group	€ 968 m	€ 783 m	+ 24%
Earnings per unit – fully diluted basis	€ 171.44	€ 137.04	+ 25%
The results presented above exclude the effects of goodwill amortisation and exceptional items from the results for both years.			

Richemont showed good growth during the year with sales increasing by 26 per cent to € 3 684 million. All main product categories showed substantial growth, with jewellery sales increasing by 31 per cent and watch sales by 28 per cent. The weakness of the euro against both the dollar and the yen during the year had a beneficial impact on the Group's sales. In Europe, where the currency translation factor is

minimal, the Group benefited from a significant influx of Asian and American tourists attracted, in part, by the weakness of the euro. In Asia and the Americas, turnover in euro terms benefited from the strength of the dollar and the yen. Retail sales grew strongly during the year, in part reflecting the success of the Group's retail expansion strategy together with strong demand for the Group's product ranges.

P R O F I T A B I L I T Y

Richemont's results benefited from the healthy economic environment which prevailed for most of the financial year, as well as the strength of the dollar and yen relative to the euro.

	2001 € m	2000 € m	
Sales	3 684	2 924	+ 26%
Cost of sales	(1 216)	(995)	
Gross margin	2 468	1 929	+ 28%
Net operating expenses	(1 756)	(1 395)	
Operating profit	712	534	+ 33%

Gross margin as a percentage of sales continued to grow, in part reflecting the continued shift from wholesale distribution towards retail sales as well as currency factors. The growth in sales through the Group's own retail outlets – most importantly in terms of Cartier and Montblanc – inevitably had a positive impact on gross margin.

The increased level of operating expenses reflects the Group's continuing investment in its brands and

in the underlying infrastructure. These cost increases were more than offset by the growth in gross margin, such that the operating margin increased from 18.3 per cent to 19.3 per cent of sales. Operating profit for the year increased by 33 per cent to € 712 million.

The acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne was finalised in December 2000 and these companies' results have been included in the Group's figures from 1 January 2001 onwards.

PROFIT AND LOSS ACCOUNT

Attributable profit of the parent and subsidiary companies reflected the good growth in sales and operating profit, whilst the contribution from associated companies was broadly in line with last year.

	2001 € m	2000 € m
Operating profit	712	534
Net investment income/(expense)	8	(21)
Profit before taxation	720	513
Taxation	(191)	(152)
Profit after taxation	529	361
Minority interests	(1)	(3)
Attributable profit of the parent and its subsidiaries	528	358
Share of results of associates	440	425
Attributable profit of the Group	968	783

The summary profit and loss account is presented on an adjusted basis, which excludes the effects of goodwill amortisation and exceptional items from the results for both years.

Net investment income for the year amounted to € 8 million compared to the expense of € 21 million in the prior year. Interest income was higher, largely reflecting interest earned on the proceeds of the partial redemption of the British American Tobacco preference shares and the disposal of the Group's interest in Vivendi. This was offset by the impact of the acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne in December 2000. In addition, net investment income included dividend income of € 18 million received from the investment in Vivendi, which was disposed of during the year.

The Group's effective tax rate decreased from 29.6 per cent to 26.5 per cent, reflecting reductions in the rate of tax in certain key jurisdictions, in particular Switzerland, together with benefits arising from changes in the Group structure.

The attributable profit of the parent company and its subsidiaries, representing the Group's luxury goods business, increased by 47 per cent.

The Group's investments in associated companies contributed € 440 million at the attributable profit level. The Group's share of the results of British American Tobacco contributed € 473 million to this figure, offset to some degree by losses incurred by Hanover Direct.

This increased contribution from associates taken together with the increased profit generated by the parent and its subsidiaries, resulted in Group attributable profit being € 185 million higher than in the year to March 2000, an increase of 24 per cent.

The average exchange rates applied to translate the results of Group companies into the euro for the current and previous year are as follows:

	2001	2000
United States dollar	0.91	1.03
Japanese yen	100.38	114.53
Swiss franc	1.54	1.60
Sterling	0.61	0.64

ACCOUNTING FOR ASSOCIATED COMPANIES

The Group's share of the results of associated companies, principally British American Tobacco, increased to € 440 million.

	2001 € m	2000 € m
BAT/Rothmans		
International	473	430
Hanover Direct	(33)	(8)
Canal+	–	3
	<u>440</u>	<u>425</u>

The contribution of the Group's associates has increased, in euro terms, by € 15 million, representing an increase of 4 per cent compared to last year. This increase is due to the increased profitability of British American Tobacco, offset by losses of Hanover Direct. During the year under review, the Group's share of the adjusted results of BAT amounted to € 473 million, an increase of 10 per cent over the prior year level.

BRITISH AMERICAN TOBACCO P.L.C.

British American Tobacco is the second largest quoted tobacco group in the world with a global market share of over 15 per cent and annual shipments of more than 800 billion cigarettes. It has a share of more than 50 per cent of the market in Latin America and very strong positions in other regions. With its strong, broad-based portfolio of international, regional and local brands, BAT remains focused on achieving global leadership in the tobacco business by growing market share in the 'premium' and 'lights' segments.

In its financial year ended 31 December 2000, BAT reported an increase in sales volumes of 7 per cent, including the impact of the merger. Although the world market was basically stable, BAT's international brands grew by over 1 per cent in volume terms. The merger with Rothmans

International increased the proportion of premium international brands within BAT to over 20 per cent, with a consequent improvement in profitability.

The merger process was achieved smoothly and efficiently. Savings in operating costs as a consequence of the merger were around £ 230 million in BAT's financial year ended 31 December 2000. Overall savings will be in excess of the level identified at the time of the merger and those realised to date have been achieved more quickly than anticipated. In addition to cost benefits, growth opportunities have been pursued, with new selling organisations and strengthened sales teams playing a part in the successful performance of the company's key brands in a number of markets.

In consequence of the merger of Rothmans International and British American Tobacco in June 1999, Richemont acquired a 23.3 per cent interest in the enlarged BAT. Accordingly, the financial year ended 31 March 2001 is Richemont's first full year of ownership of the investment in BAT.



Richemont has equity accounted its interest in BAT in the financial year under review, whereas in Richemont's profit and loss account for the prior year the Group equity accounted the investment in BAT for a ten-month period and included its share of the results of Rothmans International on an equity accounted basis for the first two months of the year.

In addition to the effects of the merger, comparison of the results of the two years is further complicated by the reduction in Richemont's effective interest in BAT as a result of the exercise of a put option over one half of the Group's interest in BAT preference shares in June 2000. This disposal

reduced Richemont's effective interest in BAT to 21.1 per cent for the last ten months of the year under review.

The exercise of the put option over the preference shares resulted in a one-off exceptional gain of € 189 million in the year under review.

In line with the practice adopted in the prior year, Richemont adjusts the reported results of BAT to take account of its December financial year-end and the differences in accounting policies applied by the two companies. The table below sets out the adjustments made to BAT's reported results for their inclusion in Richemont's financial statements:

	2001 £ m
Attributable profit as reported by BAT for the year ended 31 December 2000	692
Less: attributable profit as reported by BAT for the quarter ended 31 March 2000	(75)
Add: attributable profit as reported by BAT for the quarter ended 31 March 2001	226
Adjustments:	
– to eliminate goodwill amortisation	388
– to eliminate exceptional items reported by BAT:	
– restructuring costs arising from the merger	81
– restructuring costs in the USA and Canada	75
– gain on sale of pipe business	(35)
Adjusted attributable profit of BAT	1 352
Richemont's share of BAT's adjusted attributable profit	290
	€ m
Converted at the average €/£ rate of 0.6137 for the year	473

HANOVER DIRECT

Richemont holds a 48 per cent interest in Hanover Direct a public company incorporated in the United States.

In the light of the well publicised collapse of many business-to-consumer e-commerce traders, Hanover Direct's business model has been re-assessed. The company has re-focused on its core catalogue businesses, has discontinued or is seeking to dispose of its non-core catalogues and has withdrawn from the provision of fulfilment services to third party retailers.

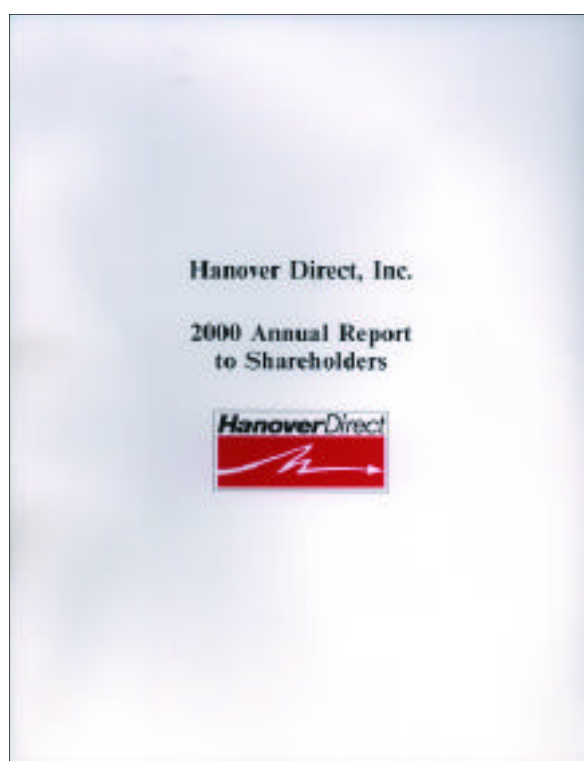
This strategic realignment has involved the disposal of warehouse premises, changes at the senior management level and a cutback of some 400 employees. In its financial year ended 31 December 2000, Hanover Direct reported losses of \$ 81 million, after provision for restructuring costs.

The Group supports the initiatives undertaken by Hanover Direct to concentrate on its key catalogue businesses. Richemont provided \$ 70 million of medium-term funding in the form of preference shares to Hanover Direct in August 2000 to enable it to implement the transition process.

Richemont's share of Hanover Direct's losses for the year amounted to € 33 million and has resulted in its investment in the company's net tangible assets being reduced to zero. Acknowledging the level of losses reported by Hanover Direct and in accordance with the stringent requirements of International Accounting Standards, residual goodwill relating to the investment, amounting to € 62 million, has also been fully written off. The Group will henceforth carry the preference shareholding as an investment and will no longer equity account its interest in Hanover Direct.

CANAL+ / VIVENDI

Richemont sold its interest in Canal+ to Vivendi in September 1999 and, in September 2000, disposed of its shareholding in Vivendi, realising an exceptional gain on the overall transaction of € 533 million. The Group's results for the year under review include dividend income of € 18 million from Vivendi shown under investment income, whereas the 15 per cent interest in Canal+ had been equity accounted as an associated company in the period 1 April to 30 September 2000.



CASH FLOW STATEMENT

Richemont's cash flow reflects the healthy performance of the underlying businesses and the ability of the Group to absorb major acquisitions.

	2001 € m	2000 € m
Operating profit	712	534
Depreciation and other non-cash items	125	88
(Increase)/decrease in working capital	(260)	37
Net cash inflow from operating activities	577	659
Dividends received from associates	236	53
Returns on investments and servicing of finance	1	(22)
Taxation paid	(149)	(146)
Net acquisitions of tangible fixed assets	(230)	(150)
Proceeds on redemption of BAT preference shares	741	–
Proceeds on disposal of other investments	1 191	–
Acquisition of subsidiary undertakings	(2 025)	(231)
Buy-back of Richemont units	(142)	(203)
Other acquisitions and investments	(105)	(57)
Net cash inflow/(outflow) before financing activities	95	(97)
Dividends paid	(134)	(118)
Other financing activities	(48)	(118)
Exchange rate effects	3	(67)
Decrease in cash, cash equivalents and short-term borrowings	(84)	(400)
Cash and cash equivalents at the beginning of the year	(291)	109
Cash and cash equivalents at the end of the year	(375)	(291)

Net cash inflow from operating activities decreased by € 82 million compared to the prior year, the increase in operating profit being more than offset by the higher level of working capital, which increased in line with the level of sales growth.

Dividends received from associates reflects the dividends received from BAT, being the final dividend in respect of BAT's financial year ended 31 December 1999 and the interim dividend in respect of the 2000 financial year. In the prior year, only an interim dividend was received from BAT.

Investments in tangible fixed assets increased during the year, reflecting the Group's refurbishment and expansion of its retail network, together with

further investment in the Group's manufacturing base located principally in Switzerland.

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 totalled € 741 million.

The proceeds from the disposal of other investments includes the disposal of the Group's interest in Vivendi during the year, which realised € 1 176 million.

On 8 December 2000, Richemont completed the acquisition of Les Manufactures Horlogères SA ('LMH').

In a separate transaction completed on 21 July 2000, Richemont acquired the 40 per cent of Jaeger-LeCoultre formerly held by Audemars Piguet. The Group's interest in LMH, together with the 40 per cent interest in Jaeger-LeCoultre, has been consolidated with effect from 1 January 2001. The overall cost of the combined transactions amounted to € 1 982 million, which is included in 'Acquisition of subsidiary undertakings'. Other investments in subsidiary undertakings included the acquisition of Montegrappa SpA.

During the year the Group finalised a unit buy-back programme to hedge against commitments in respect of long-term unit-based executive compensation schemes. During the period March 1999 to March 2001 a total of 200 000 Richemont units have been acquired.

Other acquisitions and investments include the investment in Hanover Direct preference shares.

The Group's net borrowings at the balance sheet date were as follows:

	2001 € m	2000 € m
Cash, cash equivalents and short-term borrowings	(375)	(291)
Long-term borrowings	(673)	(713)
Net borrowings	(1 048)	(1 004)

Net borrowings increased by € 44 million during the year. The cash generated by the Group's operating activities, together with the cash derived from disposals, was offset by the Group's investment activities which included the acquisition of Les Manufactures Horlogères SA.

PROFIT AND LOSS ACCOUNT ON A REPORTED BASIS

The profit and loss account on a reported basis includes the impact of exceptional items and goodwill amortisation on the results of the Group.

	2001 € m	2000 € m
Operating profit	712	534
Goodwill amortisation	(119)	(80)
Exceptional items	722	2 582
Profit before net investment income/(expense) and taxation	1 315	3 036
Net investment income/(expense)	8	(21)
Profit before taxation	1 323	3 015
Taxation	(191)	(152)
Profit after taxation	1 132	2 863
Minority interests	2	(1)
Attributable profit of the parent and its subsidiaries	1 134	2 862
Share of attributable profit of associates	130	120
Share of attributable profit on an adjusted basis	440	425
Goodwill amortisation in respect of associates	(268)	(199)
Share of exceptional items reported by associates	(42)	(106)
Attributable profit of the Group on a reported basis	1 264	2 982
A summary of the effects of goodwill amortisation and exceptional items on profit attributable to unitholders is shown below:		
Attributable profit of the Group on a reported basis	1 264	2 982
Elimination of goodwill	384	277
Reported by the parent and its subsidiaries	119	80
In respect of associated undertakings	268	199
Attributable to minority interests	(3)	(2)
Elimination of exceptional items	(680)	(2 476)
Gain on exercise of put options over BAT preference shares	(189)	–
Gain on disposal of Vivendi	(533)	–
Gain arising from Rothmans International/BAT merger	–	(2 582)
Share of exceptional items reported by BAT	42	106
Attributable profit of the Group on an adjusted basis	968	783

Goodwill – 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 year ended 31 March 2001 was € 119 million. An additional

goodwill amortisation charge of € 268 million arises in respect of the Group's interest in associated companies. Of this amortisation charge, € 201 million relates to the Group's investment in BAT and € 5 million to Hanover Direct. In addition, taking into account the level of losses reported by Hanover Direct and in accordance with the requirements of International Accounting Standards, Richemont has written off the balance of goodwill amounting to € 62 million in respect of its investment in Hanover Direct.

Exceptional items

Gain on partial disposal of BAT preference shares – The exceptional gain of € 189 million in the year represents Richemont's gain on the partial disposal of its holding in BAT preference shares. Under the terms of the merger agreement between Richemont, Remgro Limited ('Remgro'), the successor company to Rembrandt Group Limited, and BAT up to half of the convertible redeemable preference shares were redeemable for cash at a fixed price of £ 5.75 per share on 7 June 2000. As provided for under the merger agreement, in December 1999 and March 2000 Richemont and Remgro jointly notified BAT that they wished to redeem these shares. As a result, Richemont and Remgro 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 is 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 is no tax effect.

Gain on the sale of the investment in Vivendi – Richemont's gain of € 533 million on the disposal of its holding of 17.5 million shares in Vivendi is

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 is no tax effect.

Share of exceptional items reported by BAT – Richemont's share of the exceptional items reported by BAT relates to the integration costs of the merger with Rothmans and restructuring costs associated with BAT's US and Canadian operations, partially offset by the gain on the sale of a pipe tobacco business in South Africa.

EARNINGS PER UNIT

Earnings per unit is presented on both a reported and an adjusted basis.

	Reported basis		Adjusted basis	
	2001 €	2000 €	2001 €	2000 €
Earnings per unit				
– basic	<u>226.91</u>	<u>527.30</u>	<u>173.68</u>	<u>138.39</u>
– fully diluted	<u>223.11</u>	<u>520.06</u>	<u>171.44</u>	<u>137.04</u>

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 5 573 665 units. This takes into account the net effect of the programme to buy-back 200 000 units in the context of the Group's equity-based executive compensation scheme. Fully diluted earnings per unit is calculated by reference to the 5 742 000 units outstanding.

On a reported basis, basic earnings per unit is calculated by reference to attributable profit on a reported basis of € 1 264 million for the year. Fully diluted earnings per unit on a reported basis is calculated by reference to attributable profit for the period of € 1 280 million, which reflects the notional additional interest of €16 million which would have accrued to the Group had the full number of units been outstanding during the year.

On an adjusted basis, basic earnings per unit is calculated by reference to the attributable profit of the Group on an adjusted basis of € 968 million for the year. Fully diluted earnings per unit on an adjusted basis is calculated by reference to attributable profit on an adjusted basis of € 984 million, which reflects the notional additional interest of € 16 million which would have accrued to the Group had the full number of units been outstanding during the year.

RICHEMONT

FINANCIAL STATEMENTS

AS AT 31 MARCH 2001

CONSOLIDATED FINANCIAL STATEMENTS DIRECTORS' REPORT

The Board of Directors of Compagnie Financière Richemont AG ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiary and associated undertakings (together, 'the Group') for the year ended 31 March 2001. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2001 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 73 to 75.

The agenda for the Annual General Meeting, which is to be held in Zug on 13 September 2001, is set out on page 88.

Further information on the Group's activities during the year under review is given on pages 7 to 12 and pages 19 to 36 of this report and an analysis of the Group's results is given in the Financial Review on pages 37 to 48. A schedule of Principal Group Companies is presented on page 81. These are principally held through the Company's wholly-owned subsidiary Richemont SA, Luxembourg.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The financial statements are prepared in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland.

The valuation principles applied in the preparation of the profit and loss account, the balance sheet, the cash flow statement and the statement of changes in equity conform with International Accounting Standards. It should be noted, however, that the notes to the financial statements do not in all respects conform with the disclosure requirements of International Accounting Standards and therefore the financial statements as a whole are not in full compliance with them.

In the current financial year the Group adopted International Accounting Standard 10 – Revised (Events Occurring After the Balance Sheet Date), International Accounting Standard 22 – Revised (Business Combinations), International Accounting Standard 36 (Impairment of Assets), International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) and International Accounting Standard 38 (Intangible Assets).

The financial statements are presented in euros, which is the functional currency of the Group.

(A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and retained post-acquisition reserves of associated undertakings.

Subsidiary undertakings are defined as those undertakings which are controlled by the Group. Control of an undertaking most commonly exists when the Company holds, directly or indirectly through other subsidiary undertakings, more than 50 per cent of the ordinary share capital and voting rights of the undertaking. The accounts of subsidiary undertakings are

generally drawn up at 31 March of each year. Where audited accounts are not drawn up to this date, the amounts are arrived at by reference to the last audited accounts available.

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Associated undertakings are accounted for under the equity method. The Group's share of the results and attributable net assets of associated undertakings are derived from accounts drawn up at 31 March of each year, with the exception of Hanover Direct, where the amounts are arrived at by reference to the last available audited accounts as at 31 December 2000.

The attributable results of subsidiary and associated undertakings are included in the financial statements from their date of acquisition.

(C) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies, including investments in associated undertakings, are translated into euros at exchange rates prevailing at the balance sheet date. For consolidation purposes, the share capital of the Company is translated from Swiss francs into euros based on the historic rate applicable at the time the Group first adopted the euro as its reporting currency. The earnings of those undertakings in the Group, including associated undertakings, whose accounts are denominated in foreign currencies, are translated into euros at the average exchange rates prevailing during the year. Exchange adjustments arising from the translation of assets and liabilities of subsidiary undertakings and investments in associated undertakings, denominated in foreign currencies, are credited or charged directly to consolidated reserves. Where foreign currency borrowing is used to hedge against investments denominated in foreign currency the resultant exchange differences have also been recorded as movements in reserves. Other exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to profit for the year.

(D) SALES

Sales are the amounts receivable by the Company and its subsidiary undertakings from sales to third parties. The amounts receivable are stated after deducting value added taxes, duties, other sales taxes and trade discounts.

(E) TAXATION

Provision is made in each accounting period for all taxation expected to be payable in respect of profits earned to the end of the period, including taxation on dividends ordinarily expected to be payable within the Group out of such profits.

Deferred taxation arises from temporary differences between the recognition of certain items in the balance sheet for accounting and taxation purposes. Deferred taxation is accounted for using the liability method in respect of all material temporary differences. Currently enacted rates are used to determine deferred income taxation. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the expected useful lives of the assets. Repairs and maintenance costs are charged to the profit and loss account when incurred.

The costs of fixed assets are depreciated over the expected useful lives of the assets, up to the limits of:

Freehold and leasehold buildings	50 years
Plant and machinery	15 years
Fixtures, fittings, tools and equipment	10 years

Freehold land and assets under construction are not depreciated.

Assets held under finance leases are capitalised and depreciated over their expected useful lives or, if shorter, the lease period. The liabilities corresponding to remaining capital payments under finance leases are included within current liabilities and long-term borrowings.

Rentals payable on assets held under operating leases are charged to the profit and loss account in the accounting period when the expense arises.

(G) GOODWILL

Where the consideration paid in respect of the Group's investment in subsidiary and associated undertakings is in excess of the fair value to the Group of the separable net assets acquired, the excess is regarded as goodwill. Goodwill is amortised through the consolidated profit and loss account on the straight-line basis over its estimated useful life, up to a maximum of 20 years.

(H) ADVERTISING, PROMOTION, RESEARCH, DEVELOPMENT, PATENTS AND TRADE MARK EXPENSES

These expenses are written off in the accounting period in which they are incurred and taken into account in arriving at profit for the year, except advertising and promotional costs relating to specific future events which are carried forward to the accounting period in which those events take place.

(I) INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Investments in associated undertakings are stated at the Group's share of their net assets, adjusted where necessary to reflect the Group's accounting policies. The Group's share of the results of associated undertakings' attributable profit is disclosed, in a single line, in the profit and loss account. Full details of Richemont's share of associated undertakings' operating results, goodwill amortisation, net interest, taxation and minority interests, are provided within the notes to the financial statements.

(J) OTHER LONG-TERM INVESTMENTS

Long-term investments, other than investments in associated undertakings, are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature.

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a weighted average or 'first in first out' basis. The cost of manufactured products comprises material cost plus direct labour, a proportion of overheads attributable to the stage of production reached and, where applicable, duties and taxes.

(L) DEBTORS

Trade and other debtors are stated at face value net of provisions for amounts which are not expected to be recoverable in full.

(M) MARKETABLE SECURITIES

Marketable securities, which comprise investments in shares and bonds, are stated at the lower of cost and market value.

(N) EMPLOYEE BENEFITS

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

The Group's contribution to the defined contribution pension plans is charged to the income statement in the year to which they relate.

The Group operates a number of long-term unit based executive compensation schemes. In order to hedge its

obligations arising under these schemes, the Group has completed a unit buy-back programme and in this context has re-purchased 200 000 Richemont "A" units. Changes in this holding of Richemont "A" units are shown as movements in unitholders' equity.

(O) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are quantified based on reliable estimates of the probable outcomes. Provisions are made for warranty repair costs relating to the sale of certain products which are sold under international guarantee against mechanical faults. Restructuring costs, and all other provisions are recognised in the period in which the Group becomes legally or constructively committed to payment.

(P) FINANCIAL INSTRUMENTS

The Group utilises derivative financial instruments in order to hedge interest rate exposure, foreign exchange risk and, where appropriate, market risk relating to equity investments held for resale. The Group does not recognise changes in the market value of any derivative financial instruments in place at the balance sheet date within the financial statements. Where these relate to interest rate risk, settlements under such instruments are accrued and recorded as an adjustment to the interest income or expense related to the underlying exposure. Premiums paid on options are amortised to the profit and loss account over the life of the agreements. Where derivative financial instruments hedge future commitments or transactions in foreign currencies, the unrealised exchange differences are deferred against the matching gains and losses on the underlying transactions.

(Q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term marketable investments and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001

%	<i>Notes</i>	2001 £ m	2000 £ m
Sales	2	3 684.4	2 924.2
Cost of sales		<u>(1 216.5)</u>	<u>(995.0)</u>
Gross profit		2 467.9	1 929.2
Net operating expenses	3	<u>(1 755.6)</u>	<u>(1 395.1)</u>
Operating profit		712.3	534.1
Goodwill amortisation		<u>(119.0)</u>	<u>(80.6)</u>
Exceptional items	4	<u>722.3</u>	<u>2 582.4</u>
Profit before net investment income/(expense) and taxation		1 315.6	3 035.9
Net investment income/(expense)	5	<u>7.4</u>	<u>(20.8)</u>
Profit before taxation		1 323.0	3 015.1
Taxation	6	<u>(190.7)</u>	<u>(152.2)</u>
Profit after taxation		1 132.3	2 862.9
Minority interests		2.6	(0.8)
Share of results of associated undertakings	7	<u>129.8</u>	<u>119.8</u>
Profit attributable to unitholders	8	<u>1 264.7</u>	<u>2 981.9</u>

A summary of profit attributable to unitholders on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items, is set out below:

	2001 £ m	2000 £ m
Analysis of profit attributable to unitholders		
Profit attributable to unitholders as reported	1 264.7	2 981.9
Goodwill	383.7	277.1
Goodwill amortisation at pre-tax level	119.0	80.6
Goodwill in respect of associated undertakings	268.0	199.0
Goodwill amortisation attributable to minority interests	(3.3)	(2.5)
Exceptional items	(722.3)	(2 582.4)
Exceptional items reported by associated undertaking	41.9	106.0
Profit attributable to unitholders on an adjusted basis	<u>968.0</u>	<u>782.6</u>

	2001 £ m	2000 £ m
Earnings per unit	9	
Earnings per unit on a reported basis – basic	<u>226.91</u>	<u>527.30</u>
Earnings per unit on a reported basis – fully diluted	<u>223.11</u>	<u>520.06</u>
Earnings per unit on an adjusted basis – basic	<u>173.68</u>	<u>138.39</u>
Earnings per unit on an adjusted basis – fully diluted	<u>171.44</u>	<u>137.04</u>

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2001

	Notes	2001 € m	2000 € m
ASSETS			
Fixed assets			
Tangible	10	691.0	482.9
Goodwill	11	6 035.9	4 910.1
		<u>6 726.9</u>	<u>5 393.0</u>
Deferred tax assets	12	115.7	95.4
Investments			
Associated undertakings	13	507.6	511.5
Other investments	14	239.1	789.9
		<u>746.7</u>	<u>1 301.4</u>
Net current assets			
Inventories	15	1 405.8	1 056.6
Debtors	16	914.8	767.0
Marketable securities	17	11.1	91.9
Cash		256.5	281.7
Current assets		<u>2 588.2</u>	<u>2 197.2</u>
Current liabilities	18	(1 520.9)	(1 352.4)
		<u>1 067.3</u>	<u>844.8</u>
		<u>8 656.6</u>	<u>7 634.6</u>
UNITHOLDERS' FUNDS			
Share capital	19	334.0	334.0
Participation reserve	20	645.0	645.0
Unitholders' capital	21	979.0	979.0
Retained earnings and other reserves	22	6 757.8	5 752.7
		<u>7 736.8</u>	<u>6 731.7</u>
MINORITY INTERESTS		<u>125.6</u>	<u>127.5</u>
LONG-TERM LIABILITIES			
Borrowings	23	633.2	673.2
Other	24	104.2	69.4
Deferred tax liabilities	12	56.8	32.8
		<u>794.2</u>	<u>775.4</u>
		<u>8 656.6</u>	<u>7 634.6</u>

C O N S O L I D A T E D C A S H F L O W S T A T E M E N T
F O R T H E Y E A R E N D E D 3 1 M A R C H 2 0 0 1

	<i>Notes</i>	2001 € m	2000 € m
Cash inflow from operating activities	27	577.5	659.2
Returns on investments and servicing of finance			
Interest income and similar items		61.0	48.5
Interest paid and similar items		(60.3)	(70.9)
Dividends from associated undertakings		236.6	53.0
Cash flow generated from returns on investments and servicing of finance		237.3	30.6
Taxation paid		(149.0)	(146.0)
Investing activities			
Acquisitions of tangible fixed assets		(258.7)	(175.4)
Proceeds from disposals of tangible fixed assets		29.0	25.1
Acquisitions of subsidiary undertakings and minority interests, net of cash acquired	28	(2 027.6)	(231.1)
Investment in associated undertakings		(75.5)	(21.0)
Proceeds from partial disposal of associated undertaking	7	740.6	–
Buy-back of Richemont units		(141.6)	(203.3)
Acquisitions of other investments		(27.7)	(44.9)
Proceeds from disposals of other investments		1 191.0	8.9
Cash flow applied to investing activities		(570.5)	(641.7)
Net cash inflow/(outflow) before financing activities		95.3	(97.9)
Financing activities			
New long-term borrowings		836.9	8.9
Repayments of long-term borrowings		(882.5)	(126.3)
Capital element of finance lease payments		(0.4)	(0.4)
Dividend paid on Richemont SA participation reserve		(133.6)	(117.9)
Other		(1.5)	(0.4)
Cash flow applied to financing activities		(181.1)	(236.1)
Net cash outflow after financing activities		(85.8)	(334.0)
Effects of exchange rate movements		2.8	(66.7)
Net decrease in cash and cash equivalents		(83.0)	(400.7)
Cash and cash equivalents at beginning of year		(291.5)	109.2
Cash and cash equivalents at end of year	29	(374.5)	(291.5)

C O N S O L I D A T E D S T A T E M E N T O F C H A N G E S I N E Q U I T Y
F O R T H E Y E A R E N D E D 3 1 M A R C H 2 0 0 1

	Share capital € m	Participation reserve € m	Reserve for share buy-back € m	Translation and other reserves € m	Retained earnings € m	Total € m
Balance at 1 April 1999						
– As previously reported	334.0	644.6	(67.3)	116.3	3 020.1	4 047.7
– Effect of applying IAS 19 (revised)	–	–	–	–	19.6	19.6
Exchange adjustments	–	–	–	(28.1)	–	(28.1)
Capitalisation of reserves on conversion to euro	–	0.4	–	–	(0.4)	–
Profit attributable to unitholders	–	–	–	–	2 981.9	2 981.9
Buy-back of Richeмонт units	–	–	(171.5)	–	–	(171.5)
Dividend paid on Richeмонт SA participation reserve	–	–	–	–	(117.9)	(117.9)
Balance at 31 March 2000	334.0	645.0	(238.8)	88.2	5 903.3	6 731.7
Movements in the year ended 31 March 2001						
Exchange adjustments	–	–	–	4.3	–	4.3
Profit attributable to unitholders	–	–	–	–	1 264.7	1 264.7
Buy-back of Richeмонт units	–	–	(130.3)	–	–	(130.3)
Dividend paid on Richeмонт SA participation reserve	–	–	–	–	(133.6)	(133.6)
Balance at 31 March 2001	334.0	645.0	(369.1)	92.5	7 034.4	7 736.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 MARCH 2001

Note 1 – Acquisitions of subsidiary undertakings

On 8 December 2000, Richemont completed the acquisition of Les Manufactures Horlogères SA ('LMH'). LMH owned three luxury watch businesses, namely 60 per cent of Jaeger-LeCoultre, 100 per cent of IWC International Watch Co. and 90 per cent of A. Lange & Söhne. In a separate transaction completed on 21 July 2000, Richemont acquired the 40 per cent of Jaeger-LeCoultre formerly held by Audemars Piguet. The Group's interest in LMH, together with the 40 per cent interest in Jaeger-LeCoultre has been consolidated with effect from 1 January 2001. The overall cost of the combined transactions amounted to € 1 982.2 million.

Note 2 – Sales

The analysis of sales by major product line was as follows:

	2001 € m	2000 € m
Jewellery	877.0	667.4
Watches	1 653.0	1 292.4
Gold and jewellery watches	833.7	652.8
Other watches	819.3	639.6
Leather goods	311.7	267.1
Writing instruments	263.2	234.2
Clothing and other	579.5	463.1
	<u>3 684.4</u>	<u>2 924.2</u>

The analysis of net sales revenue by geographical area was as follows:

	2001 € m	2000 € m
Europe	1 508.4	1 203.0
Asia	1 436.3	1 115.6
Americas	739.7	605.6
	<u>3 684.4</u>	<u>2 924.2</u>

Note 3 – Operating expenses

The analysis of net operating expenses was as follows:

	2001 € m	2000 € m
Selling and distribution costs	632.8	469.7
Administration expenses	1 122.8	925.4
	<u>1 755.6</u>	<u>1 395.1</u>

The segmental analyses of operating profit by product line and geographical area have not been disclosed as the Directors are of the opinion that such disclosure would be prejudicial to the Group's competitive position.

Operating profit of the Company and its subsidiary undertakings includes the following items:

	2001 € m	2000 € m
Depreciation of tangible fixed assets	109.9	83.5
Operating lease rentals	221.8	188.2
Personnel expenses		
Wages and salaries	562.2	488.4
Social security costs	80.4	72.5
Pension costs –		
defined contribution plans	19.0	17.3
defined benefit plans (note 25)	11.4	7.8
	<u>673.0</u>	<u>586.0</u>

Average number of persons employed by the Group during the year:

Switzerland	3 103	2 364
Rest of world	8 006	8 021
	<u>11 109</u>	<u>10 385</u>

Note 4 – Exceptional items

	2001 € m	2000 € m
Gain on partial disposal of interest in associate	189.4	–
Gain on sale of investment	532.9	–
Gain on merger of tobacco interests	–	2 582.4
	<u>722.3</u>	<u>2 582.4</u>

a) Gain on partial disposal of interest in associate

The exceptional gain of € 189.4 million represents Richemont's gain on the partial disposal of its holding of British American Tobacco preference shares as explained further in note 7. The gain is calculated on the basis of the redemption proceeds attributable to Richemont of € 740.6 million (£ 463.3 million), less the value of British American Tobacco's net assets attributable to the preference shareholding at the date of the transaction, together with goodwill and costs related thereto. On a consolidated basis there is no tax effect.

b) Gain on sale of investment

The amount of € 532.9 million represents Richemont's gain on the disposal of its holding of 17.5 million shares in Vivendi SA. The gain is calculated by reference to the proceeds, less the carrying value of Vivendi together with costs relative thereto. The Group had previously hedged the value of the investment such that the net proceeds on disposal amounted to € 1 176.4 million. On a consolidated basis there is no tax effect.

c) Gain on merger of tobacco interests

The exceptional gain of € 2 582.4 million arising in the year to 31 March 2000 consists of the gain on the merger of Rothmans International with British American Tobacco. The transaction was accounted for as a dilution of the Group's interest in Rothmans International in return for an equity interest in the enlarged BAT. The gain was calculated on the basis of the value of the shares in BAT received in consideration for the Group's share of the underlying net assets of Rothmans International together with the goodwill related thereto as at the date of transfer. As the gain arose as an accounting entry on consolidation, there was no tax effect.

Note 5 – Net investment income/(expense)

	2001 € m	2000 € m
Interest income and similar items	56.5	21.4
Interest expense and similar items	(49.1)	(42.2)
	<u>7.4</u>	<u>(20.8)</u>

Note 6 – Taxation

	2001 € m	2000 € m
Current taxation	189.6	142.7
Deferred taxation	1.1	9.5
	<u>190.7</u>	<u>152.2</u>

Note 7 – Share of results of associated undertakings

The Group's share of the results of associated undertakings is set out below:

	BAT € m	Hanover Direct € m	Total 2001 € m	2000 € m
Operating profit/(loss)	920.5	(28.7)	891.8	826.1
Goodwill amortisation	(201.5)	(4.1)	(205.6)	(199.0)
Goodwill impairment charge	–	(62.4)	(62.4)	–
Exceptional items	(68.9)	–	(68.9)	(160.0)
Net interest expense	(98.8)	(3.8)	(102.6)	(87.3)
Profit/(loss) before taxation	551.3	(99.0)	452.3	379.8
Taxation	(261.8)	(0.1)	(261.9)	(192.9)
Profit/(loss) after taxation	289.5	(99.1)	190.4	186.9
Other shareholders' interests	(60.5)	(0.1)	(60.6)	(67.1)
Share of associates' results	229.0	(99.2)	129.8	119.8

Analysed as follows:

	BAT € m	Hanover Direct € m	Total 2001 € m	2000 € m
Share of attributable profit/(loss) on an adjusted basis	472.4	(32.7)	439.7	424.8
Goodwill amortisation	(201.5)	(4.1)	(205.6)	(199.0)
Goodwill impairment charge	–	(62.4)	(62.4)	–
Exceptional items	(41.9)	–	(41.9)	(106.0)
Share of attributable profit/(loss) on a reported basis	229.0	(99.2)	129.8	119.8

The goodwill amortisation charge represents the associates' goodwill and goodwill amortised by Richemont in respect of its investment in associated undertakings.

As a result of the merger of Rothmans International and British American Tobacco, which was completed in June 1999, Richemont and Remgro Limited ('Remgro'), through R&R Holdings, held a 35 per cent equity interest in the enlarged British American Tobacco group. The shareholding comprised a 25 per cent interest in ordinary shares and a 10 per cent interest in the form of 241.7 million convertible redeemable preference shares. R&R Holdings is held as to two thirds by Richemont and one third by Remgro. Remgro is the successor company to the former Rembrandt Group Limited, following the restructuring of the latter as at 1 April 2000. Richemont's effective interest in British American Tobacco, at the date of the merger, was 23.3 per cent.

As provided for in the merger agreement, up to half of the preference shares were eligible for redemption on the first anniversary of the completion of the transaction at a price of £ 5.75 per share. Richemont and Remgro elected to redeem one half of their holding of preference shares. Richemont's share of the cash consideration in respect of these shares, amounting to € 740.6 million (£ 463.3 million), was received on 7 June 2000. Richemont's effective interest in British American Tobacco was accordingly reduced from 23.3 per cent to 21.1 per cent from that date.

Note 8 – Profit attributable to unitholders

	2001 € m	2000 € m
Attributable profit of the Company and its subsidiary undertakings	1 134.9	2 862.1
Group's share of profit of associated undertakings	129.8	119.8
	<u>1 264.7</u>	<u>2 981.9</u>

Note 9 – Earnings per unit

a) On a reported basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 5 573 665 units, together with the attributable profit of the Group on a reported basis of € 1 264.7 million for the period. This takes into account the effects of the buy-back of 200 000 units implemented during the period March 1999 to March 2001, offset by the sale of 27 375 units to executives under the Group's executive unit purchase scheme.

Note 9 – Earnings per unit (continued)

Fully diluted earnings per unit is calculated by reference to the 5 742 000 units outstanding and attributable profit on a reported basis for the period of € 1 281.1 million which reflects the notional additional interest of € 16.4 million which would have accrued to the Group had the full number of units been outstanding during the period.

b) On an adjusted basis

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 5 573 665 units, together with the attributable profit of the Group on an adjusted basis of € 968.0 million

for the period. This takes into account the effects of the buy-back of 200 000 units implemented during the period March 1999 to March 2001, offset by the sale of 27 375 units to executives under the Group's executive unit purchase scheme.

Fully diluted earnings per unit is calculated by reference to the 5 742 000 units outstanding and attributable profit on a adjusted basis for the period of € 984.4 million which reflects the notional additional interest of € 16.4 million which would have accrued to the Group had the full number of units been outstanding during the period.

Note 10 – Tangible fixed assets

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
Cost					
1 April 2000	291.8	255.5	366.8	22.8	936.9
Exchange adjustments	5.0	6.8	8.6	0.9	21.3
Additions	56.8	35.6	148.2	18.2	258.8
Acquisitions of subsidiaries	44.5	42.8	10.2	3.8	101.3
Transfers and reclassifications	(4.9)	(78.2)	83.0	0.1	–
Disposals and provisions	(4.8)	(18.3)	(45.3)	5.7	(62.7)
31 March 2001	388.4	244.2	571.5	51.5	1 255.6
Depreciation					
1 April 2000	80.9	158.8	214.3		454.0
Exchange adjustments	1.6	3.3	5.8		10.7
Charge for the year	13.8	24.9	71.2		109.9
Acquisitions of subsidiaries	0.6	32.9	8.4		41.9
Transfers and reclassifications	(4.4)	(51.6)	56.0		–
Disposals and provisions	(2.3)	(16.4)	(33.2)		(51.9)
31 March 2001	90.2	151.9	322.5		564.6
Net book value					
1 April 2000	210.9	96.7	152.5	22.8	482.9
31 March 2001	298.2	92.3	249.0	51.5	691.0

Included above are fixed assets with a net book value of € 1.6 million (2000: € 2.6 million) held under finance leases.

The net book value of land and buildings comprises:

	2001 € m	2000 € m
Freehold land	76.8	55.6
Freehold buildings	186.0	121.4
Long leaseholds	3.4	6.4
Short leaseholds	32.0	27.5
	298.2	210.9

The fire insurance value of fixed assets at 31 March 2001 was € 1 006.5 million (2000: € 804.7 million).

Authorised capital expenditure for which no provision has been made in these financial statements:

	2001 € m	2000 € m
Contracts placed	6.3	26.2
Authorised but not yet contracted	20.0	24.1
	26.3	50.3

Note 11 – Goodwill

	2001 € m	2000 € m
Cost		
Balance at 1 April	5 235.0	2 125.4
Exchange adjustments	21.1	5.1
Goodwill arising in the year	1 937.4	3 725.3
Disposals	(577.6)	(620.8)
Balance at 31 March	6 615.9	5 235.0
Amortisation		
Balance at 1 April	324.9	181.5
Exchange adjustments	15.7	0.9
Charge for the year	276.0	253.8
Impairment charge in respect of associated undertaking (note 7)	62.4	–
Disposals	(99.0)	(111.3)
Balance at 31 March	580.0	324.9
Net book value	6 035.9	4 910.1
	2001 € m	2000 € m
Analysis of net book value		
Subsidiary undertakings	3 326.3	1 508.8
Associated undertakings		
– British American Tobacco	2 709.6	3 335.2
– Hanover Direct	–	66.1
	6 035.9	4 910.1

Goodwill arising in the year under review, which relates mainly to the LMH acquisition, is analysed in the following table:

	2001 € m	2000 € m
Net consideration	2 064.8	240.9
Add: Reclassifications and non-cash items	–	24.3
Consideration	2 064.8	265.2
Net assets acquired	(127.4)	(20.1)
Goodwill arising on the acquisition of subsidiaries and minority interests	1 937.4	245.1
Goodwill arising on the acquisition of additional interests in associated undertakings	–	3 480.2
	1 937.4	3 725.3

Goodwill arising in the year to 31 March 2000 principally related to the merger of Rothmans International with British American Tobacco.

The goodwill amortisation charge of € 119.0 million (2000: € 80.6 million) shown at the pre-tax profit level in the consolidated profit and loss account excludes all goodwill amortisation in respect of associated undertakings and relates solely to goodwill arising in respect of subsidiary undertakings.

	2001 € m	2000 € m
Amortisation charge in respect of subsidiary undertakings	119.0	80.6
Amortisation charge in respect of associated undertakings	157.0	173.2
Amortisation charge for the year (see above)	276.0	253.8
Goodwill impairment charge (see above)	62.4	–
Amortisation charge reflected in the Group's share of the results of associated undertakings	48.6	25.8
– British American Tobacco	48.2	11.6
– Hanover Direct	0.4	0.5
– Canal+	–	13.7
Total goodwill amortisation charge for the year	387.0	279.6

Note 12 – Deferred taxation

	1 April 2000 € m	(Charge)/ credit for the year € m	Acquisitions € m	Exchange differences € m	31 March 2001 € m
Deferred tax assets					
Provisions disallowed for taxation	38.9	16.4	0.8	1.6	57.7
Tax losses carried forward	0.4	1.8	–	2.1	4.3
Unrealised gross margin elimination	60.3	(2.0)	–	1.0	59.3
Others	(4.2)	3.3	(3.3)	(1.4)	(5.6)
	<u>95.4</u>	<u>19.5</u>	<u>(2.5)</u>	<u>3.3</u>	<u>115.7</u>
Deferred tax liabilities					
Accelerated tax depreciation	(3.3)	0.2	–	0.1	(3.0)
Additional provisions allowed for taxation	(41.9)	(13.7)	(0.4)	(3.3)	(59.3)
Others	12.4	(7.1)	–	0.2	5.5
	<u>(32.8)</u>	<u>(20.6)</u>	<u>(0.4)</u>	<u>(3.0)</u>	<u>(56.8)</u>

In addition, at 31 March 2001, the Company and its subsidiary undertakings had taxation losses of € 252.0 million (2000: € 245.0 million) in respect of which taxation assets had not been recognised as the future utilisation of these losses is uncertain. Based on current rates of taxation, utilisation of these losses at 31 March 2001 would result in the recognition of a taxation asset of € 56.7 million (2000: € 55.4 million).

Note 13 – Investments in associated undertakings

	2001 € m	2000 € m		2001 € m	2000 € m
Carrying value at 1 April	511.5	1 540.2	Share of net tangible assets/(liabilities)		
Exchange adjustments	(79.4)	29.5	– British American Tobacco	(355.9)	(509.3)
Acquisitions	–	412.7	– Hanover Direct	–	15.7
Disposals	(84.5)	(1 558.7)		<u>(355.9)</u>	<u>(493.6)</u>
Net increase in post-acquisition retained earnings and other reserves	160.0	87.8	Share of associates' goodwill		
			– British American Tobacco	863.5	999.2
Carrying value at 31 March	507.6	511.5	– Hanover Direct	–	5.9
				<u>507.6</u>	<u>511.5</u>

Investments in associated undertakings at 31 March 2001 include goodwill of € 863.5 million (2000: € 1 005.1 million) which has been capitalised by the Group's associated undertakings, and is analysed as follows:

Note 14 – Other investments

	2001 € m	2000 € m
Short-term investments		
– Equity investment held for resale	–	642.6
Long-term investments		
– Shares in listed undertakings	0.2	1.2
– Shares in unlisted undertakings	44.4	17.6
– Hanover Direct preference shares	75.5	–
– Others	119.0	128.5
Total other investments	239.1	789.9
Market value of shares in listed undertakings	0.2	1.4

Note 15 – Inventories

	2001 € m	2000 € m
Raw materials and consumables	43.5	19.9
Work in progress	473.8	285.2
Finished goods and goods for resale	888.5	751.5
	1 405.8	1 056.6

Note 16 – Debtors

	2001 € m	2000 € m
Trade debtors	425.8	364.3
Amounts owed by associated undertakings	–	5.2
Other debtors	236.5	168.8
Dividend receivable from BAT	156.6	158.2
Prepayments and accrued income	95.9	70.5
	914.8	767.0

Note 17 – Marketable securities

	2001 € m	2000 € m
Listed securities	6.1	27.5
Unlisted securities	5.0	64.4
	11.1	91.9
Market value of listed securities at 31 March	6.1	27.5

Note 18 – Current liabilities

	2001 € m	2000 € m
Bank loans and overdrafts	642.1	665.1
Short-term portion of long-term loans	39.5	11.8
Trade creditors	188.2	114.9
Obligations under finance leases	0.4	0.4
Duty and excise taxes	30.6	25.1
Current tax liabilities	153.6	97.0
Provisions	55.4	37.6
Other creditors	152.3	183.2
Accruals and deferred income	258.8	217.3
	1 520.9	1 352.4

Note 19 – Share capital

	2001 € m	2000 € m
Authorised, issued and fully paid:		
5 220 000 “A” bearer shares with a par value of SFr 100 each	303.6	303.6
5 220 000 “B” registered shares with a par value of SFr 10 each	30.4	30.4
	334.0	334.0

Note 20 – Participation reserve

	2001 € m	2000 € m
Reserve in respect of 5 742 000 participation certificates with no par value issued by Richemont SA	645.0	645.0

Note 21 – Unitholders' capital

In accordance with the articles of incorporation of the respective companies, the shares issued by the Company and the participation certificates issued by Richemont SA have been twinned as follows:

- (a) Each "A" bearer share in the Company with a par value of SFr 100 is twinned with one bearer participation certificate in Richemont SA with no par value to form one "A" unit, issued to bearer.
- (b) Every ten "B" registered shares in the Company with a par value of SFr 10 each are twinned with one registered participation certificate in Richemont SA with no par value to form one "B" unit, issued in registered form.

The total number of units in issue is thus made up as follows:

	2001	2000
(a) "A" bearer units, each comprising one "A" bearer share in the Company and one bearer participation certificate in Richemont SA	5 220 000	5 220 000
(b) "B" registered units, each comprising ten "B" registered shares in the Company and one registered participation certificate in Richemont SA	522 000	522 000
	<u>5 742 000</u>	<u>5 742 000</u>

In view of this indivisible twinning of shares and participation certificates, the participation reserve of Richemont SA is presented in the consolidated balance sheet of the Company as a component of unitholders' funds. For the same reason, information which would normally be stated on a per share basis is stated in these financial statements on a per unit basis.

Note 22 – Retained earnings and other reserves

	2001 € m	2000 € m
Balance at 1 April	5 752.7	3 069.1
Effect of applying IAS 19 (revised)	–	19.6
Exchange and other adjustments	4.3	(28.5)
Profit attributable to unitholders	1 264.7	2 981.9
Dividend paid on Richemont SA participation reserve	(133.6)	(117.9)
Movements in reserve for buy-back of Richemont units established in Compagnie Financière Richemont AG and Richemont SA entity accounts	(130.3)	(171.5)
Balance at 31 March	<u>6 757.8</u>	<u>5 752.7</u>
Closing retained earnings and other reserves are analysed as follows:		
The Company and its subsidiary undertakings	6 606.3	5 681.8
Associated undertakings	151.5	70.9
	<u>6 757.8</u>	<u>5 752.7</u>

In the period from March 1999 to 31 March 2001 the Group acquired a total of 200 000 Richemont "A" units, in the context of equity based executive compensation schemes.

Legal reserves amounting to € 94.6 million (2000: € 94.6 million) are included above but are not available for distribution.

Note 23 – Long-term borrowings

	2001 € m	2000 € m
Bank loans	646.2	682.4
Other loans	25.9	1.2
	<u>672.1</u>	<u>683.6</u>
Short-term portion of long-term loans (note 18)	(39.5)	(11.8)
Long-term loans	<u>632.6</u>	<u>671.8</u>
Obligations under finance leases	0.6	1.4
	<u>633.2</u>	<u>673.2</u>

Bank and other loans are subject to market rates of interest. No bank loans (2000: € nil) are secured on tangible assets of Group undertakings.

An analysis of long-term loans by due date of repayment is set out below:

	2001 € m	2000 € m
Amount repayable in the financial years ending 31 March:		
2002	–	115.3
2003	577.0	528.9
2004	36.0	8.2
2005	12.3	19.4
thereafter	7.3	–
	<u>632.6</u>	<u>671.8</u>

Obligations under finance leases fall due for payment as follows:

	2001 € m	2000 € m
Amounts payable between two and five years	0.5	0.8
Amounts payable between one and two years	0.2	0.7
Amounts payable within one year	<u>0.4</u>	<u>0.6</u>
	1.1	2.1
Less: future finance charges included above	(0.1)	(0.3)
	<u>1.0</u>	<u>1.8</u>
Included in current liabilities (note 18)	(0.4)	(0.4)
Included in long-term borrowings	<u>0.6</u>	<u>1.4</u>

Note 24 – Other long-term liabilities

	2001 € m	2000 € m
Provisions	114.4	60.1
Current portion included in current liabilities (note 18)	(55.4)	(37.6)
	59.0	22.5
Obligations for post retirement benefits (note 25)	45.2	46.9
	<u>104.2</u>	<u>69.4</u>

Movements in provisions for the year are set out below:

	Warranty € m	Restructuring € m	Other € m	Total € m
1 April 2000	19.0	9.9	31.2	60.1
Exchange adjustments	0.7	0.1	0.6	1.4
Additional provisions	6.7	25.1	40.5	72.3
Utilised in the year	(4.0)	(2.3)	(13.1)	(19.4)
	<u>22.4</u>	<u>32.8</u>	<u>59.2</u>	<u>114.4</u>
Current portion included in current liabilities	–	(20.0)	(35.4)	(55.4)
31 March 2001	<u>22.4</u>	<u>12.8</u>	<u>23.8</u>	<u>59.0</u>

Note 25 – Employee benefits

Post-retirement benefit obligations

Movement in the liability recognised in the balance sheet:

	2001 € m	2000 € m
1 April		
– Gross as previously reported	46.9	51.1
– Less net asset included in ‘Other investments’	(9.0)	(0.3)
	37.9	50.8
– Effect of adopting IAS 19 (revised)	–	(16.9)
– As restated	37.9	33.9
Acquisition of subsidiaries	5.5	1.4
Exchange differences and other adjustments	(0.4)	(1.6)
Total expenses for the year	11.4	7.8
Contributions paid	(9.8)	(3.6)
Net liability	44.6	37.9
Add net asset included in ‘Other investments’	0.6	9.0
31 March (note 24)	45.2	46.9

The net liability reflected in other long-term liabilities in the balance sheet is determined as follows:

	2001 € m	2000 € m
Present value of funded obligations	193.2	171.1
Fair value of plan assets	(198.6)	(175.5)
	(5.4)	(4.4)
Present value of unfunded obligations	43.7	35.3
Unrecognised actuarial gain	6.3	7.0
Net liability	44.6	37.9

The amounts recognised in the profit and loss account are as follows:

	2001 € m	2000 € m
Current service cost	11.7	10.3
Interest cost	12.5	9.2
Expected return on plan assets	(12.8)	(11.7)
Total included in ‘Personnel expenses’ (note 3)	11.4	7.8

The principal actuarial assumptions used for accounting purposes reflected prevailing market conditions in each of the countries in which the Group operates and were as follows:

	2000/2001 cost	Year end benefit obligation	Weighted average
Discount rate	2.5% to 7.0%	2.0% to 6.5%	5.4%
Expected return on plan assets	3.0% to 8.5%	2.5% to 8.5%	7.4%
Future salary increases	1.5% to 5.5%	1.5% to 5.0%	4.1%
Future pension increases	1.3% to 3.0%	1.3% to 3.0%	2.1%

Assumptions used to determine the benefit expense and the end-of-year benefit obligations for the defined benefit plans varied within the ranges shown above. The weighted average rate for each assumption used to measure the benefit obligation is also shown. The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year’s anticipated cost.

The Group operates a number of defined benefit and defined contribution retirement arrangements. The major plans are the arrangements in Switzerland, UK and Germany.

In Switzerland, benefits provided are essentially defined contribution in nature, but are subject to a statutory minimum benefit. Although the defined contribution element dominates the plans’ benefit structures, the ‘hybrid’ nature of the promise means that, under IAS 19, the plans are technically defined benefit. For the principal schemes, nevertheless, it has been concluded that the most appropriate accounting treatment is to consider this arrangement as if it was a defined contribution plan, subject to a continuing check that the defined benefit minimum has no realistic expectation of impacting on benefits paid. For certain other plans, because of the investment and annuity conversion guarantees contained within the benefit structure of these plans, they have been accounted for on a defined benefit basis.

In the UK, benefits are related to service and final salary. The plan is funded by a separate trust, with a funding target such as to maintain assets equal to the value of accrued benefits based on projected salaries.

In Germany, retirement benefits are related to service and final salary. Since no external pre-financing exists, the liability is recognised within the balance sheet of the Company, in line with local practice.

The Group does not have any significant liabilities in respect of any other post-retirement benefits, including post-retirement healthcare liabilities.

Note 25 – Employee benefits (continued)
Unit-based executive compensation schemes

At 31 March 2001 the Group had repurchased a total of 200 000 Richemont “A” units, in order to hedge obligations arising in respect of long-term unit-based executive compensation schemes. Under the terms of the schemes, executives are either awarded options to acquire Richemont units or may purchase units subject to certain restrictions or may receive a long-term bonus based on the appreciation of the unit price over a given period of time. The benefits granted under the schemes typically vest over a period of three to six years.

Changes in the Group’s holding of Richemont units relating to the executive compensation schemes are shown as

movements in unitholders’ equity. Any other charges and credits arising on payments to executives under the schemes are not material and are also shown as movements in unitholders’ equity.

At 31 March 2001 awards over 103 630 units had been granted to senior executives under the executive compensation schemes. As part of these awards, 27 375 units (2000: 23 400 units) had been sold to Group executives as part of the unit purchase scheme. Accordingly, the Group has recorded a receivable of € 44.0 million (2000: € 31.8 million) in respect of the units sold.

The financing cost, in respect of the units acquired in terms of the schemes, is reflected in the consolidated profit and loss account.

Note 26 – Financial commitments and contingent liabilities

At 31 March 2001 certain Group companies had contingent liabilities and commitments. These principally related to commitments under forward exchange contracts together with commodity contracts which are appropriate to the companies’ respective businesses. Such contracts are entered into exclusively to hedge current and forecast future foreign currency exposures and trading commitments arising in the ordinary course of business. No material losses are expected to arise in respect of these contingent liabilities and commitments.

At 31 March 2001 the Company and its subsidiary undertakings had signed non-cancellable operating leases in respect of which the following minimum rentals are payable:

	Land and buildings		Other assets		Total	
	2001 € m	2000 € m	2001 € m	2000 € m	2001 € m	2000 € m
Within one year	94.8	87.7	3.3	5.2	98.1	92.9
Between two and five years	304.5	218.7	2.0	5.2	306.5	223.9
Thereafter	360.9	209.9	0.7	0.7	361.6	210.6
	<u>760.2</u>	<u>516.3</u>	<u>6.0</u>	<u>11.1</u>	<u>766.2</u>	<u>527.4</u>

Note 27 – Cash inflow from operating activities

	2001 € m	2000 € m
Operating profit	712.3	534.1
Depreciation of tangible fixed assets	109.9	83.5
Other non-cash items	15.6	4.6
Increase in inventories	(199.7)	(19.3)
(Increase)/decrease in debtors	(46.3)	12.0
(Decrease)/increase in current liabilities	(14.3)	44.3
Cash inflow from operating activities	577.5	659.2

Cash inflow from operating activities reflects underlying cash flows incurred in respect of each caption and specifically excludes foreign exchange effects and movements in non-operating assets and liabilities together with increases in working capital as a result of acquisitions.

Note 28 – Acquisitions of subsidiary undertakings and minority interests

	2001 € m	2000 € m
Consideration paid during the year	2 064.8	240.9
Cash and cash equivalents of subsidiary undertakings acquired	(37.2)	(9.8)
Acquisitions of subsidiary undertakings and minority interests – cash outflow	2 027.6	231.1

Analysed as:

Acquisitions of subsidiary undertakings, net of cash acquired	2 025.4	230.9
Acquisitions of other minority interests	2.2	0.2
	2 027.6	231.1

Note 29 – Cash and cash equivalents

The cash and cash equivalents figure in the consolidated cash flow statement comprises:

	2001 € m	2000 € m
Marketable securities	11.1	91.9
Cash	256.5	281.7
Bank loans and overdrafts	(642.1)	(665.1)
	(374.5)	(291.5)

Note 30 – Principal group companies

Details of Richemont's underlying investments are given in the schedule of Principal Group Companies on page 81.

Note 31 – Financial instruments

(a) Primary financial instruments

The balance sheet values of cash, debtors, current liabilities and long-term borrowings are approximately equal to their market values and are therefore not dealt with under this note.

Category	Net book values		Fair values	
	2001 € m	2000 € m	2001 € m	2000 € m
Marketable securities	11.1	91.9	11.1	91.9
Other long-term investments	239.1	147.3	239.1	148.5

(b) Derivative financial instruments

The Group is exposed to financial risks arising from the international nature of its business operations and has therefore established appropriate policies to manage such risks. It is the responsibility of the Group's treasury operations to monitor and manage these financial risks within approved policies. To manage such financial risks, the Group uses derivative hedging instruments to offset exposure whereby the market risk associated with such instruments is primarily offset by equal and opposite movements in the positions covered. The instruments are treated as off balance sheet financial instruments, with related gains and losses recorded in the settlement of the underlying transactions. In the event of early termination of a hedging instrument, the gain or loss continues to be deferred and is included in the settlement of the underlying transaction. Treasury operations are restricted to the hedging of underlying financial risks; trading is not permitted.

Foreign exchange and interest rate risk

To manage foreign exchange risk the Group transacts forward foreign exchange contracts. Forward foreign

exchange contracts hedge receivables or payables denominated in foreign currencies or related commitments in foreign currency. Hedging is undertaken as appropriate out to a maximum maturity of 12 months. The profit or loss on each contract is recognised on maturity in order to match the underlying exposure.

To manage interest rate risk the Group selectively undertakes interest rate swaps. Interest rate swaps are treated as off balance sheet financial instruments and the resulting interest differentials are recorded as an adjustment to interest expense. In the event of early termination of an interest rate swap, gains and losses are deferred and modify the interest cost over the remaining term of the underlying debt.

Other risks, such as funding risk and credit risk, may be managed, from time to time, by the use of derivative hedging instruments. Except as noted below, no such instruments have been used in the year.

The nominal amount of currency forward contracts includes the forward sale of the Group's share of British American Tobacco's final dividend, denominated in sterling, for £ 156.6 million together with forward sales of foreign currencies in the normal course of business.

Category	Nominal amount		Fair value adjustment		Credit risk	
	2001 € m	2000 € m	2001 € m	2000 € m	2001 € m	2000 € m
Currency forward contracts	331.4	1 067.2	(6.3)	(38.4)	-	-
Interest rate swaps	21.1	10.7	-	-	-	-

Note 31 – Financial instruments (continued)

i) Nominal amount

Nominal amounts represent the sum of all currency contracts by category bought or sold but not offset at the balance sheet date. The contracts have been translated from underlying currencies to euros using exchange rates existing at the balance sheet date. Nominal amounts do not represent amounts exchanged by the contracting parties, but rather represent the contract on which payments are calculated. The potential risk relates to fluctuations in market prices as well as the credit risk of counterparties.

ii) Book value

The Group does not generally recognise the value of any derivative instruments in place at the balance sheet date within its financial statements. At 31 March 2001 no derivative instruments are recognised within the financial statements.

iii) Fair value adjustment

The fair values of forward foreign exchange contracts are calculated based on market prices for contracts of similar term. The fair value adjustments of existing interest rate swap agreements and forward rate agreements represent the amount that the Group would have to pay or would receive if the contract were terminated at the balance sheet date. The computation of fair values does not consider the offsetting change in the value of the item being hedged.

iv) Credit risk

The credit risk is the sum of the fair value adjustments of derivatives with a positive fair value. The credit risk is the danger of non-performance by counterparties. This risk is minimised by entering into contracts exclusively with banks of high credit standing and ensuring that the limits set by the Group for each bank are adhered to. The Group has no significant concentrations of credit risk.

Note 32 – Post balance sheet event

On 11 April 2001, the Group acquired a further 20 per cent interest in Van Cleef & Arpels, increasing the Group's effective interest from 60 per cent to 80 per cent from that date.

REPORT OF THE GROUP AUDITORS

To the General Meeting of Shareholders of Compagnie Financière Richemont AG, Zug

As auditors of the Group, we have audited the consolidated financial statements on pages 49 to 71, consisting of the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements of Compagnie Financière Richemont AG for the year ended 31 March 2001.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts

and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations, the changes in equity and the cash flows, in accordance with the Accounting and Reporting Recommendations as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG
Kurt Hausheer
Zurich, 6 June 2001

Clive Bellingham

COMPAGNIE FINANCIÈRE RICHEMONT AG
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001

	<i>Note</i>	2001 SFr m	2000 SFr m
INCOME			
Dividends		71.4	60.2
Interest income		8.1	7.2
Other income		36.9	5.1
		116.4	72.5
EXPENSES			
Interest paid		0.1	0.2
General expenses	2	42.2	26.4
		42.3	26.6
PROFIT BEFORE TAXATION		74.1	45.9
Taxation		0.8	0.6
NET PROFIT FOR THE YEAR		73.3	45.3

BALANCE SHEET
AT 31 MARCH 2001

	<i>Notes</i>	2001 SFr m	2000 SFr m
NON-CURRENT ASSETS			
Investments	3	708.0	708.0
Fixed assets	4	25.9	26.4
		733.9	734.4
CURRENT ASSETS			
Loans to affiliated companies		265.8	229.1
Debtors		32.2	0.2
Cash		1.1	1.2
		299.1	230.5
		1 033.0	964.9
SHAREHOLDERS' EQUITY			
Share capital	5	574.2	574.2
Legal reserve	6	117.6	117.6
Reserve for own shares	7	145.8	95.7
Retained earnings	8	193.3	170.1
		1 030.9	957.6
CURRENT LIABILITIES			
Accrued expenses		0.4	1.4
Taxation		0.7	0.9
Loans from affiliated companies		0.8	4.8
		1.9	7.1
LONG-TERM LIABILITIES		0.2	0.2
		1 033.0	964.9

COMPAGNIE FINANCIÈRE RICHEMONT AG

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2001

Note 1 – Basis of preparation of the financial statements

The financial statements represent the financial position of the Company at 31 March 2001 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

Note 2 – General expenses

	2001 SFr m	2000 SFr m
General expenses are comprised as follows:		
Personnel costs	4.7	4.2
Depreciation	0.7	0.5
Other	36.8	21.7
	<u>42.2</u>	<u>26.4</u>

Note 3 – Investments

These comprise investments in wholly-owned subsidiary companies, which are stated at cost.

	2001 SFr m	2000 SFr m
Richemont SA, Luxembourg	700.0	700.0
Other investments	8.0	8.0
	<u>708.0</u>	<u>708.0</u>

Note 4 – Fixed assets

Excluding land, the net book value of tangible fixed assets is SFr 18.3 million (2000: SFr 18.8 million). The fire insurance value of tangible fixed assets amounts to SFr 20.7 million (2000: SFr 21.5 million).

Note 5 – Share capital

	2001 SFr m	2000 SFr m
5 220 000 “A” bearer shares with a par value of SFr 100 each, fully paid	522.0	522.0
5 220 000 “B” registered shares with a par value of SFr 10 each, fully paid	52.2	52.2
	<u>574.2</u>	<u>574.2</u>

Note 6 – Legal reserve

The legal reserve of SFr 117.6 million (2000: SFr 117.6 million) is not available for distribution.

Note 7 – Reserve for own shares

During the year under review the Group purchased a further 50 000 “A” units for a total consideration of SFr 219.8 million as part of the long-term unit-based compensation schemes for employees.

During the current year an additional 3 975 “A” units were sold to executives of the Group under the Group’s executive unit purchase scheme.

These transactions bring the total number of “A” units acquired since 25 February 1999 to 200 000 of which 27 375 have been sold to executives under the Group’s unit purchase scheme.

A Richemont “A” unit is composed of one “A” bearer share issued by the Company and one participation certificate issued by Richemont SA. At the time of formation of Richemont, 25 per cent of the value of an “A” unit was attributed to the “A” bearer share issued by the Company and 75 per cent to the participation certificate issued by Richemont SA. In terms of the reserve for own shares established in respect of the units repurchased an amount of SFr 50.1 million (2000: SFr 68.8 million), being 25 per cent of the purchase consideration net of sales to Group executives attributable to the share element of the units repurchased during the year, has been transferred to the reserve for own shares. The balance of the net purchase consideration has been transferred to a reserve in respect of the participation certificates repurchased in the balance sheet of Richemont SA.

Note 8 – Retained earnings

	2001 SFr m	2000 SFr m
1 April, before appropriation of prior year retained earnings	170.1	193.6
Transfer to reserve for own shares	(55.0)	(81.6)
Transfer from reserve for own shares	4.9	12.8
1 April, after appropriations	120.0	124.8
Net profit for the year	73.3	45.3
	<u>193.3</u>	<u>170.1</u>

The retained earnings are stated before the proposed appropriation as set out on page 75.

Note 9 – Contingent liabilities

At 31 March 2001 the Company had given guarantees totalling SFr 1 692.8 million (2000: SFr 1 707.3 million) in respect of which it had received indemnities from subsidiaries in the same amount to cover obligations of various Group companies amounting to SFr 921.7 million (2000: SFr 1 160.6 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

COMPAGNIE FINANCIÈRE RICHEMONT AG
NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2001

Note 10 – Significant shareholders

At the Annual General Meeting of shareholders which was held on 14 September 2000, the following significant shareholdings were notified to the Company:

- 5 220 000 “B” registered shares held by Compagnie Financière Rupert, representing 50.0 per cent of the voting rights in the Company.
- 1 142 226 “A” bearer shares held by Richemont Securities AG, representing 10.9 per cent of the voting rights

in the Company. Richemont Securities AG acts as Depository for depository receipt holders and votes on their behalf and acts on their instructions at shareholders’ meetings. The depository receipts are listed on the JSE Securities Exchange South Africa and represent claims against the Depository in respect of a one hundredth undivided share of the rights and benefits, including voting rights, attaching to an “A” bearer unit.

**PROPOSAL OF THE BOARD OF DIRECTORS FOR
THE APPROPRIATION OF RETAINED EARNINGS**

AT 31 MARCH 2001

	SFr m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	170.1
Transfer to reserve for own shares	(55.0)
Transfer from reserve for own shares	4.9
Net profit for the year	73.3
	<u>193.3</u>

PROPOSED APPROPRIATION

The Board of Directors proposes that the available retained earnings of SFr 193.3 million be carried forward.

The Board of Directors

Zug, 6 June 2001

REPORT OF THE STATUTORY AUDITORS

To the General Meeting of Shareholders of
Compagnie Financière Richemont AG, Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Compagnie Financière Richemont AG for the year ended 31 March 2001.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts

and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the Swiss law and the Company’s articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG
Kurt Hausheer
Zurich, 6 June 2001

Clive Bellingham

RICHEMONT SA
SOCIÉTÉ ANONYME HOLDING
DIRECTORS' REPORT

The Board of Directors of Richemont SA is pleased to submit its report on the activities of the Company for the year ended 31 March 2001. The following financial statements set out

the financial position of the Company and the results of its operations for the year then ended.

STATEMENT OF ACCOUNTING POLICIES

(A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and are presented in euros.

(B) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies during the year are recorded at exchange rates ruling at the time the transactions take place. Monetary assets and liabilities, expressed in currencies other than the euro, are translated at exchange rates ruling at the year end. The resulting exchange gains or losses are credited or charged to income in the current year.

(C) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost less amounts written off for diminutions in value which are considered to be of a permanent nature. Dividend income is recognised upon declaration by the subsidiary undertaking concerned.

RICHEMONT SA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001

	2001 € m	2000 € m
INCOME		
Dividends	202.9	279.1
Other income	–	1.3
	202.9	280.4
EXPENSES		
General expenses	23.8	2.9
PROFIT BEFORE TAXATION	179.1	277.5
Taxation	0.3	0.2
NET PROFIT FOR THE YEAR	178.8	277.3

BALANCE SHEET
AT 31 MARCH 2001

	Notes	2001 € m	2000 € m
ASSETS			
Investments	2	3 206.7	3 206.7
Cash		0.5	0.8
Loans to group companies	3	152.8	134.2
		3 360.0	3 341.7
LIABILITIES			
Accrued liabilities		(20.9)	–
Loans from group companies	3	(1 375.1)	(1 374.9)
		(1 396.0)	(1 374.9)
		1 964.0	1 966.8
CAPITAL AND RESERVES			
Share capital	4	215.0	215.0
Participation reserve	5	645.0	645.0
Legal reserve	6	21.5	21.5
General reserve	7	427.0	427.0
Reserve for own participation certificates	8	276.8	180.6
Retained earnings	9	378.7	477.7
		1 964.0	1 966.8

RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2001

Note 1 – Basis of preparation of the financial statements

Richemont SA is a Luxembourg holding company, incorporated on 5 March 1979. It is a wholly-owned subsidiary of Compagnie Financière Richemont AG, Zug, Switzerland. The financial statements represent the financial position of the Company at 31 March 2001 and the results of its operations for the year then ended.

Note 2 – Investments

These comprise investments in subsidiary companies, which are stated at cost.

Note 3 – Loans to and from group companies

The loans to and from group companies are principally interest free and are repayable on demand.

Note 4 – Share capital

	2001 € m	2000 € m
Issued and fully paid		
1 914 000 shares of no par value	215.0	215.0

Note 5 – Participation reserve

	2001 € m	2000 € m
Reserve established in respect of		
5 742 000 participation		
certificates with no par value	645.0	645.0

The Company has set aside a participation reserve amounting to € 645.0 million and issued, in respect of this reserve, 5 220 000 (2000: 5 220 000) bearer non-voting participation certificates with no par value and 522 000 (2000: 522 000) registered non-voting participation certificates with no par value. Bearer and registered participation certificates have identical rights.

Note 6 – Legal reserve

The legal reserve amounting to a € 21.5 million (2000: € 21.5 million) is not available for distribution.

Note 7 – General reserve

The general reserve amounting to € 427.0 million (2000: € 427.0 million) is available for distribution subject to the approval of the shareholders.

Note 8 – Reserve for own participation certificates

During the year under review the Group purchased a further 50 000 “A” units for a total consideration of € 141.6 million as part of the long-term unit-based compensation schemes for employees.

During the current year an additional 3 975 “A” units were sold to executives of the Group under the Group’s executive unit purchase scheme.

These transactions bring the total number of “A” units acquired since 25 February 1999 to 200 000 of which 27 375 have been sold to executives under the Group’s executive unit purchase scheme.

A Richemont “A” unit is composed of one “A” bearer share issued by Compagnie Financière Richemont AG and one participation certificate issued by the Company. At the time of formation of Richemont, 25 per cent of the value of an “A” unit was attributed to the “A” bearer share issued by Compagnie Financière Richemont AG and 75 per cent to the participation certificate issued by the Company. In terms of the reserve for own shares established in respect of the units repurchased an amount of € 96.2 million (2000: € 130.1 million), being 75 per cent of the purchase consideration net of sales to Group executives attributable to the participation certificate element of the units repurchased during the year, has been transferred to the reserve for own participation certificates. The balance of the net purchase consideration has been transferred to a reserve in respect of the shares repurchased in the balance sheet of Compagnie Financière Richemont AG.

RICHEMONT SA

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2001

Note 9 – Retained earnings

	2001 € m	2000 € m
1 April, before appropriation of prior year retained earnings	477.7	487.7
Dividend paid on share capital	(43.8)	(37.7)
Dividend paid on participation reserve	(137.8)	(119.5)
1 April, after appropriation	296.1	330.5
Transfer to reserve for own participation certificates	(106.2)	(154.1)
Transfer from reserve for own participation certificates	10.0	24.0
Net profit for the current year	178.8	277.3
	<u>378.7</u>	<u>477.7</u>

The retained earnings at 31 March are stated before the proposed appropriation thereof as set out below:

Note 10 – Contingent liabilities

At 31 March 2001 the Company had given guarantees totalling € 1 581.7 million (2000: € 1 585.8 million) to cover obligations of various group companies amounting to € 606.6 million (2000: € 952.7 million). The Company does not foresee any liability arising under these guarantees and, therefore, no provision has been made.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF RETAINED EARNINGS

AT 31 MARCH 2001

	€ m
AVAILABLE RETAINED EARNINGS	
1 April, after appropriation	296.1
Transfer to reserve for own participation certificates	(106.2)
Transfer from reserve for own participation certificates	10.0
Net profit for the year	178.8
	<u>378.7</u>
PROPOSED APPROPRIATION	
Dividend payable on share capital	55.3
Dividend payable on participation reserve	172.3
Balance to be carried forward	151.1
	<u>378.7</u>

The proposed dividend on the share capital will be payable to Compagnie Financière Richemont AG, Zug.

The proposed dividend on the participation reserve amounts to € 30.00 per participation certificate. It will be payable to unitholders of Richemont on 1 October 2001 in respect of coupon number 45, free of charges, at the banks designated as paying agents.

The Board of Directors
Luxembourg, 5 June 2001

RICHEMONT SA
REPORT OF THE STATUTORY AUDITORS

To the Shareholders
Richemont SA, Luxembourg

We have audited the accompanying annual accounts of Richemont SA for the year ended 31 March 2001. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual

accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying annual accounts give, in conformity with the legal requirements, a true and fair view of the financial position of Richemont SA as of 31 March 2001 and of the results of its operations for the year then ended.

PricewaterhouseCoopers S.à.r.l.
Statutory auditors
represented by Luc Henzig
Réviseur d'Entreprises
Luxembourg, 5 June 2001

PRINCIPAL GROUP COMPANIES

AS AT 31 MARCH 2001

Country of incorporation	Name of company	Effective interest
Subsidiary undertakings		
France	Cartier SA	100.0%
	Chloé International SA	100.0%
	Lancel SA	100.0%
	Old England SA	93.5%
	Van Cleef & Arpels France SA*	60.0%
Germany	Richemont Northern Europe GmbH	100.0%
	Lange Uhren GmbH	90.0%
	Montblanc – Simplo GmbH	100.0%
Hong Kong	Richemont (Asia Pacific) Limited	100.0%
Italy	Richemont Italia SpA	100.0%
	Montegrappa SpA	100.0%
	Officine Panerai Marketing and Comunicazione Srl	100.0%
Japan	Richemont Japan Limited	100.0%
	Dunhill Group Japan Limited	66.0%
	Montblanc Japan Limited	100.0%
Luxembourg	Cartier Monde SA	100.0%
	Richemont Finance SA	100.0%
	Richemont Luxury Group SA	100.0%
Netherlands	Cartier International BV	100.0%
	Montblanc International BV	100.0%
	Van Cleef & Arpels BV*	60.0%
Switzerland	Baume & Mercier SA	100.0%
	Cartier SA	100.0%
	Cartier International SA	100.0%
	CTL Horlogerie SA	100.0%
	Interdica SA	100.0%
	IWC International Watch Co. AG	100.0%
	Manufacture Jaeger-LeCoultre SA	100.0%
	Piaget (International) SA	100.0%
	Richemont International SA	100.0%
	Richemont Securities AG	100.0%
	Vacheron & Constantin SA	100.0%
	Van Cleef & Arpels Logistic SA*	60.0%
United Kingdom	Alfred Dunhill Limited	100.0%
	Cartier Limited	100.0%
	Hackett Limited	100.0%
	James Purdey & Sons Limited	100.0%
	Richemont International Limited	100.0%
United States of America	Cartier, Incorporated	100.0%
	Richemont North America Inc.	100.0%
	Montblanc Inc.	100.0%
	Van Cleef & Arpels Inc.*	60.0%
Subsidiary undertakings – tobacco		
Luxembourg	R&R Holdings SA	66.7%
Associated undertakings		
United Kingdom	British American Tobacco p.l.c. (Tobacco products)	21.1%
United States of America	Hanover Direct, Inc. (Direct retailing)	48.0%

*Holding increased to 80 per cent from 11 April 2001.

FIVE YEAR RECORD

PROFIT AND LOSS ACCOUNT

	1997 £ m	1998 £ m	1999 £ m	2000 £ m	2001 £ m
Sales	1 878.6	2 205.0	2 318.1	2 924.2	3 684.4
Cost of sales	(703.7)	(809.8)	(839.8)	(995.0)	(1 216.5)
Gross profit	1 174.9	1 395.2	1 478.3	1 929.2	2 467.9
Net operating expenses	(863.5)	(1 040.0)	(1 087.9)	(1 395.1)	(1 755.6)
Operating profit	311.4	355.2	390.4	534.1	712.3
Net investment income/(expense)	13.3	13.0	(15.3)	(20.8)	7.4
Profit before taxation	324.7	368.2	375.1	513.3	719.7
Taxation	(81.4)	(93.1)	(113.1)	(152.2)	(190.7)
Profit after taxation	243.3	275.1	262.0	361.1	529.0
Minority interests	(72.3)	(84.8)	(2.0)	(3.3)	(0.7)
Attributable profit of the parent and its subsidiaries	171.0	190.3	260.0	357.8	528.3
Share of results of associated undertakings	219.9	380.8	415.2	424.8	439.7
Tobacco	356.7	403.5	428.1	430.0	472.4
Pay television	(129.7)	(20.2)	(1.9)	2.5	–
Direct retailing	(7.1)	(2.5)	(11.0)	(7.7)	(32.7)
Profit attributable to unitholders	390.9	571.1	675.2	782.6	968.0
Gross profit margin	62.5%	63.3%	63.8%	66.0%	67.0%
Operating profit margin	16.6%	16.1%	16.8%	18.3%	19.3%
Effective taxation rate	25.1%	25.3%	30.2%	29.7%	26.5%

Basis of preparation

1. The profit and loss account is presented on an adjusted basis excluding the effect of exceptional items and goodwill amortisation. A reconciliation of the results presented on a reported basis is given on page 84.
2. The results for the years 1997 to 1999 have been restated to include the results of the Group's tobacco interests on an equity accounted basis over the five year period, thereby facilitating a comparison of the results of the Group's luxury goods businesses over the period. Up to 31 March 1999, the Group's share of associated undertakings' operating results, goodwill amortisation, net investment income/(expense), taxation and minority interests were included in the respective lines within the consolidated profit and loss account. The above table has been restated to reflect the Group's share of associated undertakings' attributable profit in one line.

FIVE YEAR RECORD

ANALYSIS OF SALES

	1997 € m	1998 € m	1999 € m	2000 € m	2001 € m
Sales by product line					
Jewellery	329.4	414.0	473.1	667.4	877.0
Gold and jewellery watches	441.9	544.1	532.8	652.8	833.7
Other watches	320.4	404.5	466.4	639.6	819.3
Leather goods	185.0	211.3	223.9	267.1	311.7
Writing instruments	200.3	213.5	206.4	234.2	263.2
Clothing and other	401.6	417.6	415.5	463.1	579.5
	<u>1 878.6</u>	<u>2 205.0</u>	<u>2 318.1</u>	<u>2 924.2</u>	<u>3 684.4</u>
Sales by geographic region					
Europe	749.9	937.2	1 058.9	1 203.0	1 508.4
Asia	757.0	809.8	790.9	1 115.6	1 436.3
Americas	371.7	458.0	468.3	605.6	739.7
	<u>1 878.6</u>	<u>2 205.0</u>	<u>2 318.1</u>	<u>2 924.2</u>	<u>3 684.4</u>
Sales by distribution channel					
Retail	643.1	825.5	900.0	1 272.1	1 647.3
Wholesale	1 235.5	1 379.5	1 418.1	1 652.1	2 037.1
	<u>1 878.6</u>	<u>2 205.0</u>	<u>2 318.1</u>	<u>2 924.2</u>	<u>3 684.4</u>

EXCHANGE RATES

	1997	1998	1999	2000	2001
Average rates					
€ : US\$	1.2298	1.1111	1.1353	1.0318	0.9070
€ : Yen	138.59	136.40	145.21	114.53	100.38
€ : SFr	1.5963	1.6222	1.6277	1.6031	1.5389
€ : £	0.7749	0.6759	0.6839	0.6403	0.6137

Note

The exchange rates above are the average ecu rates for the years 1997 and 1998 as quoted by Reuters. For the year to 31 March 1999 the average rate is calculated using the average weekly closing ecu rate for the nine months to 31 December 1998 as quoted by Reuters and the average weekly closing euro rate for the three months to 31 March 1999 as quoted by Reuters. For the years ended 31 March 2000 and 31 March 2001, actual euro exchange rates have been used. Throughout the five year record the € sign has been used interchangeably for the ecu and the euro.

FIVE YEAR RECORD

CASH FLOW FROM OPERATIONS

	1997 € m	1998 € m	1999 € m	2000 € m	2001 € m
Operating profit	311.4	355.2	390.4	534.1	712.3
Depreciation	46.9	51.3	60.4	83.5	109.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	358.3	406.5	450.8	617.6	822.2
Other non-cash items	6.5	4.9	(1.6)	4.6	15.6
(Increase)/decrease in working capital	27.1	78.5	(154.7)	37.0	(260.3)
Cash inflow from operating activities	391.9	489.9	294.5	659.2	577.5
Capital expenditure	(94.8)	(76.7)	(75.0)	(150.3)	(229.7)
Net cash inflow from operating activities	297.1	413.2	219.5	508.9	347.8

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1997 € m	1998 € m	1999 € m	2000 € m	2001 € m
Reconciliation of profit attributable to unitholders					
On a reported basis	662.5	487.4	473.3	2 981.9	1 264.7
Goodwill amortisation	104.6	134.3	201.9	277.1	383.7
Gain on disposal of Vivendi interest	–	–	–	–	(532.9)
Gain on partial liquidation of preference shareholding in BAT	–	–	–	–	(189.4)
Share of British American Tobacco exceptional items	–	–	–	106.0	41.9
Gain on Rothmans International/BAT merger	–	–	–	(2 582.4)	–
Share of Canal+ exceptional items	–	(50.6)	–	–	–
Gain on merger of media interests	(376.2)	–	–	–	–
On an adjusted basis	390.9	571.1	675.2	782.6	968.0

PER UNIT INFORMATION

	1997	1998	1999	2000	2001
Earnings per unit excluding exceptional items and goodwill amortisation					
– basic	€ 68.08	€ 99.46	€ 117.59	€ 138.39	€ 173.68
– fully diluted	€ 68.08	€ 99.46	€ 117.59	€ 137.04	€ 171.44
Earnings per unit including exceptional items and goodwill amortisation					
– basic	€ 115.38	€ 84.88	€ 82.43	€ 527.30	€ 226.91
– fully diluted	€ 115.38	€ 84.88	€ 82.43	€ 520.06	€ 223.11
Dividend per unit – as declared in sterling	£ 9.40	£ 11.50	£ 13.50	–	–
– in euros (Note 1)	€ 12.13	€ 17.01	€ 19.74	€ 24.00	€ 30.00

Note 1

In the years 1997 to 1999 the dividend per unit expressed in euros has been calculated using the average ecu/euro : sterling exchange rate for the relevant financial year as set out on page 83. The euro equivalent on the actual date of payment of the £ 13.50 in respect of the financial year ended 31 March 1999 was € 20.80. The dividends in respect of the financial years ended 31 March 2000 and 31 March 2001 are denominated in euros.

STATUTORY INFORMATION

COMPAGNIE FINANCIÈRE RICHEMONT AG

Registered office: Rigistrasse 2
 6300 Zug
 Switzerland
 Tel: (+41) (0) 41 710 33 22
 Fax: (+41) (0) 41 711 71 02

Auditors: PricewaterhouseCoopers AG
 Stampfenbachstrasse 109
 8035 Zürich
 Switzerland

RICHEMONT SA

Registered office: 35 Boulevard Prince Henri
 L-1724 Luxembourg
 Tel: (+352) 22 42 10
 Fax: (+352) 22 42 19

Auditors: PricewaterhouseCoopers S.a.r.l.
 400, route d'Esch
 B.P. 1443
 L-1014 Luxembourg

Shares of Compagnie Financière Richemont AG are indivisibly twinned with participation certificates issued by its wholly subsidiary Richemont SA to form Richemont units. Richemont units are traded on the Swiss Stock Exchange (Reuters 'RIFZ' / Bloomberg's 'CFR VX') and are included in the Swiss Market Index ('SMI') of leading stocks. Depositary receipts in respect of Richemont units are traded on the JSE Securities Exchange South Africa (Reuters 'RCHJ.J' / Bloomberg's 'RCH SJ'); American Depositary Receipts are traded over the counter in New York.

Internet: www.richemont.com
 investor_relations@richemont.com

BOARD OF DIRECTORS

COMPAGNIE FINANCIÈRE RICHEMONT AG

The board of Compagnie Financière Richemont AG is composed of non-executive directors, together with the Group Chief Executive and Finance Director.

Nikolaus Senn*Chairman*

Dr Senn, aged 74, is Honorary Chairman of the former Union Bank of Switzerland. He enjoyed a long and successful career with the bank and also served on the boards of many leading Swiss and international companies. He is Chairman of the Compensation Committee.

Jean-Paul Aeschimann*Deputy Chairman*

Maitre Aeschimann, aged 67, is Chairman of the Audit Committee and a member of the Compensation Committee. He is an attorney at the Bar of Geneva and is also Chairman of Barclays Bank (Suisse) SA and a director of Reuters SA.

Johann Rupert*Group Chief Executive*

Mr Rupert, aged 51, has had an extensive career in international business and finance. In addition to his role as Group Chief Executive, Mr Rupert is a member of the board of British American Tobacco p.l.c. and is Chairman of Remgro Limited and VenFin Limited. Mr Rupert is a member of the Compensation Committee.

Jan du Plessis*Finance Director*

Aged 47, Mr du Plessis has been Finance Director of the Group since its formation in 1988. He also served as Finance Director of Rothmans International from 1990 to 1996 and is a member of the board of British American Tobacco p.l.c.

Leo Deschuyteneer

Mr Deschuyteneer, aged 70, is an executive director of Sofina SA, a leading Belgian investment company, and has been involved in a non-executive capacity with the Group's luxury goods businesses for many years. He is a member of the Audit Committee.

The Marquis of Douro

Aged 55, Lord Douro served as Chairman of Dunhill Holdings and was Deputy Chairman of Vendôme Luxury Group from its formation in 1993 up to 1999. He was a member of the European Parliament from 1979 to 1989 and is currently Chairman of Framlington Group Limited.

Yves-André Istel

Mr Istel is Vice Chairman of Rothschild Inc., and has been a director of Rothschild & Cie since 1993. He also serves on the boards of several other public companies and non-profit institutions. He is 65 years of age. Mr Istel is a member of the Audit Committee.

Joseph Kanoui

Mr Kanoui, aged 64, has been a director of the Company since its foundation in 1988. He served as Chairman of Cartier Monde SA for many years and was Chairman and Chief Executive of Vendôme Luxury Group up until his retirement in 2000. Mr Kanoui is Chairman of the Investment Committee.

Alan Quasha

Aged 51, Mr Quasha has been closely associated with the Group since its formation in 1988 and served as a director of Richemont SA from that time until 1999. He is Chairman of Quadrant Management Inc, an investment management business based in New York.

Lord Renwick of Clifton

Lord Renwick, aged 63, formerly served as British Ambassador to South Africa and the United States and is now Vice Chairman, Investment Banking at J P Morgan and Chairman of Fluor Ltd. He is a member of the Audit Committee. He also serves on the boards of a number of other public companies including British Airways p.l.c.

Ernst Verloop

Mr Verloop is 74. He is a former executive director of Unilever. He served on the board of Rothmans International for a number of years and has also been director of a number of other Dutch and international companies.

Alan Grieve*Company Secretary*

RICHEMONT SA

The board of Richemont SA acts as the Group's Management Board, being composed of functional specialists and senior managers from the Group's operating companies.

Johann Rupert
Executive Chairman

Jan du Plessis
Finance Director

Alain Dominique Perrin
Chief Executive Officer

Mr Perrin joined Cartier in 1969 and was appointed President of Cartier International SA in 1981. Aged 58, Mr Perrin was appointed Chief Executive Officer of Richemont SA with responsibility for all of the Group's luxury goods businesses in February 2001.

Franco Cologni
Senior Executive Director

Mr Cologni, aged 66, joined Cartier in 1969. He is Executive Chairman of Cartier and of the newly-formed specialist watch division. He is also Chairman of the Supervisory Board of the *Salon International de la Haute Horlogerie*.

Richard Lepeu
Chief Operating Officer

Since joining Cartier in 1979, Mr Lepeu was Director of Finance and Administration and became Chief Executive of Cartier in December 1995. In February 2001, Mr Lepeu was appointed Chief Operating Officer of Richemont. Mr Lepeu is 49 years of age.

Callum Barton
Executive Director

Aged 51, Mr Barton joined the Cartier organisation in 1975 and was, until 2000, Managing Director of Alfred Dunhill, where he remains Chairman. He is responsible for Richemont's North American operations.

Piet Beyers
Executive Director

Mr Beyers, aged 51, joined the Group in 1997. He is also a director of Remgro Limited and VenFin Limited.

Gunter Blümlein
Executive Director

Mr Blümlein, aged 58, was appointed a director in December 2000 following the Group's acquisition of Jaeger-LeCoultre, IWC and A. Lange & Söhne. He was previously Chief Executive of Les Manufactures Horlogères SA and is the Chief Executive of Richemont's specialist watch division.

Simon Critchell
Chief Executive of Dunhill

Simon Critchell, aged 55, joined the Group in 1990 and was formerly Chief Executive of Richemont in North America. He was appointed Chief Executive of Dunhill in the latter part of the financial year and became a director of the Company in June 2001.

Dominique Jousse
Human Resources Director

Ms Jousse, aged 42, was appointed International Human Resources Director of Cartier in 1996 and assumed her current position in early 2000.

Albert Kaufmann
General Counsel

Mr Kaufman has been responsible for the legal affairs of the Group's luxury goods companies since 1974. Aged 53, he qualified as a member of the Bar of Geneva and was appointed as Group General Counsel in November 1999.

Guy Leymarie
Chief Executive of Cartier

Mr Leymarie, aged 44, joined the Group in 1986 and held a number of senior positions within Cartier before being appointed Chief Executive of Dunhill in 1999. Mr Leymarie has recently taken up the position of Chief Executive of Cartier.

Eloy Michotte
Corporate Finance Director

Aged 53, Mr Michotte has been an executive director of Richemont since its formation in 1988 and has responsibility for corporate finance. Mr Michotte is also Chairman of Hanover Direct Inc.

Frederick Mostert
Intellectual Property Counsel

Dr Mostert joined the Group in 1990, taking responsibility for intellectual property matters. He is a member of the New York Bar and Honorary Chairman of the International Trademark Association. Dr Mostert is 41.

Norbert Platt
Chief Executive of Montblanc

Mr Platt, aged 54, has a background in precision engineering. He has served as the Chief Executive of Montblanc since joining the company in 1987.

Jan Rupert
Manufacturing Director

Mr Rupert joined Rothmans International in 1982. Having previously worked in the Group's watchmaking operations, he was appointed Manufacturing Director in November 1999. Mr Rupert is 45.

Alan Grieve
Company Secretary

NOTICE OF MEETING

The Annual General Meeting of shareholders of Compagnie Financière Richemont AG will be held at 3.00 pm in the “Grosser Saal”, Artherstrasse 2-4, 6300 Zug on Thursday, 13 September 2001.

AGENDA

1. Business Report

The Board of Directors proposes that the General Meeting, having taken cognisance of the reports of the Auditors, approve the consolidated financial statements of the Group, the financial statements of the Company and the Directors' Report for the business year ended 31 March 2001.

2. Appropriation of profits

The Board of Directors proposes that the available retained earnings of the Company at 31 March 2001 of SFr 193 300 000 be appropriated as follows:

Balance brought forward	SFr 170 100 000
Net transfer to reserve for own shares	SFr (50 100 000)
Profit for the year	SFr 73 300 000
Balance to be carried forward	<u>SFr 193 300 000</u>

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 2001.

4. Split of the Company's “A” and “B” shares in the ratio 100:1

The Board of Directors of Compagnie Financière Richemont AG proposes a split of the 5 220 000 “A” bearer shares each with a nominal value of SFr 100 into 522 000 000 “A” bearer shares each with nominal value of SFr 1 and a split of the 5 220 000 “B” registered shares each with a nominal value of SFr 10 into 522 000 000 “B” registered shares each with a nominal value of SFr 0.10. The Board of Directors also proposes that article 5 of the articles of incorporation of the Company be amended accordingly.

5. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected to serve for a further term of one year: Nikolaus Senn, Jean-Paul Aeschmann, Johann Rupert, Jan du Plessis, Leo Deschuyteneer, the Marquis of Douro, Yves-André Istel, Joseph Kanoui, Alan Quasha, Lord Renwick of Clifton and Ernst Verloop.

6. Election of the auditors

The Board of Directors proposes that PricewaterhouseCoopers AG be re-appointed for a further term of one year as Auditors of the consolidated financial statements of the Group and of the financial statements of the Company.

The financial statements of the Group and of the Company along with the related reports of the auditors together with the Directors' Report for the year ended 31 March 2001 and details of the proposed amendments to the Company's statutes will be available for inspection at the registered office of the Company from 20 August 2001 onwards. A copy of the financial statements, reports of the auditors and directors' report, which are contained in the Richemont Annual Report 2001, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms may be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 7 September 2001: UBS AG, Darier Hentsch & Cie, Bank J Vontobel & Co AG, Pictet & Cie and Bank von Ernst & Cie AG.

Deposited shares will be blocked until the close of the meeting. No admission cards will be issued on the day of the meeting itself.

A shareholder may appoint a proxy, who need not be a shareholder, as his or her representative at the meeting. Forms of proxy are provided on the reverse of the admission cards. In accordance with Swiss law, each shareholder may be represented at the meeting by the Company, by a bank or similar institution or by Dr Andreas Renggli, Notary Public, Baarerstrasse 8, 6300 Zug as independent agent. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors.

Depository agents, as defined in Article 689d of the Swiss Company Law, are requested to indicate to the Company, as soon as possible and in any event to the admission control prior to the commencement of the meeting, the number and par value of the shares they represent together with the reference numbers of the relevant admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 and professional fund managers and trustees may be considered as depository agents.

For the Board of Directors

Nikolaus Senn
Chairman
Zug, 6 June 2001

Johann Rupert
Group Chief Executive