5 June 2003

RICHEMONT

RESULTS FOR THE YEAR ENDED 31 MARCH 2003

Richemont, the Swiss luxury goods group, announces its results for the year to 31 March 2003

	March 2003	March 2002	
Sales	**€ 3 651 m**	€ 3 860 m	- 5 %
Operating profit	**€ 259 m**	€ 482 m	- 46 %
Net profit			
- parent and subsidiaries	**€ 156 m**	€ 331 m	- 53 %
- share of associated company	**€ 486 m**	€ 495 m	- 2 %
- the Group	**€ 642 m**	€ 826 m	- 22 %
Earnings per unit – fully diluted basis	**€ 1.141**	€ 1.463	- 22 %
Dividend per unit	**€ 0.32**	€ 0.32	

In accordance with the style of presentation used in previous years and for ease of comparability, these results are presented on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items from both years.

- Sales in constant currency terms were in line with the previous year, reflecting the continuing difficult trading environment. Largely as a result of the strength of the euro during the year, however, sales at actual exchange rates declined by 5 per cent.
- Operating profit declined by 46 per cent, after allowing for restructuring and impairment charges of €91million. Excluding restructuring charges from both years' results, operating profit declined by 32 per cent.
- Cash flow from operating activities increased significantly from €286 million to €556 million.
- The Group's share of the results of British American Tobacco amounted to €486 million.
- The Group has changed its accounting policy in respect of goodwill. As a result, goodwill amounting to €3.4 billion in respect of subsidiary companies has been offset against reserves. The only goodwill remaining on the balance sheet relates to the Group's equity accounted interest in British American Tobacco.
- Net profit of the Group on a reported basis, including the impact of exceptional items and goodwill amortisation in respect of the investment in British American Tobacco, was €728 million (2002: €608 million).
- The proposed dividend of €0.32 per unit is unchanged from the prior year's level.

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Certain comparative figures in this document have been restated to reflect the change in accounting policy in respect of goodwill, as detailed in Appendix 2.

Executive Chairman's Review

Commenting on the results, Mr. Johann Rupert, Executive Chairman, said:

Over the last three years I have repeatedly cautioned against over optimism. Fears about currency fluctuations, deflation and a probable drop in the overall equity markets were expressed. Now it is happening.

Trading performance

This has proved to be a very difficult year for Richemont. The fall-out from the heady days seen in the run up to 2000 has been long and severe. Richemont has invested heavily in recent years in manufacturing capacity and in its retail and wholesale distribution infrastructure. These factors, combined with the significant tailing off of growth in demand, have resulted in pressure on both the gross margin and operating results.

Any recovery in demand over the past year would inevitably have been dependent upon an improvement in economic conditions. Rather, we have seen a year in which the Dow Jones fell by a further 23 per cent, compounding the decline of 11 per cent already seen from its peak in January 2000, whilst the MSCI World Index fell by 40 per cent in euro terms over the course of the year.

Richemont's sales during the financial year have declined by some 5 per cent overall and operating profit has slumped to €259 million, albeit after a number of specific provisions for the restructuring of the Group's activities in certain areas. Excluding provisions of €91 million in respect of the restructuring of specific brands and the discontinuation of some activities, operating profit would have been €350 million. These results are not heartening.

The Group's jewellery maisons – Cartier and Van Cleef & Arpels - showed a decline in turnover of some €185 million or 8 per cent in the year under review. However, a large part of this decline, some 5 per cent, was attributable to the strengthening of the euro against both the yen and the dollar during the period. The decline in tourism and the poor economic climate, particularly in Europe, have had a significant impact on these businesses, notwithstanding the fact that sales of products at the top end of the market have held up well.

Sales of the Group's specialist watchmaking companies for the year as a whole were in line with the prior year's levels. Panerai, one of our smaller brands, continues to show very strong growth, justifying the faith that we have put in it, whilst the brands acquired in December 2000, Jaeger-LeCoultre, IWC and A. Lange & Söhne, have now been fully integrated into the Group's distribution structures and virtually all of the third-party distributorships terminated. All three companies showed growth in sales during the year.

Our writing instrument businesses, Montblanc and Montegrappa, saw sales grow by some 4 per cent during the year. This reflected the further development of Montblanc's own retail operations as well as the benefit derived from new product launches and the further expansion of the maison's activities in terms of leather goods, watches and accessories.

Alfred Dunhill has had a difficult year, with sales some 7 per cent below the prior year's level. Although the brand is currently the Group's largest business in mainland China, its business in certain other markets, most notably the United States, has been in decline in recent years. The Alfred Dunhill name is widely recognised as one of the leading luxury goods brands for men and Alfred Dunhill's management are committed to growing the business in those product areas and geographic regions where it already has strong brand recognition. In the United States, the decision has been taken to focus on the wholesale business, working with strong partners. As previously announced, the flagship store on Fifth Avenue in New York will continue to showcase Alfred Dunhill products but the other stores in the United States will be closed.

It has been a year of transition at Lancel, with steps being taken to close down loss-making boutiques in both the United States and Belgium. Attention has focused on improving the product offering and reinforcing Lancel's traditional French business. Further overseas expansion has, for the time being, been

postponed and the company's operating structures streamlined. Reflecting this, the brand has reduced its overall headcount by more than 100 during the year.

For Alfred Dunhill and Lancel, the provisions for store closures and other restructuring measures of some €52 million have significantly increased the level of operating losses. The combined losses of both brands for the year under review amounted to some €107 million, a substantial cost to the Group.

In addition to the action already taken in respect of Alfred Dunhill and Lancel, the Group must take additional steps to optimise its manufacturing capacity as a consequence of changing market conditions. Achieving this will involve concentrating manufacturing at fewer sites and I regret to say that a number of redundancies will be unavoidable. In accordance with Richemont's manufacturing philosophy, this programme will be achieved without compromising the Group's principles of verticalisation and brand autonomy.

In respect of those measures that have already been taken to restructure the Group's manufacturing operations, together with the termination of certain lease commitments, we have identified the need for restructuring and impairment provisions of some €39 million. These provisions have been taken into account in arriving at the results for the year ended 31 March 2003.

Additionally, the Group has now decided to cease watch assembly at the Cartier factory at Villeret in the canton of Bern. The assembly activity will be transferred to the Cartier factory at La Chaux de Fonds and some staff will be relocated there. This decision, together with other measures to be communicated today to the staff involved, will result in the loss of some 200 positions in Geneva, La Chaux de Fonds and Villeret. This represents some 5 per cent of the Group's workforce employed in the watch-manufacturing sector in Switzerland. We are in discussion with the trade unions concerned to finalise a social plan for the employees involved. Given the timing of the decision and in accordance with International Financial Reporting Standards, the costs of these restructuring measures will only be reflected in the Group's results for the six-month period ending 30 September 2003.

British American Tobacco

During the year, steps were taken to lock-in the value of the Group's preference shareholding in British American Tobacco through the issue of call warrants secured over the shares. In consequence, Richemont now accounts for the BAT preference shares as a long-term receivable and equity accounts a smaller percentage interest of 18.6 per cent (2002: 21.0 per cent) in the ordinary equity of BAT. The Group's share of BAT's adjusted results for the current year are marginally lower at €486 million (2002: €495 million), reflecting the lower equity interest and the impact of the strength of the euro against sterling during the year. This significant contribution to profit from the interest in BAT is a timely reminder of the benefit of the investment in this relatively stable business. In cash terms, the Group received dividend income of €258 million from BAT during the year.

Cash flow and investments

The Group's working capital has been brought under control and cash flow from operating activities increased from €286 million to €556 million. This improvement has resulted in a significant reduction in the Group's net debt to €1 177 million by the end of the year. Indeed, Richemont's overall net debt position is minimal when the proceeds of the BAT preference shares of some €828 million receivable in June 2004 are taken into account.

I am pleased to report that Richemont has been able to acquire the remaining 20 per cent of Van Cleef & Arpels that it did not previously own, bringing that company into full ownership by the Group, as well as the final 10 per cent of A. Lange & Söhne that was previously held by members of the Lange family. I am delighted to say that, in both cases, members of the families will continue to be closely associated with the businesses in the future.

Accounting for goodwill

We have adopted a revised accounting policy in this year's financial statements in terms of goodwill, which merits comment. All goodwill in respect of the Group's luxury goods subsidiary companies has been set off against unitholders' equity in the consolidated balance sheet. After offsetting the aggregate goodwill of €3.4 billion in respect of the luxury businesses, unitholders' equity still amounts to some €5 billion. Goodwill in respect of the Group's listed associated company, British American Tobacco, will continue to be carried in the balance sheet as an element of the carrying value of the investment.

Although the elimination of goodwill in this way is not permitted under International Financial Reporting Standards, it is nonetheless an approach that we consider to be fully justified.

The goodwill reflected in the balance sheet at the end of the previous financial year in no way represented the value of the Group's trademarks, brands or other intellectual property. Rather it was an aggregation of goodwill arising on various acquisitions since 1993, when Vendôme Luxury Group was formed, net of amortisation booked over the period. Although it reflected goodwill arising on the buy-out of the minority shareholders in Vendôme in 1998, the figure did not include any specific goodwill in respect of brands such as Cartier and Montblanc. The acquisition of Les Manufactures Horlogères in December 2000 gave rise to the single largest element of the total goodwill carried on the balance sheet, which also included goodwill arising on the acquisition of Van Cleef & Arpels and Lancel.

Given the current trading environment, we must recognise that the goodwill carried in the Group's balance sheet has been impaired. However the integration of the LMH businesses into Richemont's watchmaking group is such that it would become impossible to quantify what, if any, amount should be expensed. Equally, in determining the profitability of Richemont's individual business areas, any allocation of goodwill and the related annual amortisation charge would result in arbitrary results, given that there is no specific goodwill to amortise in respect of Cartier and Montblanc.

The Board has therefore decided that, in order to be able to present a segmental analysis of results, the most straightforward approach was to eliminate the goodwill in respect of all of the luxury goods businesses. This also avoids the necessity, in future, of having to engage in an essentially useless and costly exercise at each reporting date of attempting to evaluate the carrying value of goodwill on a business-by-business basis. That could lead to short-term thinking in an attempt to support an arbitrary goodwill figure rather than the creation of long-term brand equity.

Current trading and outlook for the year

Trading in the first two months of the current year has been poor, with aggregate sales in constant currency terms down by 19 per cent for the period. This reflected the impact of the war in Iraq and the more dramatic effects of the SARS epidemic. Taking into account the adverse currency impact of some 8 per cent as a result of the further rise of the euro against both the dollar and the yen, sales at actual exchange rates were some 27 per cent below the prior year's level. Consumer confidence is very weak and, combined with a significant reduction in international travel as a consequence of the war and concerns about the spread of SARS, most of our maisons have suffered a downturn in demand compared to the same two-month period last year. We can hope that the worst consequences of these external factors are behind us but I find it very hard to predict what the outlook for the remainder of the year will be.

Clearly, Richemont must adapt to the environment in which we live. It is unlikely that we will see a rapid turnaround in the economic climate and the challenge for this year is to reduce the Group's cost base both within each of the maisons and, equally, in our central and regional structures. These structures were established at a time when growth expectations far exceeded what we are currently experiencing. Customer-oriented areas, for example after-sales service, are of course key to the long-term growth of our business and will not be compromised. We must, however, cut costs and reduce bureaucracy and overheads in the Group as a whole.

In addition to the steps that have already been taken, I will be encouraging my colleagues across the Group to implement further cost reduction programmes during the coming year. Cost cutting alone, however, will not build the business. Rather, we must focus on the Group's core strengths in terms of authenticity, creativity, design and quality, as these will be the true drivers of future growth.

In summary, my fears about the effects that currency movements, deflation and dropping equity values have had on the demand for luxury goods are being realised. The combination of global economic uncertainty and geopolitical instability is unprecedented, and could last for some time.

However, it is disingenuous to blame all our woes on external factors, and I will not do so. The "good years" led to contentment, and, when contentment sets in, progress ceases. Therefore, to my embarrassment, Richemont was not as prepared as it should have been for these changed circumstances. We were too slow. We are therefore addressing a number of key issues.

Richemont has remarkable "maisons", a strong balance sheet and a good cash flow. We will endeavour to be a much stronger and leaner company when the recession ends.

Business Review

Sales and operating profit

	March 2003 €m	March 2002 €m		
Sales	**3 651**	3 860	- 5	%
Cost of sales	**(1 367)**	(1 382)		
Gross margin	**2 284**	2 478	- 8	%
Net operating expenses	**(1 934)**	(1 966)	- 2	%
Operating profit before restructuring and impairment charges	**350**	512	- 32	%
Restructuring and impairment charges	**(91)**	(30)		
Operating profit	**259**	482	- 46	%

The Group's sales declined by 5 per cent to €3 651 million. This reflects underlying sales in line with the prior year, the decline being wholly attributable to the impact of the strengthening of the euro, in particular against the dollar and the yen.

The gross margin percentage declined from 64.2 per cent to 62.6 per cent, reflecting the higher costs of production, as capacity utilisation fell below optimum levels, together with the adverse currency impact, given the predominantly euro and Swiss franc cost base of the Group.

Notwithstanding a reduction in net operating expenses of 2 per cent, operating profit before restructuring and impairment charges declined by 32 per cent to €350 million for the year under review.

During the year, Alfred Dunhill reappraised its sales strategy in the United States and the decision has been taken to focus on the wholesale business in that market, working with strong local partners. The Fifth Avenue store in New York will continue to act as a flagship for the brand in North America but all other stores in the United States will be closed. Lancel also took steps during the year to close down loss-making activities within the United States and Belgium and to streamline its operations and eliminate overheads. Provisions for the restructuring of these two businesses' activities amounting to € 52 million have been made during the year under review. Further provisions of € 39 million have been made in respect of measures to restructure the Group's manufacturing operations and the termination of certain lease commitments.

Analysis of sales and profitability by business area

The following table analyses the sales and operating contribution of the Group's four main areas of activity.

	March 2003 €m	March 2002 €m			
Sales					
Jewellery maisons	**1 994**	2 179	-	8	%
Specialist watchmakers	**808**	806			
Writing instrument manufacturers	**394**	380	+	4	%
Textile, leather and other businesses	**455**	495	-	8	%
	3 651	3 860	-	5	%
Operating result before restructuring and impairment charges					
Jewellery maisons	**439**	551	-	20	%
Specialist watchmakers	**82**	127	-	35	%
Writing instrument manufacturers	**68**	71	-	4	%
Textile, leather and other businesses	**(71)**	(67)	+	6	%
	518	682	-	24	%
Unallocated costs	**(168)**	(170)	-	1	%
Operating profit before restructuring and impairment charges	**350**	512	-	32	%

This analysis presents the results of the Group's operations in four business segments. In each case, those maisons which are principally engaged in a specific business area have been grouped together.

Accordingly, those businesses which have a heritage as producers of high jewellery and jewellery watches – Cartier and Van Cleef & Arpels – are grouped together as jewellery maisons. All their product ranges, including watches, writing instruments and leather goods, are reflected in the sales and operating results for that segment.

In terms of the jewellery maisons, sales declined by 8 per cent, mirroring the decrease in sales at Cartier, the Group's largest business. This was largely due to the weakness of the dollar and yen against the euro during the year under review. Whereas Van Cleef & Arpels' sales for the year grew, in part as a consequence of the acquisition of its Japanese distributor. During the year Cartier launched relatively few new jewellery products, although its *Le Baiser du Dragon* jewellery collection has been well received. Cartier watch sales include the launch of *Divan* and a full year effect of the launch of the *Roadster* at the end of the previous financial year. Generally, sales of precious metal and jewellery watches were more resilient than steel & gold ranges.

The Group's specialist watchmakers, Jaeger-LeCoultre, Piaget, Baume & Mercier, IWC, Vacheron Constantin, A. Lange & Söhne and Officine Panerai have, equally, been grouped together for the purposes of this analysis. This business segment reported sales in line with the prior year. Sales for the year benefited from the further integration of Jaeger-LeCoultre, IWC and A. Lange & Söhne, where virtually all of the third-party distributorships have now been terminated and wholesale distribution brought in-house.

Richemont's writing instruments manufacturers, represented by Montblanc and Montegrappa, reported growth of 4 per cent in sales for the year. This was largely attributable to the further expansion of Montblanc's retail distribution network combined with the success of its leather goods and watch ranges, which now account for 25 per cent of the brand's sales.

Richemont's other businesses, which include Alfred Dunhill, Lancel, Chloé and Hackett, are grouped under the heading of textile, leather and other businesses. Sales in this business area declined by 8 per cent. Although Chloé and Hackett showed good growth in sales during the year, their performances were overshadowed by losses at Alfred Dunhill and Lancel. Both brands suffered from the very difficult trading environment seen during the year.

The operating result before unallocated costs and restructuring charges totalled €518 million, a decline of 24 per cent compared to the prior year. Unallocated costs represent the costs of general management, marketing support and related central marketing initiatives as well as all central services. Central services include, for example, the IT, legal, intellectual property and finance functions of the Group.

Sales by product line

The following table analyses sales by product line rather than by business area, as set out above. Accordingly, the figure in respect of watch sales includes the figures reported not only by the Group's specialist watchmaking businesses but also the two jewellery maisons – Cartier and Van Cleef & Arpels – as well as Alfred Dunhill and Montblanc. Similarly, sales of writing instruments in the table below reflects sales of those product lines by Cartier and Alfred Dunhill as well as Montblanc and Montegrappa.

	March 2003	March 2002	
	€m	€m	
Jewellery	**815**	860	- 5 %
Watches	**1 705**	1 794	- 5 %
Leather goods	**270**	303	- 11 %
Writing instruments	**277**	285	- 3 %
Clothing and other	**584**	618	- 6 %
	3 651	3 860	- 5 %

Sales by region

	March 2003 €m	March 2002 €m	
Europe	**1 558**	1 710	- 9 %
Asia	**1 400**	1 454	- 4 %
Japan	**705**	744	- 5 %
Asia Pacific	**695**	710	- 2 %
Americas	**693**	696	
	3 651	3 860	- 5 %

Europe, the Group's most important geographic region showed a decline in sales of 9 per cent for the year, reflecting the depressed economic environment and a marked reduction in tourism. Sales in France and Italy declined by 5 per cent and 6 per cent respectively, whilst the German market suffered a decline of 16 per cent.

Sales in Japan increased by 4 per cent in constant currency terms but were 5 per cent lower on conversion into euros at actual exchange rates. Reported sales in Asia Pacific declined by 2 per cent, whilst sales in Hong Kong were 5 per cent higher in constant currency terms but 7 per cent lower at actual rates.

The Americas region showed good underlying sales growth of 12 per cent in constant currency terms. In euro terms, sales were essentially flat.

Sales by distribution channel

	March 2003 €m	March 2002 €m	
Retail sales	**1 496**	1 590	- 6 %
Wholesale sales	**2 155**	2 270	- 5 %
	3 651	3 860	- 5 %

Retail sales remained constant at 41 per cent of total sales for the year, the 6 per cent reduction mirroring the overall percentage decline in sales.

The Group's network of owned stores grew by 18 during the year to 538 outlets. Van Cleef & Arpels opened 5 new stores during the year. Montblanc opened 7 new boutiques and Alfred Dunhill's owned network grew by 2 stores, after allowing for the closure of its stores in the United States. Lancel, in contrast, closed 16 of its own stores, mainly in the United States and Belgium.

Montblanc opened 5 new boutiques in conjunction with franchise partners and Lancel's partners opened 22 new boutiques worldwide. Overall the number of boutiques operated together with franchise partners increased to 363 stores by year-end.

Consolidated profit and loss account

The summary profit and loss account as well as the earnings per unit information set out below are presented on an adjusted basis, excluding the effects of goodwill amortisation and exceptional items from the results of both years. A reconciliation of the profit and loss account on this basis to the result on a reported basis is presented as an appendix to this announcement.

	March 2003 €m	March 2002 €m
Operating profit	**259**	482
Net investment expense	**(56)**	(46)
Profit before taxation	**203**	436
Taxation	**(50)**	(107)
Profit after taxation	**153**	329
Minority interests	**3**	2
Net profit of the parent and its subsidiaries	**156**	331
Share of net profit of associated company	**486**	495
Net profit of the Group	**642**	826
Earnings per unit – basic	**€1.155**	€1.479
Earnings per unit - fully diluted	**€1.141**	€1.463

Net investment expense includes provisions of some €20 million to write down unlisted investments to the prevailing valuation as at 31 March 2003. Following the reclassification of the BAT preference shares, as detailed below, income of €9 million has been included within the net investment expense caption in terms of the adjustment to the present value of the shares.

Associated undertakings and exceptional items

R&R Holdings SA, which is owned as to 66.7 per cent by Richemont and 33.3 per cent by Remgro Limited, is the holding vehicle for both companies' investments in British American Tobacco p.l.c. In January 2003, R&R Holdings SA issued secured call warrants exercisable into ordinary shares of BAT in 2004. This transaction effectively locked in the value of the convertible redeemable preference shares which the Group has in BAT and which it was obliged to either sell or tender for redemption in June 2004 at a redemption price of £ 6.75 per share.

As a consequence of the warrant issue and in accordance with International Financial Reporting Standards, the preference shares now fall to be treated as a debt instrument in the consolidated accounts of the Group and may no longer be equity accounted. For the nine months ended 31 December 2002, Richemont's effective interest in BAT, reflecting the holding of both ordinary and preference shares, was 21.0 per cent. For the three-month period ended 31 March 2003, Richemont has accounted for its 18.6 per cent effective interest in BAT ordinary shares under the equity method and, in terms of the preference shares, has recorded the movement in the present value of the shares as investment income.

Linked to the realisation of the value of the preference shares and their reclassification, Richemont recorded an exceptional gain during the year under review, which amounted to €301 million.

The exceptional gain attributable to Richemont as a consequence of the issue of the warrants has been reduced by an exceptional provision of €29 million in respect of the shares which the Group held in Hanover Direct Inc, a former associated company. Richemont has sold its entire remaining interest in Hanover Direct to an independent investor group in May 2003 for US$ 40 million. The carrying value of the preference shares has accordingly been written down to this figure in the financial statements as at 31 March 2003.

Taking both the exceptional gain on the BAT preference shares and the write down in the value of the Hanover Direct preference shares into account, the Group has recorded a net exceptional gain of €272 million in its consolidated profit and loss account on a reported basis.

British American Tobacco

For the year under review the Group's share of the results of British American Tobacco decreased by 2 per cent to €486 million.

Whereas the results for the comparative period reflected the Group's 21.0 per cent share of British American Tobacco for the full year, in the current year the results include a 21.0 per cent share for the nine months to 31 December 2002 and three months at 18.6 per cent, following the issuance of warrants by Richemont's subsidiary R&R Holdings SA.

British American Tobacco had shipments of 777 billion cigarettes in 2002, representing a global market share of 14.6 per cent. It has a robust position in all regions worldwide which, together with the broad based portfolio of international, regional and local brands, provides the platform for achieving global leadership of the tobacco business. Growth in profit is achieved by a continuous focus on increasing its share in the key growth consumer segments of international and premium priced brands.

For British American Tobacco the most encouraging aspect of the results for the year was the impressive growth in their global drive brands. Dunhill, Kent, Lucky Strike and Pall Mall grew by 8 per cent between them. Dunhill in particular performed well with sales exceeding 30 billion cigarettes for the first time. Although Lucky Strike declined in 2002 as a result of the planned reduction in duty free sales, the brand should return to growth in 2003 whilst Dunhill, Kent and Pall Mall should maintain their progress.

Within British American Tobacco's regions, America-Pacific's operating profit was in line with the prior year, reflecting the net effect of a good performance from all its regional markets offset by adverse exchange rate movements. Asia-Pacific, along with the Africa and Middle East regions suffered from the planned reduction in duty-free sales with profits down £46 million and £50 million, respectively. Latin America performed well given the exceptionally difficult economic circumstances and political uncertainty in many countries during the year with profits down £ 35 million, reflecting lower volumes and a significant weakening of the regions major currencies against sterling. Europe's operating profit was £42 million higher as a result of solid market performances in Russia, Ukraine, Poland, Hungary, France and Switzerland. This was despite a significant loss of profit from the dissolution of the U.K. partnership, a price war in Romania and excise tax increases in Germany.

In the year to 31 December 2002, British American Tobacco's adjusted earnings per share, arguably the best measure of the company's underlying performance, grew by 8 per cent as a result of lower net interest expense, an improved tax position and lower minority charges. These results were achieved despite a 3 per cent decline in operating profit caused by the impact of weak currencies and the planned decline in duty-free sales, but at comparable rates of exchange operating profits were up by 3 per cent.

Richemont has received dividends totalling €258 million from British American Tobacco in the year under review.

Consolidated cash flow statement

	March 2003 €m	March 2002 €m
Operating profit	**259**	482
Depreciation and other non-cash items	**228**	179
Decrease/(increase) in working capital	**69**	(375)
Net cash inflow from operating activities	**556**	286
Dividends received from BAT	**258**	228
Returns on investments and servicing of finance	**(37)**	(54)
Taxation paid	**(125)**	(180)
Net acquisitions of fixed assets	**(180)**	(308)
Proceeds from the sale of BAT call warrants	**31**	-
Proceeds from disposal of other long-term assets	**16**	14
Acquisition of subsidiary undertakings and minority interests	**(106)**	(151)
Other acquisitions and investments	**(30)**	(30)
Net cash inflow / (outflow) before financing activities	**383**	(195)
Buy-back of Richemont units	**(31)**	(52)
Dividends paid to unitholders	**(178)**	(168)
Increase/(decrease) in long-term borrowings	**(303)**	54
Other financing activities	**14**	19
Exchange rate effects	**94**	(6)
Decrease in cash, cash equivalents and short-term borrowings	**(21)**	(348)
Cash and cash equivalents at beginning of year	**(723)**	(375)
Cash and cash equivalents at end of year	**(744)**	(723)

Working capital decreased by €69 million during the year under review. This reflected management's commitment to improve cash flow, notwithstanding the very difficult trading environment. As a result, despite a significant decline in operating profit, cash inflow from operating activities increased by €270 million to €556 million.

Dividends received from BAT comprise the final dividend in respect of BAT's financial year ended 31 December 2001 and the interim dividend in respect of the 2002 financial year.

Net acquisitions of fixed assets include the acquisition of certain intangible assets, including the purchase of distribution rights in respect of the Russian market for some €20 million. The reduction in fixed asset expenditure overall reflects the planned slowdown in the programme together with specific cutbacks in capital expenditure.

The figure in respect of the acquisition of subsidiary undertakings and minority interests principally comprises the acquisition of the remaining 20 per cent interest in Van Cleef & Arpels together with the 10 per cent interest in A. Lange & Söhne previously held by members of the Lange family.

Consolidated balance sheet

	31 March 2003	31 March 2002 Restated
	€m	€m
Long-term assets		
Property, plant and equipment	**801**	903
Investment in associated undertaking - BAT	**2 590**	3 198
Carrying value excluding goodwill	**581**	638
Goodwill	**2 009**	2 560
Other long-term assets	**1 165**	470
BAT preference shares	**810**	-
Hanover Direct preference shares	**37**	64
Other	**318**	406
	4 556	4 571
Net working capital	**1 814**	1 956
Net operating assets	**6 370**	6 527
Net borrowings	**(1 177)**	(1 456)
Cash, cash equivalents and short-term borrowings	**(744)**	(723)
Long-term borrowings	**(433)**	(733)
Other long-term liabilities	**(195)**	(176)
	4 998	4 895
Equity		
Unitholders' funds	**4 992**	4 845
Minority interests	**6**	50
	4 998	4 895

The Group has changed its accounting policy in respect of goodwill. Previously, goodwill was recognised as an intangible asset and 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. The Group has decided to change this policy and to offset goodwill arising on the acquisition of subsidiary undertakings against unitholders' funds at the time of acquisition.

Goodwill carried in respect of the Group's investment in its associated company, British American Tobacco, has not been affected by this change but is now presented together with the carrying value of the Group's share of the net assets of BAT to arrive at the aggregate value of the investment reflected in the consolidated balance sheet. Further details of the change in policy and the effect of the change on the financial statements are presented in Appendix 2 to this document. The consolidated balance sheet above has been prepared to reflect the new accounting policy for goodwill in both the year under review and in the comparative period.

As noted above, the Group has ceased to equity account for its investment in the preference shares of BAT. The preference shareholding is now classified as a long-term asset, the valuation being determined by reference to the discounted present value of the redemption proceeds and the anticipated future dividend flows in the period to maturity in June 2004.

Changes in unitholders' funds

The table below illustrates the movement in unitholders' funds during the year.

	31 March 2003	31 March 2002 Restated
	€m	€m
Unitholders' net profit on an adjusted basis	**642**	826
Amortisation of goodwill – associated undertaking	**(186)**	(200)
Exceptional items:		
- as reported by the parent and subsidiaries	**272**	-
- as reported by associated undertaking	**-**	(18)
Unitholders' net profit on a reported basis	**728**	608
Dividends declared and paid	**(178)**	(168)
Net movement in respect of reserve for unit buy-backs	**(137)**	(7)
Goodwill set-off against unitholders' funds	**(39)**	(34)
Translation and other adjustments	**(227)**	7
Net increase in unitholders' funds	**147**	406
Unitholders' funds at the beginning of the year restated	**4 845**	4 439
Unitholders' funds at the beginning of the year	**4 845**	7 731
Effect of change in accounting policy	**-**	(3 292)
Unitholders' funds at the end of the year	**4 992**	4 845

Unitholders' funds increased by €147 million during the year from €4 845 million to €4 992 million, the net profit for the year being offset by the dividend declared and certain other accounting adjustments.

At the annual meeting of shareholders held in September 2002, a dividend of €0.32 per unit was approved, a total of €178 million having been paid to unitholders on 30 September 2002.

The net movement for the year in respect of the reserve for unit buy-backs amounted to €137 million. A total of 1.5 million units were acquired through the market during the year under review. In addition, the Group consolidated its three unit-based long-term executive compensation plans into one global stock option plan. This involved, inter alia, the cancellation of the stock purchase plan previously introduced for Swiss-resident executives and resulted in the repurchase by the Group of the units held by those executives.

Proposed dividend

The Board of Directors has proposed a dividend of €0.32 per unit. This is unchanged from the dividend paid in the previous year. The dividend will be payable on 29 September 2003.

Annual General Meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 10.00 am in the 'Grande Salle' of the Hotel des Bergues, 33 Quai des Bergues, Geneva on Wednesday, 17 September 2003.

Johann Rupert	**Jan du Plessis**
Executive Chairman	**Group Finance Director**
Compagnie Financière Richemont SA	Geneva, 5 June 2003

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Appendix 1

Consolidated profit and loss account – on a reported basis

	Notes	**March 2003**	March 2002 Restated
		€m	€m
Operating profit		**259**	482
Exceptional items	1	**272**	-
Profit before net investment expense and taxation		**531**	482
Net investment expense		**(56)**	(46)
Profit before taxation		**475**	436
Taxation		**(50)**	(107)
Profit after taxation		**425**	329
Minority interests		**3**	2
Net profit of the parent and its subsidiaries		**428**	331
Share of net profit of associate		**300**	277
Share of net profit on an adjusted basis		**486**	495
Goodwill amortisation		**(186)**	(200)
Share of exceptional items reported by associate		**-**	(18)
Net profit of the Group on a reported basis	2	**728**	608

A summary of the effects of goodwill amortisation and exceptional items on unitholders ' net profit is shown below:

	Notes	**March 2003**	March 2002 Restated
Net profit of the Group on a reported basis		**728**	608
Elimination of goodwill charge – associate		**186**	200
Elimination of exceptional items	1	**(272)**	18
Gain on disposal of BAT preference shares		**301**	-
Write down of Hanover Direct preference shares		**(29)**	-
Share of exceptional items reported by BAT		**-**	18
Net profit of the Group on an adjusted basis	3	**642**	826

Note 1 - Exceptional items

Gain on BAT preference shares

The exceptional gain of €301 million (2002: nil) represents the gain arising from the revised accounting treatment in respect of the Group's holding of preference shares in BAT following the issue of call warrants which have had the effect of locking in the consideration to be received in June 2004 in respect of the shares at £ 6.75 per share. Under the terms of the merger agreement between Richemont, Remgro Limited and British American Tobacco, the redeemable convertible preference shares fall to be redeemed for cash at a fixed price of £ 6.75 per share on 7 June 2004 unless sold through the market prior to that date, in which case the preference shares would automatically convert to ordinary shares in BAT.

In January 2003 Richemont's subsidiary, R&R Holdings SA, issued call warrants, listed on the Luxembourg Stock Exchange, that give the holder of each warrant the right to receive from R&R Holdings one ordinary share in BAT on 28 May 2004, upon payment of £ 6.75. The issue of the call warrants therefore irrevocably commits R&R Holdings to dispose of the balance of the BAT preference shares, either as a consequence of the exercise of the warrants or through the redemption of the shares by BAT.

Reflecting the finite life of the BAT preference share interest the Group has, with effect from January 2003, accounted for the shares as a debt rather than an equity interest, carrying the shares at the discounted present value of the £ 6.75 receivable in June 2004, together with the present value of estimated dividends receivable thereon. Accordingly the carrying value of these shares has been reclassified to other long-term assets. Within this category the Group has also recognised the valuation of the conversion rights embedded within these preference shares. The Group's liability under these call warrants, which is equal to the conversion rights embedded in the preference shares and is based on the price at which these warrants were quoted on the Luxembourg Stock Exchange at the balance sheet date, is included in long term liabilities. The current estimated value of the right to receive future dividends within 12 months after the balance sheet date has been included in debtors and the right to receive future dividends more than 12 months after the balance sheet date is included in long term debtors.

Write down of Hanover Direct preference shares

Richemont has sold its remaining interest in Hanover Direct, Inc. to an independent investor group in May 2003 for US$ 40 million. The carrying value of the preference shares has accordingly been written down to this figure in the financial statements as at 31 March 2003.

Note 2 - Earnings per unit on a reported basis

	March 2003	March 2002 Restated
Earnings per unit on a reported basis - basic	**€1.309**	€1.089
- fully diluted	**€1.290**	€1.083

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the year of 556.0 million units (2002: 558.3 million units) and the net profit of the Group of €728 million for the year (2002: €608 million). The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to 574.2 million units outstanding (2002: 574.2 million units) and net profit for the year of €741 million (2002: €622 million) which reflects the notional additional interest of €13 million (2002: €14 million) which would have accrued to the company had the full number of shares been outstanding during the period.

Note 3 - Earnings per unit on an adjusted basis

	March 2003	March 2002 Restated
Earnings per unit on an adjusted basis - basic	**€1.155**	€1.479
- fully diluted	**€1.141**	€1.463

Basic earnings per unit is calculated by reference to the weighted average number of units outstanding during the period of 556.0 million units (2002: 558.3 million units), together with the net profit of the Group on an adjusted basis of €642 million for the year (2002: €826 million). The number of units outstanding takes into account the effects of the Group's buy-back programme.

Fully diluted earnings per unit is calculated by reference to the 574.2 million units outstanding (2002: 574.2 million units) and net profit on an adjusted basis for the year of €655 million (2002: €840 million) which reflects the notional additional interest of €13 million (2002: €14 million) which would have accrued to the Group had the full number of units been outstanding during the period.

Appendix 2

Change in accounting policy

The Group has changed its accounting policy with respect to goodwill arising on the acquisition of subsidiary undertakings. Previously, goodwill was recognised as an intangible asset and 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. The Group has now decided to change this policy and to deduct goodwill arising on the acquisition of subsidiary undertakings immediately from unitholders' funds at the time of acquisition. This policy has been applied retrospectively with effect from 1 April 2001. The revised policy is permitted under Swiss generally accepted accounting principles as issued by the Foundation for Accounting and Reporting Recommendations in Switzerland which is the Group's financial reporting framework. This change in accounting policy has not been extended to investment in associated undertakings, which represents the Group's investment in British American Tobacco.

Restatement of the prior year profit and loss account

The impact of this change in accounting policy on the profit and loss account, earnings per unit, retained earnings and other reserves and goodwill is shown below:

	Year ended 31 March 2002 as previously reported €m	Impact of change in accounting policy €m	Year ended 31 March 2002 as restated €m
Operating profit	482	-	482
Goodwill amortisation	(182)	182	-
Profit before net investment expense and taxation	300	182	482
Net investment expense	(46)	-	(46)
Profit before taxation	254	182	436
Taxation	(107)	-	(107)
Profit after taxation	147	182	329
Minority interests	4	(2)	2
Share of results of associated undertakings	277	-	277
Net profit	428	180	608
Impact of restating earnings per unit	€	€	€
Earnings per unit on a reported basis - basic	0.767	0.322	1.089
Earnings per unit on a reported basis - fully diluted	0.770	0.313	1.083

Change in accounting policy (continued)

	31 March 2002 as previously reported €m	Impact of change in accounting policy €m	31 March 2002 as restated €m
Impact of restating retained earnings and other reserves			
Balance at 1April 2001	6 752	(3 292)	3 460
Exchange and other adjustments	(6)	8	2
Profit for the year	428	180	608
Goodwill deducted from unitholders' funds	-	(34)	(34)
Dividend paid	(168)	-	(168)
Movement in hedging reserve	5	-	5
Movement in reserve for buy back	(7)	-	(7)
Balance at 31 March 2002	7 004	(3 138)	3 866
Impact of restating minority interest			
Balance at 1April 2001	125	(34)	91
Profit for the year	(4)	2	(2)
Additions	(38)	-	(38)
Dividend paid	(1)	-	(1)
Balance at 31 March 2002	82	(32)	50
Impact of restating goodwill			
Balance at 1 April 2001	3 326	(3 326)	-
Amortisation for the year	(182)	182	-
Other movements	(8)	8	-
Additions	34	(34)	-
Balance at 31 March 2002	3 170	(3 170)	-

If the Group had not changed its accounting policy, the amounts presented in the consolidated financial statements relating to goodwill on acquisition of subsidiary undertakings would have been:

	€m
Cost at 1 April 2002	3 646
Exchange adjustments	(3)
Goodwill acquired	39
Cost at 31 March 2003	3 682
Accumulated amortisation at 1 April 2002	476
Amortisation charge	181
Accumulated amortisation at 31 March 2003	657
Net book value at 31 March 2002	3 170

Appendix 3

Exchange rates used in the preparation of this document

The results of the Group's subsidiaries and associates, which do not report in euros, have been translated into euros at the following average rates of exchange. These companies' balance sheets have been translated at the closing exchange rates set out below.

Average exchange rates against the euro	**Year to March 2003**	**Year to March 2002**
U.S. dollar	0.99	0.88
Japanese yen	121.03	110.64
Swiss franc	1.47	1.50
Pounds sterling	0.64	0.62
Closing exchange rates against the euro	**31 March 2003**	**31 March 2002**
U.S. dollar	1.09	0.87
Japanese yen	128.90	115.43
Swiss franc	1.48	1.47
Pounds sterling	0.69	0.61