

# **RICHMONT**

Annual Report and Accounts 2009

# Richemont is one of the world's leading luxury goods groups.

The Group's luxury goods interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, Alfred Dunhill and Montblanc.

Each of the Group's Maisons® represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving.

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### Cautionary statement regarding forward-looking statements

*This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside the Group's control. Richemont does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.*

# Financial and operating highlights\*

## Group sales (€ m)



## Operating profit (€ m)



## Net profit attributable to shareholders (€ m)



## Earnings per share from continuing operations, diluted basis (€)



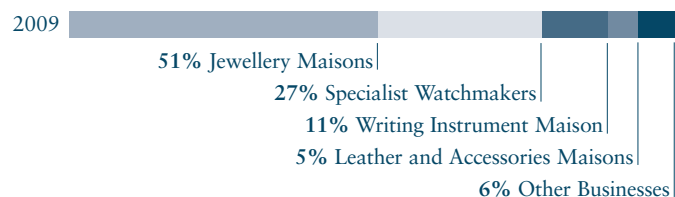
## Dividend per share\*\*

2009 CHF 0.30

## Dividend per unit

2008 € 0.78

## Sales by business area (% of Group contribution)



## Jewellery Maisons (€ m)



## Specialist Watchmakers (€ m)



## Writing Instrument Maison (€ m)



## Leather and Accessories Maisons (€ m)



## Other Businesses (€ m)



- Sales increased by 2 per cent to € 5 418 million.
- Operating profit from the luxury goods businesses decreased by 12 per cent to € 982 million.
- Net profit attributable to shareholders decreased by 31 per cent to € 1 075 million, partly reflecting the restructuring effected during the year. Profit from continuing operations decreased by 23 per cent to € 751 million.
- Cash generated by the Group's luxury goods operations was € 819 million and the net cash position at the year-end was € 822 million.
- During the year, Richemont restructured its operations, effectively spinning out its non-luxury assets to a new investment vehicle, Reinet Investments SCA ('Reinet').
- The Board has proposed an ordinary dividend for the year of CHF 0.30 per share. For a former Richemont unitholder who continued to hold the Richemont, BAT and Reinet shares after completion of the restructuring, this means a small increase in dividend income.

\*Certain figures for the year ended 31 March 2008 have been re-presented to reflect both the restructuring and the discontinuation of certain operations which took place during the year under review. Where shown, the results for the year ended 31 March 2007 have not been re-presented.

\*\*The reduction in the dividend compared to the prior year primarily reflects the Group restructuring and the separation from the BAT investment.



## Executive Chairman's review

JOHANN RUPERT, EXECUTIVE CHAIRMAN

# We will emerge from these economic headwinds in a much stronger competitive position

### OVERVIEW

The first half of the year under review saw record results by our Maisons®. Then came the banking sector problems last September. Since October the impact of this crisis has spread globally, with the United States, Europe and Japan particularly hard hit. Our businesses have suffered accordingly.

Management prepared contingency plans for such an eventuality and we have been working to implement them for quite a while. The Group has thus managed to optimise free cash flow. This has been achieved through the strict control of operating costs and working capital together with focused cutbacks in capital spending.

Our goal was to enter the foreseen economic downturn with a clean balance sheet and proper liquidity. We are pleased to report that this has largely been achieved.

### RESULTS

Overall sales of € 5 418 million for the year reflected strong growth in the six months to September, followed by a sharp decline in trading from October until the end of the year. The overall growth was therefore limited to an increase of 2 per cent. After taking into account restructuring provisions, operating profit amounted to € 982 million. Whilst 12 per cent lower than the prior year, this still represents a strong performance in a most challenging trading environment. The Group's cash flow from operations remained strong, with net cash on our balance sheet at 31 March 2009 of € 822 million.

I would like to thank everyone in the Group for their efforts during the year which have made these results possible.

### GROUP RESTRUCTURING

On 20 October 2008, the Group implemented the restructuring proposals that were announced in outline in November 2007 and in detail in August 2008. Consequently, former Richemont unitholders continue to hold the shares in Compagnie Financière

Richemont SA, which formerly made up part of the unit value, and received Reinet shares in exchange for the balance of the unit. Reinet shares are listed in Luxembourg and, for the benefit of former Richemont depository receipt holders in South Africa, a secondary listing of the new Reinet depository receipts was arranged there. The Richemont depository receipt programme continues, of course, in respect of the shares of Compagnie Financière Richemont SA.

Following the separation of the two entities, Reinet held the 19.5 per cent interest in British American Tobacco ('BAT') together with some € 350 million in cash and a portfolio of small, non-luxury investments. On the date of separation, some 44 per cent of the former Richemont unit price was attributed to the Compagnie Financière Richemont SA share and the remainder to Reinet.

On 3 November 2008, 90 per cent of Reinet's holding of BAT shares was distributed to shareholders by way of a partial capital reduction.

Following the restructuring steps, a former holder of 1 000 Richemont 'A' units would therefore hold 1 000 Richemont 'A' shares, 611 BAT ordinary shares and 137 Reinet ordinary shares.

### DIVIDEND

The Richemont dividend proposal of CHF 0.30 per share follows an analysis of the Group's cash flow requirements and takes into consideration the resizing as a consequence of the Group restructuring described above.

BAT remains committed to its target of paying 65 per cent of long-term sustainable earnings to shareholders. In respect of its financial year ended 31 December 2008, BAT paid total dividends of £ 1 661 million to its shareholders, the equivalent to £ 0.837 per share. Reinet's dividends will reflect that company's profitability, investment needs and cash flows in the years ahead.

## BUSINESS DEVELOPMENT

Whilst the year has been marked by the Group restructuring project, Richemont has also invested in new businesses.

Richemont acquired the component manufacturing facilities of Geneva-based Roger Dubuis in 2007 and, in August 2008, bought 60 per cent of its commercial and brand-related operations. Known for its audacious designs, Roger Dubuis has a superb engineering and design capability, specifically linked to the coveted Geneva *Poinçon de Genève* hallmark.

We were also pleased to see the first fruits of our joint venture collaboration with Polo Ralph Lauren at this year's Salon International de la Haute Horlogerie in January. The collection of luxury watches marks the first step in what will be a long-term business collaboration, leveraging both companies' strengths.

Although the second half of the year was very challenging, it is worth noting that certain Maisons, including Cartier, enjoyed a record year in terms of both sales and profits.

## MANAGEMENT

Mr Norbert Platt has indicated his intention to retire at the end of this year after five years as Richemont's Chief Executive Officer.

Over the period, Mr Platt has made an exceptional contribution to the Group in terms of its management structure and improvements to the core manufacturing and logistics infrastructure. He has worked with the CEOs of individual Maisons to help them in realising the full potential of their individual enterprises. During his tenure, the Group's sales grew to record levels and operating profit exceeded € 1 billion in the 2008 financial year, before the current economic downturn.

I would like to thank Norbert personally for his commitment to Richemont over the last five years and to congratulate him on his achievements during that period. He has instilled a strong discipline across the entire organisation but has equally ensured that the entrepreneurial spirit has flourished. His accomplishments during his tenure have been many and he will leave behind a legacy of successful businesses and a very efficient central and regional organisation.

It has been a pleasure to work with Norbert over the decades, both in his current role and during his time as CEO of Montblanc, where he also achieved so much.

## OUTLOOK

Sales in the first month of our new financial year were 19 per cent lower than April 2008. This significant reduction was not unexpected, given the very strong comparative figure and the state of the world economy today compared to a year ago.

There are currently very few encouraging signs in the global economic picture. The US market is very weak and conditions in Japan have been poor for some time. Most European markets are unsettled and trading remains hesitant. The Asia-Pacific region and the Middle East continue to report some positive sales trends.

Given these conditions, we cannot predict when an overall improvement in trading will come about. Compared to the record level of sales reported in the first six months of last year, trading conditions through to September 2009 will be very challenging indeed.

Having prepared for the downturn, we now have the resources available to support our Maisons, our colleagues and our clients during the tough times ahead.

We intend doing exactly that, and will emerge from these economic headwinds in a much stronger competitive position – however long it may take.



JOHANN RUPERT  
EXECUTIVE CHAIRMAN  
COMPAGNIE FINANCIÈRE RICHEMONT SA  
GENEVA, 14 MAY 2009



## Group Chief Executive Officer's review

NORBERT PLATT, GROUP CHIEF EXECUTIVE OFFICER

# We will continue to invest in our Maisons' long-term growth

### INTRODUCTION

Until September, sales momentum remained strong and half-year sales were 10 per cent higher, despite challenging comparatives. Since October, the real economy has been strongly negatively impacted by the turmoil in financial markets. All economic indicators turned negative and the 'feel-good factor' severely deteriorated. Demand for luxury goods generally contracted and we saw a decline in sales at Richemont, leading to a very weak pre-Christmas season, with sales down 7 per cent. The final quarter of the financial year saw a stabilisation of the decline.

The business slowdown was anticipated and we began to take appropriate measures from the summer of last year. These measures were complemented by further initiatives starting in October to protect the Group's margins and avoid an excessive build-up in working capital. Through these efforts, the full-year operating profit decline was contained to 12 per cent and cash flow generation remained strong.

I join the Chairman in thanking all our employees for making this possible and understand the worry that these troubled times bring to all of us. We will face the challenges ahead with confidence in our Maisons' inner strength and the knowledge that we will always plan for the long term, just as we have for the last 20 years.

### MANUFACTURING

The slowdown in demand has particularly affected our watch retailing partners in most regions. They have adjusted their orders to avoid the risk of over-stocking. Accordingly, we have taken a number of measures to reduce the Maisons' manufacturing output, particularly in the Swiss watchmaking facilities, to prevent a build-up of inventories.

The position is in contrast to the issues we faced up to September 2008; the strong growth in watch orders and sales had resulted in most of our own *manufactures* and external component suppliers being unable to meet demand. We therefore invested in extra capacity and accelerated our verticalisation plans. When the

trend reversed, we stopped overtime, did not renew temporary contracts and froze recruitment. To limit under-utilisation, we have maximised in-house production and cut back on outsourcing. Our competitors have taken similar measures, which has impacted our own multi-brand component manufacturing operations. Consequently, we have been forced to downsize some of these operations. In addition, the manufacturing headcount at Roger Dubuis has been reduced following a post-acquisition review, although we are convinced of the international growth potential of the business. The Group is committed to invest in the future of this Maison.

To preserve the employment and know-how in our *manufactures* as much as possible, we have introduced shorter working time in some instances. These programmes allow the Group to retain its qualified staff and avoid job losses, with employees being compensated for lost salary. Certain measures may be extended and further initiatives implemented as circumstances dictate.

Following a review of strategic alternatives, we have decided to sell the Montegrappa writing instrument business.

### CAPITAL EXPENDITURE

During the year under review, capital expenditure amounted to some € 350 million in total, despite the freezing of all non-strategic projects in the second half of the year, whilst standing by our commitments to third parties. Our strategic priorities include the continuing roll-out of the Richemont Enterprise Resource Planning IT system, two specific manufacturing projects in Switzerland and selective boutique openings.

The Group's new Enterprise Resource Planning system has so far been implemented in the US market and, in Switzerland, in our central distribution facility in Fribourg and at Cartier's watch manufacturing site in La Chaux-de-Fonds. The new system has been a proven success and has performed in line with our expectations. We will continue the roll-out with the implementation of the Swiss market this summer. We are also in the process of

adding additional Maisons to the template. From this summer, our central distribution facility in Fribourg will handle all our Swiss-based watch and jewellery Maisons on a single, integrated IT system. As part of the project, we will also continue to roll-out our euro-logistics process, with a single stock located in Fribourg.

Capital expenditure on new boutiques and other points of sale amounted to € 150 million, of which some € 60 million was in the Asia-Pacific region, with China being the principal area of expansion. Together our Maisons now have 182 boutiques in mainland China and, given the potential and size of the Chinese market, we expect that number to grow further. In other markets, the sales slowdown prompted the decision to close a number of marginal boutiques, particularly in the United States. The cost of these closures has been included in this year's results. Further store closures are planned for the year ahead, although the opening of new boutiques will largely offset these reductions: the overall Group-owned retail network will remain at a similar size.

#### **GROWING OUR BUSINESSES**

Our business is suffering in this crisis, but crisis brings opportunity. The cost-limiting measures that I have described above are under our control, whereas sales depend entirely on fulfilling the needs and the dreams of our customers. During this crisis our clients will be fewer in number and even more discerning. We believe they will seek recognised, legitimate luxury brands and will tend to purchase products which they believe to be of lasting investment value. More than ever, new products must meet the highest quality expectations and be delivered with outstanding service. Our Maisons understand this and possess the skills to create, for example, unique high jewellery pieces and complicated watch movements, as well as accessible luxury goods true to their roots and suited to the times in which we all live.

Also moving with the times, a number of e-commerce pilot projects have been launched during the year, including Cartier in Japan. Our customers' experience and the services they request are providing insights which we will use in future e-commerce developments.

The slowdown in many developed markets is not matched by the growth in certain developing markets, including China and the Middle East, where the Group is already strongly represented. Our regional support platforms in the Middle East, Russia and Latin America have continued to improve the services they provide

to our Maisons and the year has seen the further integration of our Maisons onto these platforms. As a consequence, the Maisons have strengthened their presence in those markets. In India, we have created an entity to operate our first owned Cartier boutique last November, while our other Maisons have extended their presence there by opening additional franchised boutiques.

We will therefore continue to invest in our Maisons' long-term growth, to provide first class service to our clients and to nurture the creativity and excellence which define luxury goods.



**NORBERT PLATT**  
**GROUP CHIEF EXECUTIVE OFFICER**  
**COMPAGNIE FINANCIÈRE RICHEMONT SA**  
**GENEVA, 14 MAY 2009**



Established 1847  
13 rue de la Paix  
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*Chief Executive*  
Bernard Fornas  
*Finance Director*  
François Lepercq  
www.cartier.com

# Cartier

Cartier's exacting standards and pioneer spirit are part of its founding values. The Maison's strong identity is based on an affirmed style, forever enriched by an indisputable savoir-faire and exclusivity. For more than 160 years, Cartier has been a reference in true and timeless luxury and now stands as a worldwide leader in jewellery, watchmaking and prestigious accessories.

*Platinum brooch featuring three cushion-cut sapphires (23.84 carats), natural pearls, diamonds and an emerald eye*



2008 was a year marked by creativity and further reinforced Cartier's leadership in jewellery. At the *Biennale des Antiquaires* in Paris, the Maison demonstrated its influence in jewellery with a spectacular presentation of 70 new unique pieces at the Grand Palais and a further 250 pieces of high jewellery at the Rue de la Paix boutique. Beyond this special jewellery event, Cartier launched the black and white *Hypnose* collection and enjoyed continuing success with diamond pieces in general, including engagement rings, as well as the renowned *Love* and *Trinity* collections. Bespoke jewellery pieces continue to be made for distinguished clients and reinforce the Maison's reputation as 'The King of Jewellers and the Jeweller of Kings'.

In watchmaking, high points during the year included the launch of the *Ballon Bleu Flying Tourbillon* watch, a true demonstration of Cartier's watchmaking savoir-faire. This is the first Cartier Haute Horlogerie piece hallmarked with the Geneva Seal, or *Poinçon de Genève*, and marks the beginning of a new era for Cartier, already well known for its creative and alluring forms. Other Cartier high jewellery watches, presented during the Salon International de la Haute Horlogerie, were highly creative and in the best tradition of the Maison's know-how in high jewellery.

Prestigious accessories, ranging from bespoke perfume to leather goods, perfectly complement the jewellery and watch collections. Cartier's *Marcello* collection underlined its legitimacy in leather goods.

The worldwide network of Cartier boutiques and authorised retailers remained selective and was further enhanced through major openings and renovations, especially in emerging markets. 25 new boutiques were opened, of which five were in China including Beijing Parklife and Qingdao Hisense. Other openings included New Delhi in India and the Dubai Mall and Qatar Villagio in the Middle East. At the same time, 25 major boutique renovations were undertaken around the world. These boutique enhancements were complemented by the launch of a pilot e-business website in Japan. The balance of boutiques between the different regions of the world – the long-established position in Europe combined with the network's development in the high-growth economies of Asia and other emerging markets – have helped to consolidate Cartier's pre-eminent position today and lay secure foundations for the future. This approach to geographic diversity was underscored by strong commercial performances during the year in China, South-East Asia, the Middle East and Russia, where the Maison attracted a new clientele whose natural and historical luxury culture perfectly matches Cartier's values.





*Ballon Bleu de Cartier Flying Tourbillon watch, 18 carat gold. Mechanical movement 9452 MC, certified Poinçon de Genève*

Exceptional client service remains core to the Maison's values and the continuous training of staff forms part of an ambitious programme started many years ago. Through training and an innate wish to serve, the boutiques' personnel are best placed to fulfil the ever more demanding wishes of its discerning clientele, whether in complicated watches, bespoke products such as high jewellery and perfume or in after sales service.

Each boutique opening was a special occasion and the Maison's international presence was further reinforced by a range of prestigious PR events and exhibitions. In addition to the *Biennale des Antiquaires* in Paris, Cartier hosted jewellery events at Miami Art Basel and, in November, the Maison hosted 'Cartier travel with style' in Mumbai. Following the success of previous years' events, the third 'LOVEDAY' in June was celebrated worldwide. The Maison continued to sponsor the Women's Forum in Deauville and Shanghai and the 'American festival' held each year in Deauville, France. Polo events were staged in Dubai and Singapore and Cartier maintained its long-standing association with the prestigious Windsor and Saint Moritz tournaments.

The Fondation Cartier celebrated its 25th anniversary. Internationally recognised in the field of contemporary art, the Fondation goes from strength to strength. During the year, the Fondation hosted the 'Cesar by Jean Nouvel' exhibition to great acclaim. Other exhibitions in Paris included works by Patty Smith, the renowned poet, photographer, songwriter and singer, and 'Terre Natale' – Paul Virilio and Raymond Depardon's reflections on the notions of 'taking root' in a given place and of being 'uprooted'.

Complementing the Maison's association with contemporary art, the heritage dimension of Cartier continues to be emphasised through exhibitions of the *Cartier Collection* in major museums around the world. In 2008, part of this collection of 1 300 historic pieces was staged at the prestigious Deoksugung Museum in Seoul, South Korea.

The social and economic context for luxury goods has evolved significantly during the year and the Maison's outlook for the year ahead takes these changes into account. Whilst Cartier's wealthy clients have not vanished, their expectations regarding luxury goods are changing; they are more and more selective and demanding. Cartier's historical roots and traditions, the originality of its distinctive style – from accessories to watches to high jewellery – as well as its savoir-faire make Cartier creations particularly desirable. These roots give Cartier strong assets to face the uncertain future in the best possible condition.

**BERNARD FORNAS**  
CHIEF EXECUTIVE

Established 1906  
22 place Vendôme  
Paris France  
*Chief Executive*  
Stanislas de Quercize  
*Finance Director*  
Burkhart Grund  
[www.vca-jewelers.com](http://www.vca-jewelers.com)

# Van Cleef & Arpels



The values of Van Cleef & Arpels are those born for contemporary times and match a yearning for harmony and stability. Founded in 1906, it embodies the capacity to bounce back during troubled times. Its savoir-faire, craftsmanship and 'golden hands' give the Maison perennial expertise. Its exclusive profile is expressed through unique creations as well as innovative techniques such as the *Mystery Setting*, the *Between-the-fingers rings* and the *Poetic Complications*; it is the guarantee of exceptional creativity.



*Quadrille 'Ballet Précieux' necklace.*  
White gold, round diamonds, baguette  
cut diamonds, 77 cabochon cut rubies  
– 341.62 carats

Nature, a major source of inspiration for Van Cleef & Arpels, bloomed in 2008 with a new high jewellery collection entirely dedicated to Gardens. Whether symbolised by the *Jardin italien de la Renaissance* or the *Jardin d'Extrême-Orient* – that follows strict mystical, philosophical and cultural guidelines – *Les Jardins* collection is an emblem of nature touched by culture. After its international launch event in Le Château de Groussay in France, further events were organised in New York, Hong Kong, Los Angeles and Tokyo.

For Van Cleef & Arpels, time is poetry. Van Cleef & Arpels watches don't just tell the time, they reveal the poetry of time, a reflection of the dream-like universe of the Maison's creations. In January, Van Cleef & Arpels unveiled new *Poetic Complications*, high jewellery watches inspired by *Les Jardins*, a new men's line and new versions of iconic feminine lines.

The Maison's emblematic world of creativity also expresses itself in the development of the best-selling *Alhambra* collections, exploring all the different codes that make this collection iconic, notably with the introduction of the *Perlée* line. Van Cleef & Arpels also strengthened its positioning within the bridal segment, with the successful introduction of new designs.

While favouring exclusivity in its distribution, Van Cleef & Arpels opened six new boutiques – in Cannes, Macau, Kobe, Naples in Florida, Dubai, and in Pusan, South Korea – and now has a network of 71 boutiques across four continents.

Van Cleef & Arpels is the symbol of a positive and optimistic world. Since the beginning, the Maison has always told its own tales of fairies, ballerinas, lost civilisations such as *l'Atlantide* or fabulous edens in *Les Jardins*. Fairy tales, legends and myths that lay deep in the collective culture. Every jewel of the Maison possesses the ability to enhance a moment of pure happiness, a feeling of love or friendship but also the magical power to bring luck; what better example than *Alhambra's* four-leaf clover: a clover for true love, a second for health, a third for wealth and a last one for luck.

STANISLAS DE QUERCIZE  
CHIEF EXECUTIVE

Established 1874  
37, chemin du Champ-des-Filles  
Geneva Switzerland  
*Chief Executive*  
Philippe Léopold-Metzger  
*Deputy Managing Director*  
Christophe Grenier  
[www.piaget.com](http://www.piaget.com)

# PIAGET

Piaget, the exclusive and glamorous Swiss Maison, enjoys unrivalled credentials as both a Watchmaker and Jeweller. Each year's new collections spring from its boundless creativity and completely integrated *manufacture*.



*Piaget Polo FortyFive Chronograph,  
titanium case and bezel, Piaget  
manufacture 880P movement*

Two new thematic collections of watches and jewellery were launched during the year. The first collection – *Limelight Paris-New York* – was inspired by these two fascinating cities' architecture and the *couture* themes launched at the 2008 Salon International de la Haute Horlogerie ('SIHH'). Launched at the 2009 SIHH, the second collection – *Limelight Paradise* – found its inspiration in the world of paradise islands, lagoons, butterflies, sailing, warm seas and tropical flowers.

During the year, Piaget successfully reinforced its masculine offer with the *Black Tie* collection, in particular the *Emperador coussin* line featuring three new complicated movements. The 30th Anniversary of the iconic *Piaget Polo* watch was marked by the launch of four models of the titanium *Piaget Polo FortyFive*, all featuring in-house movements. In conjunction with this launch, the Maison sponsored one of the world's best polo teams, *Pilàra Piaget*, headed by the Maison's ambassador Marcos Heguy.

Piaget sponsored the Spirit Awards ceremony for a second time. This support for independent and daring film-makers forms part of Piaget's communication strategy, providing greater visibility in the entertainment and music industry.

The first Piaget Time Gallery – an exhibition area within flagship boutiques – opened in Geneva in June. Its first exhibition – *Piaget, une belle histoire* – told the story of the Maison and will go on to the new Hong Kong flagship in 2009. The second exhibition in Geneva – *Extravaganza* – focuses on Piaget's exuberant nature and its collaboration with artists.

Through the opening of 15 new boutiques, the Maison's boutique network was expanded to 67. Of these openings, six were in mainland China, a major market for the Maison and a focus for its sustained development. Other new boutiques were opened in Baku, Ekaterinburg, Istanbul, New Delhi and other cities across Asia and the Middle East.

2009 will be the *Piaget Polo* year for the Maison. With a well established network in the Asia-Pacific region, Piaget should be well positioned to capitalise on the world's fastest growing region.

A handwritten signature in black ink that reads "Philippe Léopold-Metzger".

PHILIPPE LEOPOLD-METZGER  
CHIEF EXECUTIVE

Established 1845  
Altenberger Strasse 15  
Glashütte Germany  
*Chief Executive*  
Fabian Krone  
*Finance Director*  
Beat Bühner  
[www.lange-soehne.com](http://www.lange-soehne.com)

A. LANGE & SÖHNE  
GLASHÜTTE I/SA

A. Lange & Söhne creates outstanding hand-finished mechanical timepieces with challenging complications that follow a clear and classical design line. Innovative engineering skills and traditional craftsmanship of the highest level guarantee state-of-the-art movement design, the utmost mechanical precision and meticulous hand-finishing.

The present generation of A. Lange & Söhne elegant watches includes 28 different movements, each revealing its unmistakeable origins in high-precision Lange pocket watches.

Combining heritage and innovation, 2008 saw a number of launches, including the *Cabaret Tourbillon*, which features a stop-seconds function, a first for a tourbillon movement. The *Richard Lange 'Pour le Mérite'*, with a fusée-and-chain transmission, continues the tradition of observation watches for precise time measurement. The *Grand Lange 1*, with outsize date and off-centre dial displays, followed the motifs of the iconic *Lange 1* launched in 1994. The new *1815*, in a larger case and with a new manually wound movement, is the latest in the Maison's collection of simple, classic mechanical timepieces which salute the founder and his horological principles.

Following the success of its first opening in Dresden last year, the Maison continued to extend its boutique network: Shanghai was opened in July and in October, another 'Home of Time' was opened in Tokyo's Ginza district.

For customers unable to visit the *manufacture* in Glashütte, a travelling event has been developed. Following the success of previous events in Singapore and Tokyo, the 'House of A. Lange & Söhne' travelled to Los Angeles and Hong Kong. The event's centrepiece is the watch *manufacture* itself, featuring original watchmaking and engraving workshop benches. Customers, trade partners and journalists can follow the creation of a Lange watch in close-up, looking over the shoulders of the master craftsmen as they work.

The Maison continued to sponsor musical and artistic events, including opera during the Salzburg Whitsun Festival under the Italian conductor Riccardo Muti. This sponsorship was complemented by the staging of an exhibition on 'The Saxon Art of Watchmaking' during the Salzburg Summer Festival. The exhibition gave visitors the opportunity to observe master watchmakers and engravers performing their meticulous crafts. Musical sponsorship also included the *Competizione dell'Opera*, the young artists' international singing contest of Italian Opera. The Maison continues to sponsor the Dresden State Art Collections, including the Mathematical and Physical Salon which hosts early Lange pocket watches.

The year ahead includes further innovative product launches and the Maison will enter markets where the 'The Saxon Art of Watchmaking' is not yet represented.



*Richard Lange 'Pour le Mérite' in platinum*

FABIAN KRONE  
CHIEF EXECUTIVE



Established 1833  
La Golisse 8  
Le Sentier Switzerland  
*Chief Executive*  
Jérôme Lambert  
*Finance Director*  
François Bach  
[www.jaeger-lecoultre.com](http://www.jaeger-lecoultre.com)



Since its foundation in 1833, Jaeger-LeCoultre has been one of the most innovative companies in fine watchmaking – with more than 1 000 mechanisms in its patrimony – and is today one of the few remaining, fully-integrated *manufactures* in the industry.

In 2008, Manufacture Jaeger-LeCoultre celebrated its 175th anniversary and reinforced its position amongst the elite of fine watchmakers. The Grande Maison in the Vallée de Joux celebrated with four limited editions: *Master Ultra Thin*, *Master Grand Tourbillon*, *Master Eight Days Perpetual* and *Master Minute Repeater*. From the philosophy of the essential to the skeletonised perpetual calendar, from the accuracy of a high-tech tourbillon to the acoustic performance of crystal gongs, these four outstanding creations each illustrate key innovations in watchmaking history.

After the stunning revelation of the *Gyrotourbillon 1*, Jaeger-LeCoultre is offering the spherical tourbillon a new stage-setting worthy of its technically innovative nature: the *Reverso Gyrotourbillon 2*, housing a new cylinder-shaped balance-spring. Another notable product launched during the year was the *Reverso Squadra Lady*, a collection presented two years after the launching of the *Reverso Squadra* for men.

In terms of communication, the year saw the launch of a new advertising campaign 'Have you ever worn a real watch?' complemented by an active internet marketing programme highlighting the timeless values embodied by the brand's watch creations. As main sponsor of the 2008 Venice Film Festival, Jaeger-LeCoultre organised an international event to present a unique high jewellery *parure*.

Nine new boutiques were opened during the year, in key locations such as Los Angeles, Shanghai, Beijing and Dubai, bringing the total number of Jaeger-LeCoultre boutiques to 28.

Jaeger-LeCoultre's social responsibility programme – 'Making time more beautiful' – has three branches: the protection of the environment, human involvement and the preservation of knowledge. In this regard, the Maison has entered into a three-year partnership with the Unesco World Heritage Centre to support the preservation of outstanding marine sites that are in immediate need of protection.

In the year ahead, Jaeger-LeCoultre will continue to focus on its strong tradition of innovation and technical excellence with a new line called *Grande Tradition*, featuring a new silicon escapement and a new chronometer certificate. The opening of our new manufacturing building will mark a new chapter in the Maison's history.

*Reverso Gyrotourbillon 2 in platinum,  
with three-dimensional tourbillon:  
the inner tourbillon completes  
a full rotation in 18.75 seconds;  
the outer tourbillon in 60 seconds*



JÉRÔME LAMBERT  
CHIEF EXECUTIVE

Established 1755  
7 Quai de l'Île  
Geneva Switzerland

Chief Executive  
Juan-Carlos Torres

Finance Director  
Robert Colautti

[www.vacheron-constantin.com](http://www.vacheron-constantin.com)



# VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

Vacheron Constantin has maintained its exceptional and unique continuous production for over 250 years. Representing the very spirit of *Excellence Horlogère*, the Maison's master craftsmen continue to design, develop and produce an array of exceptional timepieces, each faithful to our three fundamentals: fully mastered technique, inspired aesthetics and superlative finishing.

The highlight of the year was the launch of the *Quai de l'Île* collection at the Salon International de la Haute Horlogerie. The award-winning collection represents a new dimension in the world of fine watchmaking. The watch can be personalised according to the client's wishes and has been created from a combination of the most advanced technology – including transparent dials and security printing – as well as the best in watchmaking know-how; more than 400 combinations are possible. The *Quai de l'Île* collection is based on two new *Poinçon de Genève* movements developed and manufactured by the Maison.

In addition to this entirely new collection, the Maison reinforced its reputation as an expert engraver and enameller through its *Métiers d'Art* collections. As an engraver, a second four-watch set was added to last year's *Les Masques* collection, this time dedicated to primitive art masterpieces from Mexico, Japan, Gabon and Papua New Guinea. Inspired by treasures of the Barbier-Mueller Museum's private collection in Geneva, Vacheron Constantin has updated its engraving techniques, reproducing tribal art in miniature for timepieces that have themselves become works of art. As an enameller, the Maison's *Tribute to Great Explorers* collection honoured Marco Polo and Christopher Columbus. Each a masterpiece, with a patented movement offering astonishing accuracy and a face enhanced by *Grand Feu* enamel in the Maison's great craftwork tradition.

Following the successful reopening of its Geneva flagship boutique in 2004, Vacheron Constantin opened its second flagship in Shanghai in October 2008. The refurbished 1920s mansion offers an entire range of services, including salons for collectors and *Atelier Cabinotiers* bespoke orders, space for exhibiting antique pieces from the Heritage Collection of Geneva and an after-sales service centre staffed by a Swiss watchmaker. The mansion also houses a private dining restaurant and a contemporary art gallery. Together, these create a luxury retail experience for Vacheron Constantin's discerning clients. Other notable openings during the year took place in Hong Kong, Delhi and Riyadh, bringing the worldwide network to 20 boutiques.

Since its foundation, Vacheron Constantin has aspired to ever higher quality standards and the Maison's own movement development will continue to comply with and transcend the strict rules laid down by the *Poinçon de Genève* certification office. These standards, combined with the talents of the Maison's designers, engineers, master watchmakers and all the other rare craft skills present in our workshops, gives us – and our clients – the assurance that our watches will never be marred by compromise. The Maison's reputation for *Excellence Horlogère* will therefore continue to be a reassuring factor for our clients.

JUAN-CARLOS TORRES  
CHIEF EXECUTIVE



*Quai de l'Île day-date and power reserve, personalised model in pink gold and titanium*



Established 1860  
Piazza San Giovanni 16  
Palazzo Arcivescovile  
Florence Italy

Chief Executive  
Angelo Bonati

Finance Director  
Giorgio Ferrazzi

[www.panerai.com](http://www.panerai.com)

## OFFICINE PANERAI FIRENZE 1860

Officine Panerai's exclusive, precision sports watches are the product of a natural blend of quality craftsmanship, technological development and Italian design.

In 2008, Officine Panerai enhanced its *Manifattura* collection with new models featuring in-house movements and executed in high-tech materials such as titanium and ceramic. The *Radiomir Titanium Tourbillon GMT 48mm* and the *Luminor 1950 Ceramic 8 Days Chrono Monopulsante GMT 44mm* are examples of timepieces with distinctive sports design and sophisticated but functional features. Their development, incorporating innovative materials, enriches both their technical and aesthetic content.

In 2008 the Maison continued to operate through an extremely selective distribution network. New boutiques were opened in some of the world's most prestigious locations: flagship stores on New York's Madison Avenue and Tokyo's Ginza district with smaller boutiques opening in Dubai, Beijing, Doha, Madrid and Buenos Aires. Following the opening of these seven new boutiques, the Maison now has twelve boutiques around the world. Also during the year, the Beverly Hills boutique in Los Angeles underwent a major renovation and now incorporates a new design, truly representing the Maison and its maritime history.

Sponsorship remains a very important aspect of Officine Panerai's communication strategy. During the year, the Maison sponsored the exhibition *Galileo's Telescope: the Instrument That Changed The World*. This reaffirmed the Maison's Tuscan origins and strengthened its link with the world of science and measurement, two of the Italian genius Galileo Galilei's fields of excellence. The exhibition was presented at the Beijing Planetarium in October 2008 and welcomed over 100 000 visitors in less than three months. Cultivating its maritime heritage, Panerai maintained its prestigious sponsorship of the Panerai Classic Yachts Challenge, which presented another season of events across the Mediterranean as well as Caribbean and US waters. In the field of environmental education, Officine Panerai sponsored, for the second consecutive year, Mike Horn's Pangaea project, which engages young adults in the active preservation of the earth's natural resources.



*Luminor 1950 Ceramic 8 Days Chrono  
Monopulsante GMT*

ANGELO BONATI  
CHIEF EXECUTIVE

Established 1868  
Baumgartenstrasse 15  
Schaffhausen Switzerland  
*Chief Executive*  
Georges Kern  
*Chief Financial Officer*  
Christian Klever  
[www.iwc.com](http://www.iwc.com)

# IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN  
SWITZERLAND, SINCE 1868

For 140 years, IWC Schaffhausen has been crafting exquisite Haute Horlogerie, in which the highest precision is combined with exclusive design. With the focus on technology and engineering, IWC Schaffhausen has built special watches of lasting value.

To mark its 140th birthday, IWC Schaffhausen has taken six iconic models from the company's long history and given them each a contemporary reinterpretation. The watches of the IWC *Vintage Collection Jubilee Edition 1868-2008* represent the founding legends of the watch families: *Portuguese*, *Ingenieur*, *Pilot's Watch*, *Da Vinci*, *Aquatimer* and *Portofino*. IWC used the setting of Geneva's Salon International de la Haute Horlogerie to celebrate the launch with an exclusive event entitled 'The Crossing'. The high point of this glamorous gala was the multimedia performance, with Oscar award winner Cate Blanchett and Hollywood actor Joseph Fiennes, which staged the story of IWC's founding.

Barely three years after the opening of its East building in Schaffhausen in June 2005, and one year after the Maison's own watch museum was opened, IWC celebrated the opening of its new West building. It provides 230 employees with an attractive, ultra-modern working environment and represents a further milestone in the phased expansion of the Maison.

With further boutique openings in Dubai, Beverly Hills, Las Vegas and the very first IWC boutique in India in New Delhi, there are now 23 IWC boutiques around the world.

As an interesting new product concept, IWC presented a highly exclusive and special edition Pilot's Watch for father and son: The *Big Pilot's Watch* in platinum for the father and the smaller stainless steel model for the son which is technically identical with the *Pilot's Watch Mark XVI*.

Active climate protection and environmental responsibility play an important role in the Maison's philosophy. Last year IWC maintained its resolute approach to the environment by committing itself to the Galapagos Islands. The partnership with the Charles Darwin Foundation marked the beginning of a long-term collaboration aimed at protecting one of the most fascinating natural resources on the planet: the Galapagos Islands with their abundance of species and a unique and highly vulnerable ecosystem that is threatened in many ways.

In 2009, IWC will continue to strengthen its position in Europe, Asia and the Middle East. The mythical products with their long tradition will further significantly help to strengthen the Maison's position. In Hong Kong, the first IWC flagship store will open its doors, offering customers an opportunity to experience the different worlds and dreams around IWC's collections.



*Portofino Hand-Wound, IWC Vintage Collection in steel. Pocket watch movement 98'800 with moon phase display*

GEORGES KERN  
CHIEF EXECUTIVE

Established 1830  
50 chemin de la Chênaie  
Bellevue Geneva Switzerland  
*Chief Executive*  
Michel Nieto  
*Finance Director*  
Jean-Baptiste Dembreville  
[www.baume-et-mercier.com](http://www.baume-et-mercier.com)

# BAUME & MERCIER

GENEVE • 1830

Baume & Mercier's reputation as a maker of luxury Swiss watches stems from almost two centuries of contemporary styling firmly rooted in traditional craftsmanship. The Maison's core collections – *Hampton*, *Riviera*, *Diamant*, *Iléa* and *Classima Executives* – are complemented each year by limited editions.

The *Iléa* collection was launched internationally in April 2008 at the Salon International de la Haute Horlogerie. A round watch designed for women, *Iléa* is available with or without diamonds. Effectively completing Baume & Mercier's feminine offer, the collection was favourably received by the Maison's trade partners.

In September 2008, the Maison presented its *Haute Horlogerie Collection*, designed in honour of William Baume, founder of Baume & Mercier. A limited collection in pink gold, featuring three exceptional movements: a *Tourbillon*, a *Retrograde second* and finally an *Ultra thin* watch.

Throughout the year, the Maison's new and existing collections enjoyed continuing demand around the world, supported by effective advertising and public relations tools.

The successful 'Baume & Mercier & Me' advertising campaign was extended for a third year. Teri Hatcher and Ashton Kutcher were the campaign's latest ambassadors, with all royalties normally due to them and to the photographers being donated to charities jointly selected by the ambassadors and Baume & Mercier. This year's beneficiaries were in the fields of child education, cancer research and assistance to underprivileged women.

The Maison's fascination with the passing of time, memory and capturing the moment of creativity was further strengthened through 'The Photographer' project. Originated, produced and co-directed by Baume & Mercier, the project enabled Caroline Gaudriault and Gérard Rancinan to create a voyage interspersed with encounters with 23 living masters of contemporary photography, the witnesses of our times. The project led to both an exhibition in Paris and an accompanying book. The exhibition will travel the world from April 2009. This project supports the Maison's communication and public relations strategy, already closely linked to contemporary photography.

The coming year will be marked by new extra-large models for the *Hampton* collection, which celebrates its 15th anniversary, and the *Riviera* collection. The tribute to William Baume will also be extended through the introduction of four new pieces in red gold, all featuring complications to highlight the Maison's continuing commitment to the fine watchmaker's craft.



*William Baume Tourbillon  
in pink gold*

MICHEL NIETO  
CHIEF EXECUTIVE

Established 1995  
2 rue André-de-Garrini  
Meyrin Geneva Switzerland

Chief Executive  
Matthias Schuler

Finance Director  
Patrick Addor

[www.rogerdubuis.com](http://www.rogerdubuis.com)



## MANUFACTURE ROGER DUBUIS

The essence of Manufacture Roger Dubuis is a subtle mix of audacity and tradition: the audacity to create instantly recognisable design codes, the tradition of making movements using the know-how inherited from our watchmaking ancestors. The result is a collection unlike any other, sometimes eccentric, always demanding.

Following its acquisition of Roger Dubuis' component manufacturing operations in September 2007, Richemont acquired a controlling interest in the entire Manufacture Roger Dubuis in August 2008.

Founded in 1995, the Maison went on to construct its Geneva headquarters and ultra-modern manufacturing facilities in 2001. Here, the wish to create unique movements with multiple complications came true.

In just eleven years, the Maison has developed over 30 movements, often highly complicated. All movements are hallmarked with the Geneva Seal and, since 2003, have been equipped with the Maison's own in-house spring and balance. Sometimes extravagant, these creations have enabled the Maison to join the ranks of Switzerland's watchmaking elite.

Today, the collection is built on three principal lines: *Excalibur*, classical and typically Roger Dubuis; *EasyDiver*, sporty and thoroughbred; and *KingSquare*, architectural and elegant.

The Salon International de la Haute Horlogerie in 2008 marked the birth of the *KingSquare*. Easily recognisable, with its volume and distinct design, the *KingSquare* is steeped in the Maison's genetic codes and possesses many technical accomplishments. Its original construction opens endless possibilities for aesthetic variations, each one enhancing the skeleton movement's pared-down, architectural dimensions.

During the year, the distribution network was consolidated in Latin America, certain southern European markets and new partnerships were established in France and central European markets. Roger Dubuis now has six boutiques, primarily in the Asia-Pacific region, and a further 160 points of sale in some of the world's most exclusive locations.

Having joined Richemont in August 2008, the Maison looks to the future with new energy and new ambitions.

MATTHIAS SCHULER  
CHIEF EXECUTIVE



*KingSquare Skeleton,  
with flying tourbillon*



Established 2007  
8 chemin de Blandonnet  
Vernier Geneva Switzerland  
*Chief Executive*  
Guy Châtillon  
*Finance*  
Stéphane Boukertaba  
[www.ralphlaurenwatches.com](http://www.ralphlaurenwatches.com)

# RALPH LAUREN

WATCH AND JEWELRY CO.

“To design something legendary that has a sense of timelessness; that is what I aspire to do.” Ralph Lauren

The design of Ralph Lauren Timepieces transcends the brand’s signature sensibilities of luxury, authenticity and timelessness.

In July 2007, Richemont and Polo Ralph Lauren formed an exclusive partnership to design, develop, manufacture and distribute luxury watches and fine jewellery. With a deep respect for watchmaking heritage and tradition, Ralph Lauren watches are of the finest quality and craftsmanship, combining extraordinary design, exceptional materials and the use of *manufacture* movements from Jaeger-LeCoultre, Piaget and IWC.

In January 2009, at the Salon International de la Haute Horlogerie, Ralph Lauren successfully premiered three collections of iconic timepieces: the *Ralph Lauren Stirrup Collection*, the *Ralph Lauren Slim Classique Collection* and the *Ralph Lauren Sporting Collection*.

Beginning in 2009, Ralph Lauren will unveil these timepieces around the world in select Ralph Lauren flagship boutiques and independent retailers, benefiting from Richemont’s and Polo Ralph Lauren’s innovative marketing, sales and distribution skills and positioning Ralph Lauren Timepieces as an enduring lifestyle brand.

*The Ralph Lauren Stirrup  
Chronograph in rose gold.  
Self-winding, RL750 movement,  
made by Jaeger-LeCoultre for  
Ralph Lauren*



GUY CHATILLON  
CHIEF EXECUTIVE

Established 1906  
Hellgrundweg 100  
Hamburg Germany  
Chief Executive  
Lutz Bethge  
Finance Director  
Roland Hoekzema  
www.montblanc.com



Montblanc has been known for a century as a maker of sophisticated, high-quality writing instruments. From its roots in European master craftsmanship, the Maison has successfully applied its know-how to watches, leather goods and jewellery.



*Meisterstück Solitaire Ceramics Black Prisma. This platinum-plated fountain pen features a cap with a ceramic inlay in a tactile square pattern*

2008 was an important year for Montblanc, in which the Maison intensified its strategic efforts to align the quality of its distribution with its growing reputation as a diversified luxury goods Maison. As a consequence of these efforts, the number of points of sale has been reduced by more than one-third over the last 24 months. This strategy is seen as key to the Maison's future prosperity and, alongside the investments to enhance the distribution network, has been pursued despite a challenging economic environment.

Major boutique openings during the year took place in Beijing, São Paulo, Dubai, Moscow, Geneva and Pennsylvania's King Of Prussia Mall. These openings contributed to the overall growth of the boutique network to 358. The importance of China, now Montblanc's most important market, is reflected in the 91 boutiques across that country.

During 2008, major product launches were successfully implemented, particularly in writing instruments and watches. The new *Etoile de Montblanc* range is the fourth major writing instruments line and is aimed at strengthening the assortment for women including the Montblanc Diamond. Innovations in the iconic *Meisterstück* writing instrument range included the *Solitaire Meisterstück Black Ceramic*, while limited editions for collectors and connoisseurs included the *Beijing Opera Masks*.

In watchmaking, the launch of the *Star Nicolas Rieussec* watch, featuring an exclusive movement developed by Montblanc paying tribute to the inventor of the chronograph, has confirmed the technical ability and creativity of Montblanc as a watchmaking Maison. Investments made in the Maison's Institute Minerva de Recherche en Haute Horlogerie in Villeret enabled Montblanc to enter the prestigious segment of Haute Horlogerie Watches. The reopening of the *manufacture* in Villeret, the launch of the *Grand Tourbillon Heures Mystérieuses* and the *Grand Chronographe Régulateur* are examples of the Maison's commitment to traditional Swiss watchmaking.

Sponsorship and public relations events such as 'Writing Time' for the launch of the *Rieussec* watch range in April 2008 reinforced Montblanc's reputation as a diversified, luxury goods Maison. Programmes in support of art and culture included the patronage award from the long-established Montblanc de la Culture foundation.

The year ahead will see a continued focus on the iconic *Meisterstück* writing instrument range, in particular the launch of the *Signature for Good Edition*, allied to the UNICEF campaign to support literacy – a co-operation in place since 2004. In watchmaking, special focus will be given to the *Montblanc Rieussec Chronograph Automatic*, which epitomises Montblanc's roots in writing and its competence as a maker of fine watches.

A handwritten signature in blue ink, reading "Lutz Bethge".

LUTZ BETHGE  
CHIEF EXECUTIVE



Established 1893

Bourdon House  
2 Davies Street  
London England

*Chief Executive*  
Christopher M. Colfer

*Finance Director*  
Mike Woodcock

[www.dunhill.com](http://www.dunhill.com)



A truly British brand, Alfred Dunhill holds fast to its inimitable heritage and is committed to the philosophy of creating exceptional luxury goods for men which are innovative and functional. Dedicated to the pursuit of male indulgence, Alfred Dunhill is the definitive destination for luxury menswear and leather goods.



*The Home of Alfred Dunhill, London*

During the year, a second 'Home of Alfred Dunhill' – Bourdon House, London – was opened. The former residence of the Duke of Westminster, Bourdon House is a magnificent mansion in the heart of London's Mayfair and now home to a three-storey boutique, a private screening room, spa, barber, bespoke tailoring room, humidor and cellar bar. A third 'Home of Alfred Dunhill' – Twin Villas, Shanghai – was also opened. Built in the 1920s within a walled garden close to one of Shanghai's main shopping avenues, the Twin Villas have been restored to their original glory. Occupying one villa, Alfred Dunhill now presents exceptional men's luxury goods as well as an art gallery and a barbershop. These two openings follow the Ginza, Tokyo 'Home of Alfred Dunhill', opened last year.

Other boutique openings and conversions during the year included the launch of a two-storey flagship store on Madison Avenue, New York, and the opening of two stores in Dubai. The new store concept continued to roll out globally, with over 80 additional stores being converted during the year, including 30 in China. This progressive conversion of Alfred Dunhill's worldwide network of 201 stores reflects the Maison's long-term strategy.

Among the limited edition men's accessories launched in 2008 were the *Flying Scotsman* and *Fighter Provenance* pen and cufflinks, all crafted using material sourced from British engineering icons. Other launches during the year included the *dunhill BLACK* fragrance in 13 markets and the relaunch of the Maison's Custom menswear and leather services. Supporting these collections, Jude Law featured as the face of the brand in international advertising campaigns for a second year.

The Alfred Dunhill Links Championship maintained its position as the world's premier 'pro-am' golf tournament. The seventh champion was Swedish golfer Robert Karlsson and the event was attended by a strong professional field as well as screen stars and sporting legends. Other prestigious events sponsored by Alfred Dunhill during the year included the British GQ Men Of The Year Awards in London and the inaugural Alfred Dunhill Debate, hosted in the New York flagship boutique.

The year ahead will see the opening of the fourth 'Home of Alfred Dunhill' in Hong Kong, further fragrance launches and a new watch collection. To balance its strengths in Japan, China and Hong Kong, the Maison will be developing its US and European distribution network for luxury menswear.

A handwritten signature in blue ink, reading 'Christopher M. Colfer'.

CHRISTOPHER M. COLFER  
CHIEF EXECUTIVE

Established 1876  
261 boulevard Raspail  
Paris France  
*Chief Executive*  
Marc Lelandais  
*Finance Director*  
Eric Langon  
[www.lancel.com](http://www.lancel.com)

LANCEL  
PARIS



Lancel prides itself on 133 years of innovative and refined leather goods accessories of the highest quality. In recent years, the Maison has refocused its strategy on its heritage of contemporary, accessible luxury.

This refocusing has been supported by a high-impact advertising campaign featuring the internationally acclaimed, emblematic French actress Isabelle Adjani. At the same time, a new website, a local ambassadress in China – actress Zhou Xun – and public relations activities have reinforced Lancel's international development with a touch of French *légèreté*, charm and frivolity.

Lancel's product strategy has been organised to provide an exclusive, unrivalled and complete offering, reflecting Lancel's trans-generational customers while recognising the Maison's heritage. The 2008 collection was set around Lancel's two pillar lines, *Premier Flirt* and the new *Adjani* bag, which has already established itself as an international best-seller. In parallel, the Maison has developed a wide offering, from fashionable, high-quality leather products at accessible prices to highly refined, limited editions in exotic leather, crafted with utmost care along with a 'savoir-faire' of 133 years.

This year the Maison celebrated the openings of new Christophe Pillet-designed concept boutiques; the 'bag library'. Like the Maison itself, these boutiques are inspired by the art deco style, with oak, leather and steel creating a privileged meeting space, a library of leather goods presented as if in a jeweller's boutique. During the year, two boutiques in China, three in France and boutiques in Moscow and Tokyo were completed using this new concept.

During the year, Lancel continued to build on its developments in Asia through the signing of new partnerships in China and Japan. These strong new partners have recognised the successful repositioning of Lancel's offering and the business potential in their home markets.

In the year ahead, Lancel enters another phase of intense international development, particularly in Asia, the Middle East and Russia. The new 'bag library' concept will be rolled out in at least 30 locations worldwide and the Isabelle Adjani advertising campaign will continue to bring Lancel's tradition of French *légèreté* to new audiences.

MARC LELANDAIS  
CHIEF EXECUTIVE



*Adjani handbag in grained ivory leather*

Established 1952  
5-7 avenue Percier  
Paris France  
*Chief Executive*  
Ralph Toledano  
*Finance Director*  
Rémy Husson  
www.chloe.com

# Chloé

Femininity, elegance, sensuality, energy, lightness and romanticism – these qualities are as recognisable in Chloé's clothing and accessories today as they were upon the brand's creation nearly 60 years ago. Chloé's talent for evolving its style while remaining true to these underlying values has earned the Maison its iconic status amongst the world's most fashion-conscious, sophisticated women.

*From the Autumn/Winter 09/10 collection*



In 2008, under the creative leadership of Hannah MacGibbon, the Maison regained a creative strength totally in tune with its values. This evolution has been very well received both by the press and Chloé's customers.

Chloé has continued to focus on creativity and added emphasis to the segmentation of its distinct product lines.

Brand extension has been pursued with the development of the *See by Chloé* universe: handbags, small leather goods and shoes were successfully launched.

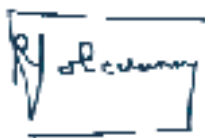
The new Chloé fragrance has met a spectacular success, gaining top positions in every market.

The Chloé handbags have a strong identity and the Maison has managed to launch a strong product every year. 2008 was the *Paraty's* year – it benefited from spectacular press coverage and impressive celebrity endorsement.

While consolidating its existing network, Chloé opened new stores in Bangkok, Doha, Dubai and Los Angeles and several shop-in-shops in major department stores.

The move of Chloé's Parisian distribution centre in October 2008 has allowed the Maison to increase and improve its storage capacity and productivity.

Returning to its original identity, Chloé is strengthening and consolidating its creative expression to reach the next phase of its development.



RALPH TOLEDANO  
CHIEF EXECUTIVE

Established 1983

7 rue de Moussy  
Paris France

Artistic director  
Azzedine Alaïa

ALAÏA  
PARIS

Uniquely creative design and exceptional tailoring are the hallmarks of Azzedine Alaïa, the internationally renowned Parisian fashion house.

Since joining Richemont in October 2007, Maison Alaïa, under the artistic direction of Mr Azzedine Alaïa, has performed exceptionally well in terms of sales. Concurrently, much progress was also made in the development of new commercial strategies and the renovation of its headquarters.

During the year, Maison Alaïa has enjoyed widespread acclaim as well as highly satisfactory increases in orders for its *Couture* dresses and ready-to-wear line, each marked by Mr Alaïa's uniquely creative design and exceptional tailoring. In particular, the ready-to-wear business has experienced excellent growth through the introduction of the *Les Intemporelles* collection which twice a year showcases some of the most iconic designs of the Maison. Leather goods, shoes and accessories have also been successful. Despite the current economic circumstances, the distribution network has continued to grow with the addition of new external boutiques in New York and in the Middle East.

Major progress was made in the renovation of the historical headquarters of Maison Alaïa in the Quartier du Marais in Paris with the addition of a new building contiguous to the existing boutique and comprising six floors of *ateliers* and office space. Ultimately, the new building will house all the activities of the Maison, from the design and creation of prototypes to commercial and press relations. The move to the new building will also release much needed dedicated space for the Alaïa Foundation to organise and update the Alaïa Archives.

Summer 2009 Ready-to-Wear  
collection. Design by Azzedine Alaïa





Established 1994

12 Pedder Street  
Hong Kong  
People's Republic of China

*Executive Chairman*  
Raphael Le Masne de Chermont

*Finance Director*  
Annie Paray

www.shanghaitang.com

# SHANGHAI TANG



Shanghai Tang is the first luxury brand from China.  
Its design mission is to revitalise Chinese design and to  
interweave it with the dynamism of the 21st Century.

From a colourful and nostalgic art deco concept store in Hong Kong, Shanghai Tang has evolved into a modern lifestyle vision of Chinese chic. With a network of 39 boutiques, including Shanghai, New York, Paris, London, Tokyo and Madrid, Shanghai Tang is now present around the world.

Its studio of international designers from east and west create modern, wearable, sophisticated Chinese-inspired collections, comprising a full range of ready-to-wear clothing, accessories and home decorations, using the most luxurious natural fabrics from Chinese silk to the best Mongolian cashmere. Shanghai Tang's unique *Imperial Tailoring* department offers a made-to-measure clothing service in the finest tradition of Shanghainese tailoring, with luxurious fabrics and painstaking attention to detail, craftsmanship and fit.

During the year, Shanghai Tang continued to bring the unique elements of Chinese culture to the global fashion scene through distinctive women's ready-to-wear collections. The *Fu Dao* or *Luck* collection featured the Chinese symbols of luck, prosperity, health and happiness through vivid colour prints of goldfishes, lotus flowers and ingots. With contemporary styling, the *Dian Fu* or *Overtune* collection reinterpreted iconic Chinese garments such as the *Qi Pao* and the *Scholar's Robe*.

The ready-to-wear collections are complemented by the long-established made-to-measure clothing services and the developing accessories line. This line includes a range of inspirational products, such as scarves, leather goods and costume jewellery featuring traditional Chinese craftsmanship.

Continuing its worldwide expansion, Shanghai Tang opened new boutiques in Macau, Dubai, Madrid, Frankfurt and Las Vegas, and relocated its New York flagship boutique on Madison Avenue. In mainland China, Shanghai Tang's presence was further consolidated through the opening of new boutiques in downtown Beijing and Hangzhou, as well as the airports of Guangzhou and Shanghai.

In addition to the new boutique openings, special events included the first ready-to-wear collection by Joseph Li and the sponsorship of polo tournaments in Asia.

In the year ahead, Shanghai Tang will develop its reputation through new collections, strengthening its worldwide network of boutiques and raising awareness of Chinese culture and craftsmanship.

RAPHAEL LE MASNE DE CHERMONT  
EXECUTIVE CHAIRMAN

*Imperial Tailoring, beaded  
lace evening gown*



Established 1814  
Audley House  
57-58 South Audley Street  
London England

*Chief Executive*  
Nigel Beaumont

*Finance Director*  
Marion Shaw

[www.purdey.com](http://www.purdey.com)

# PURDEY

Established in 1814 and now in its 195th year, Purdey continues to make sporting shotguns and rifles of the very highest quality. Renowned throughout the sporting world for their superior finish and high retained value that is second to none, Purdey appeals as no other gunmaker to distinguished and discerning sportsmen across the world. The exclusive clothing and accessories range continues to be developed as an important activity.

In 2008, demand for bespoke guns and rifles continued to be strong. The recent strengthening of the dollar against the pound has increased orders in the United States market, where traditionally Purdey guns have always had a strong following. Great Britain and continental Europe continue to maintain satisfactory orders.

The first full year of production of the 12-bore *Sporter* and a very positive reaction by the shooting and trade press has resulted in good orders for this gun. A 20-bore *Sporter* will be available in spring 2009 and demand for this model has already resulted in a number of forward orders.

Following on from the full order book for the 12-bore *Hammer* gun, introduced in 2004, a limited edition of 20-bore *Hammer* guns has been created. This new gun, complementary in every respect to the 12-bore, has shown itself to be at least as popular as its predecessor.

The Purdey Awards for Game and Conservation were presented in November 2008 by The Duke of Wellington KG. 2009 will be the tenth anniversary of the Purdey Awards, which are a well-established driving force in promoting greater awareness of the synergy between shooting and conservation and the promotion of environmental awareness inside and outside the shooting world.

Despite the difficult economic conditions, demand for Purdey's range of clothing and accessories has not diminished. The strength of the euro has resulted in an increase in the number of European visitors to the London shop.

Purdey will continue its focused advertising and public relations campaigns to raise the profile and awareness of its activities and products in 2009.



NIGEL BEAUMONT  
CHIEF EXECUTIVE



*Purdey Hammer Gun.  
The limited edition Purdey  
20-bore Hammer gun*





## Financial review

RICHARD LEPEU, GROUP FINANCE DIRECTOR

Richemont has a clean balance sheet and a net cash position at the year-end of € 822 million

### Group results

in € millions	March 2009	March 2008 re-presented*	
<b>Continuing operations</b>			
Sales	5 418	5 290	+2 %
Cost of sales	(1 988)	(1 875)	
Gross profit	3 430	3 415	–
Net operating expenses	(2 448)	(2 297)	+7 %
Selling and distribution expenses	(1 235)	(1 177)	+5 %
Communication expenses	(644)	(608)	+6 %
Administration expenses	(542)	(522)	+4 %
Other operating (expense)/income	(27)	10	n/a
Operating profit	982	1 118	-12 %
Net financial (costs)/income	(101)	47	
Share of post-tax results of associates	3	1	
Profit before taxation	884	1 166	-24 %
Taxation	(133)	(194)	
Profit from continuing operations	751	972	-23 %
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	325	592	-45 %
Net profit	1 076	1 564	-31 %
Analysed as follows:			
Net profit attributable to shareholders	1 075	1 565	-31 %
Net profit attributable to minority interests	1	(1)	
	1 076	1 564	-31 %
Earnings per share from continuing operations – diluted basis	€ 1.337	€ 1.710	-22 %
Dividend per share/unit	CHF 0.30	€ 0.78	n/a

\*Following the early adoption of the amendments to IAS 38 *Intangible Assets* as well as the reclassification of certain operations under 'discontinued operations', the results for the year ended 31 March 2008 shown in the table above have been re-presented. The impact of the re-presentation on sales is a reduction of € 12 million and an operating profit increase of € 10 million. The impact on net profit is a decrease of € 6 million.

## Financial highlights

- Sales increased by 2 per cent to € 5 418 million. Good growth in the first six months was largely offset by lower sales in the second six months as a result of the worldwide economic slowdown;
- Operating profit from the luxury goods businesses decreased by 12 per cent to € 982 million;
- Net profit attributable to shareholders decreased by 31 per cent to € 1 075 million. The decrease in net profit reflects in part the restructuring effected during the year. Profit from continuing operations decreased by 23 per cent to € 751 million;
- Cash generated by the Group's luxury goods operations was € 819 million. Richemont has a clean balance sheet and a net cash position at the year-end of € 822 million;
- During the year, Richemont restructured its operations, effectively spinning out its non-luxury assets to a new investment vehicle, Reinet Investments SCA ('Reinet'); and
- The Board has proposed an ordinary dividend for the year of CHF 0.30 per share. The reduction compared to the prior year primarily reflects the Group restructuring and the separation from the investment in British American Tobacco ('BAT'). For a former Richemont unitholder who continued to hold the Richemont, BAT and Reinet shares after completion of the restructuring, this means a small increase in dividend income.

## Review of Group results

### SALES

Sales increased by 2 per cent to € 5 418 million. The overall 2 per cent sales increase reflected 10 per cent growth during the first six months of the year, offset by a 5 per cent sales decline during the second six months. The decline was primarily the result of the worldwide economic crisis, with certain markets reporting very weak trading during the important pre-Christmas period. This was against the backdrop of strong trading in the second half of the prior year. Sales growth by region was mixed, with double-digit sales growth in the Asia-Pacific region and either low single-digit growth or lower absolute sales reported in other regions. At constant exchange rates, the annual sales increase would have been 2 per cent. Further analyses of sales developments are given on pages 32 to 34.

### GROSS MARGIN

The gross margin percentage decreased by 1.3 percentage points to 63.3 per cent. The decrease largely reflects the strengthening of the Swiss franc against the euro and higher raw material costs, which more than offset price increases. The economic slowdown in the second half-year also contributed to the lower gross margin as manufacturing fixed costs were spread across lower levels of production. The growth in sales revenue was offset by the lower gross margin percentage such that gross profit, at € 3 430 million, was in line with the prior year.

### NET OPERATING EXPENSES

Net operating expenses increased by 7 per cent. The increase in selling and distribution expenses largely reflected new boutique locations, primarily in the Far East. The 6 per cent increase in communication costs reflects the one-off impact of the costs associated with holding two Geneva watch fairs (Salons International de la Haute Horlogerie) during the year under review, as well as the impact of revisions to an accounting standard regarding the treatment of advertising material. Consequently, as a percentage of sales, communication costs were higher than the prior year at 11.9 per cent. Administration expenses increased by 4 per cent overall. Other operating expenses included restructuring charges linked to the closure of certain marginal boutiques, cutting excess capacity in specific manufacturing facilities and other cost control measures.

### OPERATING PROFIT

Operating profit for the year amounted to € 982 million, including the one-time items referred to above which amounted to € 79 million. Despite a significant profit increase in the first six months, weak trading in the second half of the year significantly reduced the level of gross profit. Swift measures taken to control operating costs in the second half-year resulted in the full-year operating profit decrease being contained at 12 per cent.

## Sales and operating results by business area



Sales and operating results of the Group's main areas of activity were as follows:

in € millions	March 2009	March 2008 re-presented	
<b>Sales</b>			
Jewellery Maisons	2 762	2 657	+4 %
Specialist Watchmakers	1 437	1 378	+4 %
Writing Instrument Maison	587	625	-6 %
Leather and Accessories Maisons	294	309	-5 %
Other Businesses	338	321	+5 %
<b>Total sales</b>	<b>5 418</b>	<b>5 290</b>	<b>+2 %</b>
<b>Operating results</b>			
Jewellery Maisons	777	765	+2 %
Specialist Watchmakers	287	374	-23 %
Writing Instrument Maison	69	126	-45 %
Leather and Accessories Maisons	(10)	(5)	-100 %
Other Businesses	(1)	16	n/a
	1 122	1 276	-12 %
<b>Corporate costs</b>			
	(140)	(158)	-11 %
Central support services	(139)	(146)	-5 %
Other operating expense, net	(1)	(12)	-92 %
<b>Operating profit</b>	<b>982</b>	<b>1 118</b>	<b>-12 %</b>

In the table above, those Maisons which are principally engaged in a specific business area have been grouped together. By way of example, 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'. Their entire product ranges, including watches, writing instruments and leather goods, are reflected in the sales and operating result for that business area.

### JEWELLERY MAISONS

In a difficult trading environment, Cartier reported another record year in sales and profitability, with the pattern of sales around the world reflecting those of the Group as a whole. High jewellery sales, which are made exclusively through Cartier's own boutique network of 172 stores, were particularly strong, together with sales of high jewellery watches and *Ballon Bleu*. Sales of other products were broadly in line with the prior year. Van Cleef & Arpels reported good sales growth, albeit from a significantly lower base. Operating profit for the business area as a whole increased by 2 per cent to € 777 million. Operating margin for the business area was 1 percentage point lower at 28 per cent.

### SPECIALIST WATCHMAKERS

The Group's nine specialist watchmakers, which now include Roger Dubuis and Ralph Lauren Watches, enjoyed modest growth for the year as a whole. Sales at IWC, Vacheron Constantin and Jaeger-LeCoultre were particularly strong and all of the long-held

Maisons were profitable. During the year under review, a second SIHH took place in Geneva and the Group incurred specific charges relating to the acquisition of the Roger Dubuis business. These additional costs partly account for the reduction in profitability for the business area as a whole. Despite the decrease in profit and the increase in sales, the operating profit margin for the year was contained at 20 per cent. In January 2009, the joint venture with Polo Ralph Lauren premiered its product range; this had no impact on sales during the year.

### WRITING INSTRUMENT MAISON

Montblanc's sales decreased by 6 per cent. The growth from sales through the Maison's own boutique network was offset by a fall in sales to wholesale partners, in large part due to a strategy of cutting back the number of points of sale. An increasing proportion of sales were generated by leather goods, watches and jewellery lines and, for the first time in more than 100 years, writing instruments accounted for less than half of the Maison's sales. The additional costs of Montblanc's own boutique network, which were not fully compensated by retail sales growth, contributed to the 45 per cent drop in operating profit. Accordingly, the operating margin decreased from 20 per cent to 12 per cent.

The Montegrappa writing instrument business has been classified as a discontinued operation. The Group is actively engaged in negotiations to sell this business.

## LEATHER AND ACCESSORIES MAISONS

Despite growth in the Asia-Pacific region, Alfred Dunhill reported a modest decrease in sales and was close to breaking even for the second year in succession.

Lancel's sales were 8 per cent lower than the prior year, reflecting lower unit volumes as it continues to move to products with higher price points and improved margins. Largely as a consequence of the lower sales, Lancel's operating losses increased from € 4 million in the prior year to € 8 million in the year under review.

## OTHER BUSINESSES

Chloé's sales were well below the level of the prior year, leading to a lower level of profit.

Sales of this business area as a whole included the impact of acquisitions made during the previous financial year. These included watch component manufacturing businesses and the Azzedine Alaïa Maison. Overall operating profit in this business area fell significantly, largely due to the lower profitability at Chloé and losses from watch component manufacturing activities, including restructuring charges.

## CORPORATE COSTS

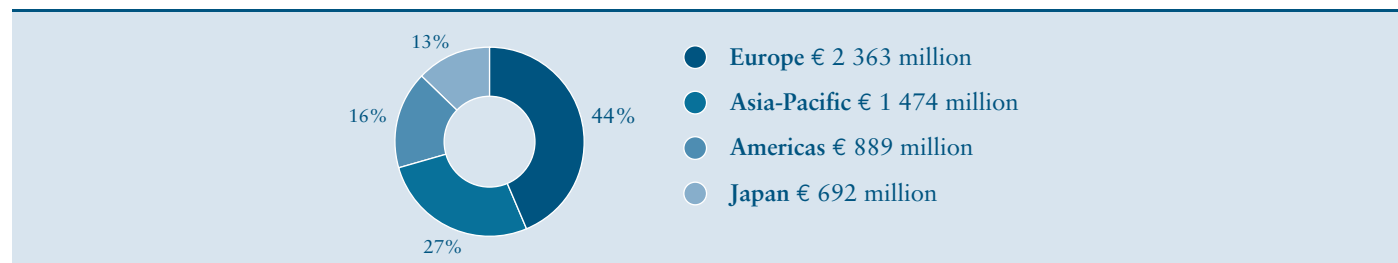
Corporate costs principally represent the costs of central management, marketing support and other central functions, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. Costs in the year included fees relating to the Group restructuring.

## OPERATING PROFIT

After corporate costs, Group operating profit amounted to € 982 million, a 12 per cent decrease compared to the prior year. This reflects the low level of growth in sales and the lower gross margin percentage, albeit compensated by continuing cost control. Favourable foreign exchange rate movements were offset by losses from the Group's hedging programme, reported as financing charges.

The Group's overall operating profit margin decreased from 21 per cent to 18 per cent.

## Sales by region



in € millions	March 2009	March 2008 re-presented	Movement at	
			Constant exchange rates	Actual exchange rates
Europe	2 363	2 284	+5 %	+3 %
Asia-Pacific	1 474	1 295	+14 %	+14 %
Americas	889	1 012	-11 %	-12 %
Japan	692	699	-12 %	-1 %
	5 418	5 290	+2 %	+2 %

## EUROPE

Sales in European markets increased by 3 per cent and accounted for 44 per cent of total turnover. The 3 per cent increase reflects a modest increase in established markets and double-digit sales growth in certain developing markets in the region, such as the Middle East.

## ASIA-PACIFIC

Sales growth in the region remained buoyant, although the rate of growth slowed during the course of the year. The strategic importance to the Group of the market in China was underlined by the continued expansion of the Group's distribution network there. Sales in the region now represent 27 per cent of total sales.

## AMERICAS

The Americas region reported a 12 per cent sales decrease for the year at actual exchange rates: the modest sales decrease in the first six months was followed by a very significant slowdown during the second half of the year as the economic difficulties there impacted consumer confidence and purchasing power. Sales in the Americas represent 16 per cent of total sales.

## JAPAN

The Japanese market remained challenging throughout the year, with sales in local currency terms 12 per cent lower than the prior year. The significant strengthening of the yen relative to the euro during the year largely offset this decrease in euro terms. Sales in Japan represent 13 per cent of total Group sales.

## Sales by distribution channel

in € millions	March 2009	March 2008 re-presented	
Retail	2 304	2 214	+4 %
Wholesale	3 114	3 076	+1 %
	5 418	5 290	+2 %

### RETAIL

Retail sales increased by 4 per cent to € 2 304 million. This growth reflected satisfactory trading at most established boutiques and the expansion of the network of Group-owned points of sale. Despite the closure of certain marginal boutiques, the total retail network increased by 58 to 1 370 boutiques at 31 March 2009. At the end of March 2009, the Group's Maisons owned 797 boutiques. A further

573 points of sale were operated under franchise agreements; sales to franchise partners are treated as wholesale sales.

### WHOLESALE

Wholesale sales increased by 1 per cent. The growth in the first six months was largely offset by the slowdown in the second six months, particularly among external watch retailers.

## Summarised income statement and results from discontinued operations

in € millions	March 2009	March 2008 re-presented
<b>Operating profit – continuing operations</b>	<b>982</b>	<b>1 118</b>
Net finance (costs)/income	(101)	47
<b>Profit before taxation</b>	<b>881</b>	<b>1 165</b>
Taxation	(133)	(194)
Share of post-tax results of associated undertakings	3	1
<b>Profit from continuing operations</b>	<b>751</b>	<b>972</b>
<b>Profit from discontinued operations</b>	<b>325</b>	<b>592</b>
<b>Net profit</b>	<b>1 076</b>	<b>1 564</b>
Attributable to shareholders	1 075	1 565
Attributable to minority interests	1	(1)
<b>Net profit</b>	<b>1 076</b>	<b>1 564</b>

### NET FINANCE (COSTS)/INCOME

Net finance charges amounted to € 101 million. The charges primarily relate to realised and unrealised losses on foreign exchange derivatives used to hedge the Group's net currency exposure. Financial income earned on deposits during the year was partly offset by structural borrowing costs. Compared to the prior year's net income of € 47 million, the change primarily reflects the impact of exchange rates on derivative hedging instruments.

### TAXATION

The Group's effective taxation rate was 15.7 per cent compared with 16.9 per cent last year. The effective taxation rate, which excludes the post-tax results from associates, in general reflects the level of corporate taxes in Switzerland. The lower effective taxation rate compared to the prior year reflects the decrease in profitability during the second six months of the year, particularly in the Americas, Germany and Japan.

### ASSOCIATED UNDERTAKINGS

The Group has a number of small investments which are classified as associated companies. The Group's share of the results of these smaller investments amounted to a profit of € 3 million.

### DISCONTINUED OPERATIONS

Until 20 October 2008, the Group's principal associated company was British American Tobacco plc ('BAT'). As a result of the transfer of the Group's former 19.5 per cent interest in BAT to Reinet on

that date, the Group's interest in BAT has been treated as a discontinued operation.

The Group's share of the results of BAT decreased from € 609 million in the prior year to € 355 million in the year under review. The decrease primarily reflected the inclusion of six months and 20 days of attributable profit from BAT in the year under review but a full twelve months' contribution in the prior year. In addition to the shorter accounting period, other changes impacting the result include the Group's effective interest in BAT, which had increased due to the share buy-back programme carried out by BAT from 19.1 per cent at April 2007 to 19.5 per cent upon separation, the higher reported profit of BAT in sterling terms and foreign exchange translation effects. The Group's share of results from BAT is reported net of taxation and minority interests. Further information in respect of BAT can be obtained from that company's website: [www.bat.com](http://www.bat.com)

Losses from other discontinued operations amounted to € 30 million (2008: € 17 million). Management is actively involved in the disposal of two small business units, including Montegrappa.

### EARNINGS PER SHARE

Richemont's total diluted earnings per share decreased from € 2.750 to € 1.916. From continuing operations, Richemont's diluted earnings per share decreased by 22 per cent from € 1.710 to € 1.337.

## Cash flow

in € millions	March 2009	March 2008 re-presented
Operating profit including losses from discontinued operations	951	1 101
Depreciation, amortisation and other items, net	229	134
Increase in working capital	(361)	(267)
<b>Cash generated from operations</b>	<b>819</b>	<b>968</b>
Dividends received from associate	343	325
Net interest received	36	41
Taxation paid	(179)	(171)
Net acquisitions of tangible fixed assets	(293)	(265)
Net acquisitions of intangible assets	(43)	(30)
Other investing activities, net	(127)	(102)
<b>Net cash inflow before financing activities</b>	<b>556</b>	<b>766</b>
Dividends paid to shareholders	(438)	(701)
Ordinary dividend	(438)	(364)
Special dividend	–	(337)
(Decrease)/increase in borrowings and other financing activities	(59)	69
Distribution of discontinued operations, net of cash disposed of	(351)	–
Net cash flow in respect of treasury units and shares	(84)	(37)
Exchange rate effects	(32)	51
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(408)</b>	<b>148</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 771</b>	<b>1 623</b>
<b>Cash and cash equivalents at end of year<sup>(1)</sup></b>	<b>1 363</b>	<b>1 771</b>
Borrowings	(541)	(525)
<b>Net cash at the end of the year</b>	<b>822</b>	<b>1 246</b>

(1) Cash and cash equivalents are as per the consolidated cash flow statement on page 59.

The Group's net cash position at 31 March 2009 was € 822 million compared with € 1 246 million twelve months earlier. The decrease in net cash largely reflects the distribution of € 351 million to Reinet as part of the Group restructuring. In other respects, cash generated from the luxury goods business during the year, after capital investments and taxation payments, was more than offset by the payment of ordinary dividends to unitholders in September 2008 and the acquisition of Roger Dubuis.

Cash generated from operations totalled € 819 million for the year. The increase in working capital was largely due to higher inventories of finished goods and movements in year-end creditor balances. The increase in inventories, which followed the slowdown in the second six months, was limited by the measures taken to reduce manufacturing output.

Dividends received from the Group's associate, BAT, comprised the final dividend in respect of its financial year ended 31 December

2007 and the interim dividend for the 2008 financial year. The total cash received, amounting to € 343 million, was attributed to Reinet as part of the restructuring in October 2008 and is included in the figure reported above as a distribution of discontinued operations.

Net acquisitions of tangible fixed assets amounted to € 293 million. This amount included investments in the Group's network of boutiques as well as the further investment in the Maisons' manufacturing facilities. Other investing activities largely reflect the acquisition of a controlling interest in the Roger Dubuis business.

In order to hedge executive stock option grants, the Group exercised options to purchase former Richemont units for a consideration of € 45 million and bought further shares and call options over Richemont 'A' shares. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives and proceeds from the disposal of excess BAT and Reinet shares following the Group's restructuring.



## Summarised balance sheet

in € millions	31 March 2009	31 March 2008 re-presented
<b>Non-current assets</b>		
Fixed assets	1 534	1 207
Investment in associated undertakings	14	3 008
Other non-current assets	628	499
	2 176	4 714
<b>Net current assets</b>	2 028	1 827
<b>Net operating assets</b>	4 204	6 541
Net cash	822	1 246
Cash and cash equivalents	1 363	1 771
Borrowings	(541)	(525)
Other non-current liabilities	(191)	(168)
	4 835	7 619
<b>Equity</b>		
Shareholders' equity	4 832	7 615
Minority interests	3	4
	4 835	7 619

Following the Group restructuring, shareholders' equity was significantly reduced. The balance sheet at 31 March 2009 no longer reflects the carrying value of BAT shares (2008: € 2 998 million) or the cash and other smaller non-luxury investments attributed to Reinet on 20 October 2008. The carrying value of BAT was formerly included in associated undertakings.

Other non-current assets at 31 March 2009 include shares in BAT and Reinet held to hedge liabilities arising from modifications to the Group's long-term stock option plan. Following the restructuring, most holders of vested options over the former Richemont 'A' unit received instead options over the new Richemont 'A' share and over shares in BAT and Reinet. This treatment of vested options was in line with the treatment received by external unitholders. Unvested options over the former Richemont 'A' unit were replaced by options over the new Richemont 'A' share only. In both cases, there was no change in the value of the related benefit. Richemont 'A' shares held in treasury are reported as a deduction from shareholders' equity.

Net current assets increased by € 201 million compared to March 2008. The value of net inventories increased by € 346 million to € 2 422 million. The inventory increase reflects an increase in finished goods as well as the acquisition of Roger Dubuis and exchange rate effects. As a result, the inventory rotation rate has slowed by 2.3 months to 18.7 months. The increase in inventories was partly offset by an increase in current liabilities, largely relating to derivative financial instruments to hedge foreign exchange rates and share option exposures.

At 31 March 2009, net cash amounted to € 822 million. Cash balances were primarily denominated in euros, whereas borrowings were spread across the principal currencies of the countries in which the Group has significant operations, namely, yen, US dollars, Hong Kong dollars and Chinese renminbi. Borrowings reflect the financing of net operating assets in the countries concerned.

Shareholders' equity amounted to € 4 832 million, net of the cost of repurchased treasury shares and related instruments. These treasury shares are held as a hedge against the exercise of executive share options. At 31 March 2009, the Group held 17.5 million treasury shares, representing 3.4 per cent of the total number of the 'A' bearer shares in issue, plus the right to acquire a further 3 million shares.

## Proposed dividend

The Board has proposed an ordinary dividend of CHF 0.30 per share. Net of withholding tax at 35 per cent, the net dividend payable will be CHF 0.195 per share.

The reduction compared to the prior year primarily reflects the Group restructuring and the separation from the investment in BAT.

The dividend will be payable following the Annual General Meeting, which is scheduled to take place on Wednesday, 9 September 2009. The currently anticipated dividend payment dates are as follows:

'A' share dividend: Monday, 14 September 2009. The dividend in respect of Richemont 'A' shares is payable in Swiss francs.

South African Depository Receipt dividend: Friday, 25 September 2009. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon status, be payable in Swiss francs to non-CMA residents.

## Business structure and strategy

Compagnie Financière Richemont SA is the ultimate holding company for some of the world's leading luxury goods companies, encompassing jewellery, watches, writing instruments and other luxury products.

The Group's luxury businesses operate globally and are structured in four main business areas, each focusing on a specific aspect of

the business – jewellery, watches, writing instruments and leather and accessories. A fifth business area includes smaller businesses and component manufacturing activities.

The Group's largest market is Europe, which generated 44 per cent of sales during the year under review. Details of sales by geographic region are given on page 33 of this report. The Group believes the diversity of its geographical operations, with a lack of dependency on any one market, represents a long-term competitive advantage.

Maintaining and enhancing the tradition, heritage and character of the Maisons is critical to ensuring the future development and success of the Group. Product quality is paramount. Each Maison also focuses on increasing awareness and desirability by developing creative products and marketing programmes and anticipating future market trends. The Maisons' products are sold through a network of boutiques owned by the Group, through franchise operations and through boutiques owned by third parties.

## Factors affecting results

The Group's products can be considered discretionary purchases. Declining confidence in local or international economies can therefore impact consumer spending. Global events such as regional conflicts, terrorism, disease and natural disasters may also affect the consumer's willingness to purchase luxury products.

The products sold by Group companies rely on the considerable skill and craftsmanship of their employees and on the availability of components from suppliers. Suppliers, likewise, are dependent on the availability of skilled labour. The recruitment, training and retention of craftsmen is therefore a long-term investment, both for the Group and its suppliers.

Attracting and retaining creative, management and craft talent are critical to the Group in meeting its long-term objectives. The Group has developed global human resources strategies in concert with the Maisons and the regional platforms to attract, retain and motivate talented individuals. Performance objectives are established between the Group, Maisons and platforms and are reviewed annually.

The Maisons manufacture their products in western Europe, primarily in Switzerland, France and Germany. Some 56 per cent of Group sales are made outside Europe, exposing the Group to significant foreign exchange risk. Fluctuations in exchange rates may be compensated by the pricing applied to products. The Group also uses a variety of short-term and long-term hedging strategies to further safeguard its assets and operational cash flows against such risks. The gross exposure to sales in these foreign currencies is partly offset by local operating costs and, in the case of the US dollar, purchases of diamonds, gemstones and precious metals. Short-term strategies include the twelve-month forward sale of foreign currencies, particularly the US dollar, the Hong Kong dollar and the Japanese yen, against the Swiss franc and euro. The rolling twelve-month programme aims to hedge forward some 70 per cent of the Group's forecast net exposure in these key currencies. Longer-term hedging strategies include borrowing in local currency to finance local assets.

Labour and other production costs represent the principal element of the Group's cost of sales. Raw material costs are an important element. Prices of precious stones, gold and other materials vary, dependent on international market prices.

Whilst short-term foreign currencies and manufacturing cost fluctuations may be absorbed, the Group seeks to maintain its margins through price adjustments, wherever possible, to reflect the impact of more sustained movements in foreign exchange rates.

Up to 20 October 2008, the Group equity accounted its interest in BAT, an associated undertaking. In the consolidated financial statements, that former interest is now presented as a discontinued operation.

## Critical accounting policies and estimates

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The accounting policies are presented in full on pages 60 to 67 of this report. The following are the critical accounting policies requiring significant judgements and estimates.

Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale. Sales returns amount to some 3 per cent of gross sales. At the time of sale, the Group also records estimates for a variety of sales deductions, including target bonuses, early payment discounts, commissions related exclusively to wholesale sales and other incentives. Target bonuses and third-party commissions relate to negotiated programmes with the wholesale trade and are generally accrued as a percentage of gross sales. Early payment discounts, which vary based on region, are offered to encourage prompt payment of trade balances. The Group records these deductions based on management's best estimates of individual programmes in the individual regions. The difference between gross and net sales is historically 1 per cent of gross sales.

The Group provides for income tax it expects to pay on its profits. Operating throughout the world, it is subject to differing tax codes and administrative practices. Amounts provided are based on management's interpretation of country-specific tax rules.

In accordance with IFRS, goodwill represents the excess of the cost of a business combination over the fair value of the identifiable net assets of the acquired business at the date of acquisition. Goodwill is subject to an annual impairment review. The recoverable amount of goodwill is determined by discounting the future cash flows generated from the continuing use of the Maison to which the goodwill is allocated. The intellectual property rights relating to trade names associated with the Group's principal Maisons are not reflected in the Group's consolidated balance sheet, however, as these rights were carried at nil in the Group's balance sheet prior to the adoption of IFRS in 2005.



**RICHARD LEPEU**  
GROUP FINANCE DIRECTOR  
COMPAGNIE FINANCIÈRE RICHEMONT SA  
GENEVA, 14 MAY 2009

# Corporate responsibility

Richemont has a long-standing commitment to doing business responsibly. Building trust in our Maisons, our operating companies and brands, lies at the heart of the way we work.

We are operating in a difficult economic climate and we must take steps to manage the impact of the economic slowdown on the Group. This must not be to the detriment of our long-term goals and strategy. It is these that will determine our future success. Corporate responsibility remains a priority for Richemont.

## A COMMON FRAMEWORK

The Group's activities are guided by a common framework that reflects our values. The framework helps Richemont managers, employees, suppliers and associates to understand our expectations. It informs how we treat our stakeholders as well as the natural environment.

The framework includes our Code of Business Ethics and Corporate Social Responsibility Guidelines, as well as codes of conduct for employees, suppliers and for environmental management.

These guidelines may be adopted fully by subsidiary companies or, in agreement with the Group's Corporate Social Responsibility ('CSR') Committee, amended to reflect the operations of individual Maisons.

In 2008/09, we have focused on ensuring that employees and suppliers are aware of and understand our CSR principles and codes of conduct.

## GOVERNANCE

The Group's CSR Committee is chaired by the Director of Corporate Affairs. It guides the corporate responsibility activities of the Group, considers external developments, CSR risks and opportunities and shares good practice within the Group.

Compliance with our guidelines is monitored through the internal audit function. External consultants may also be used to evaluate performance and to provide an independent point of view.

## EXTERNAL CONTEXT

Richemont's CSR strategy must evolve to meet new challenges and the growing expectations of society and investors. We have methodologies in place to track these expectations, and engage in ongoing dialogue with investors, our peers and Non-Governmental Organisations.

## RICHEMONT PEOPLE

Richemont directly employs over 19 500 people. Two-thirds of the employees are based in Europe where most of the manufacturing takes place. A quarter of employees are based in the Far East, in retail, distribution, after sales service and administrative functions. The Americas region is the third significant area of employment.

### Training

Training is a key component of our Maisons' success. The quality and longevity of our goods relies on highly skilled craftspeople, and our customer satisfaction on passionate retail staff.

Training is fully integrated in the performance and development appraisal process for all staff.

Many of our Maisons have established dedicated training academies and/or operate training schemes – either independently or together – with industry or government sponsored programmes to train apprentices to be the next generation of craftspeople.

We continue to support The Creative Academy, which offers students a Masters programme in Arts in Design. In 2009, the school welcomed 21 students as its sixth cohort. Further information on The Creative Academy can be obtained at [www.creative-academy.com](http://www.creative-academy.com)

In 2008/09, our new training facility in Dallas, Texas was launched in collaboration with the Watchmakers of Switzerland Training and Education Programme ('WOSTEP'), was officially accredited by the state. We are working to develop a similar facility in Hong Kong which will teach watch repairing skills.

### Health and safety

The Group recognises its responsibility for the health, safety and well-being of employees. The law provides us with the minimum standards to follow, and each Maison takes responsibility for putting these standards into practice. The Health and Safety Committee is chaired by the Group's Manufacturing Director, who reports regularly to the Audit Committee and Board of Directors. All employees are encouraged to contribute towards developing safer working practices.

## SUPPLY CHAIN

Responsible practice within the supply chain is a key issue for Richemont. The full supply chain often lies beyond our direct control, so we seek to influence the ethical, social and environmental behaviour of suppliers both as challenging partners and by collaborating with peers.



Our model Supplier Code of Conduct formalises our expectations of suppliers and partners. The code includes elements of international labour standards and asks suppliers to comply with Richemont's Environmental Code of Conduct. The code also addresses issues including animal testing, preservation of endangered species, conflict-free diamonds and responsible gold procurement.

The code is a Group document which Maisons can customise to increase its relevance and effectiveness. The code should ensure high standards and generate actions for improvement. Compliance with the code is a part of normal commercial practice and Richemont may terminate supplier contracts where the code is violated.

Some Maisons engage third parties to audit suppliers' compliance with the code. Over 40 such audits were conducted in 2008/09. As always, some areas for improvement were identified. These are followed up as part of the ongoing supplier relationship.

#### **Responsible Jewellery Council**

The Responsible Jewellery Council ('RJC') was established in 2005 to promote responsible ethical, human rights, social and environmental practices in the gold and diamond supply chains. The RJC was built on the belief that these issues can be best addressed as a collaborative effort.

Cartier was one of the 15 founding members and today the RJC has grown to include over 80 members from mining houses to retail, including Van Cleef & Arpels, Piaget, Montblanc, Jaeger-LeCoultre and Baume & Mercier.

In 2008, the RJC developed the RJC certification system which will apply to all of its members' businesses that contribute to the diamond and gold jewellery supply chain. Under the RJC system, all commercial members of the RJC must be audited by accredited, third-party auditors to verify compliance with the RJC's Code of Practices. The RJC will begin operating its system during 2009.

Further information on the RJC can be obtained at [www.responsiblejewellery.com](http://www.responsiblejewellery.com)

#### **ENVIRONMENT**

Our business does not have major, direct environmental impacts but we must seek to reduce those impacts that we do have. Our Environmental Code of Conduct is built on internationally recognised standards for environmental management. It covers universal issues such as energy and water use and industry-specific issues such as the environmental impacts of leather product production.

#### **Climate change**

Climate change is one of the biggest single environmental issues for our planet. We are committed to playing our part in tackling it. We continued to improve the measurement of our carbon emissions, estimated at 65 500 tonnes for 2008/09 a decrease of 3 per cent from the prior year. This has been achieved to some extent by sourcing electricity from 'green' suppliers.

This year, we have challenged our companies to reduce their emissions, and have particularly encouraged initiatives which also reduce cost.

The Group committed to be carbon neutral by 2009. For the first year we purchased carbon offsets equivalent to our 2007/08 emissions. These offsets have been and will continue to be delivered during 2009. We have re invoiced the cost of the offsets to the main emitters to increase awareness and to encourage efforts to decrease emissions.

#### **Biodiversity**

Our direct impact upon biodiversity is low; and we decrease it further by reducing our impact on climate change and careful disposal of waste products.

As users of leather and other animal products, we adhere to the Convention on International Trade in Endangered Species ('CITES') to minimise any adverse effects on biodiversity through our product sourcing.

#### **COMMUNITY**

Richemont is committed to the communities within which it operates. Our Maisons regularly support art and cultural programmes that reflect their historical background and the nature of their products, together with global and local community programmes.

Globally, Richemont supports Laureus Sport for Good. Art and cultural programmes include Cartier Fondation pour l'Art Contemporain and Montblanc de la Culture Arts Patronage Award.

In 2008/09, our community expenditure was € 20 million, an increase of over 40 per cent compared to last year.

#### **2009 Corporate Responsibility Report**

For further details on each of the topics mentioned here, please access Richemont's full annual corporate responsibility report on the Group's website at [www.richemont.com/csr](http://www.richemont.com/csr)

# Corporate governance

## GENERAL PRINCIPLES

Richemont is committed to maintaining a high standard of corporate governance. It subscribes to the principles laid down in the Swiss Code of Best Practice for Corporate Governance published by 'economiesuisse', the Swiss Business Federation. It also adheres to the requirements of the 'Directive on Information Relating to Corporate Governance' ('DCG'), issued by SIX Swiss Exchange. In addition to Swiss law, the Group complies with the listing requirements of SIX Swiss Exchange, which embody the relevant aspects of the European Union Prospectus Directive, Market Abuse Directive and Transparency Directive. Those requirements were amended on 4 May 2009 following the transfer of trading from SWX Europe to SIX Swiss Exchange. It also complies with the rules of the Johannesburg stock exchange, to the extent that they apply to companies with secondary listings there.

The Group's corporate governance principles and practices are reviewed by the Audit Committee and the Board on a regular basis in the light of prevailing best practices.

The Group's principles of corporate governance are embodied in the statutes of Compagnie Financière Richemont SA, in its Corporate Governance Regulations and in the terms of reference of the Audit, Compensation, Nomination and Management Committees of the Compagnie Financière Richemont SA Board. The Corporate Governance Regulations are available on the Group's website.

This section of the annual report follows the recommendations of SIX Swiss Exchange's DCG. Headings follow the format of the DCG and cross-references to other sections of the report are provided where appropriate. In certain instances, where the issues contained in the directive do not apply to Richemont or where the amounts involved are not material, no disclosure may be given.

## 1. GROUP STRUCTURE AND SIGNIFICANT SHAREHOLDERS

### Structure

Compagnie Financière Richemont SA is a Swiss company with its registered office at 50, chemin de la Chênaie, CH 1293 Bellevue, Geneva ('the Company'). The Board of Compagnie Financière Richemont SA is the Group's supervisory board, composed of a majority of non-executive directors.

From the Company's formation in 1988 until 20 October 2008, shares in Compagnie Financière Richemont SA were indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, Luxembourg to form Richemont equity units. In November 2007, the Company announced that it was studying plans which might lead to a separation of its luxury goods operations from its other interests. These plans were developed and described in detail in an Information Memorandum dated 15 August 2008. As a consequence of these plans, which were approved at Extraordinary General Meetings of the respective

companies' investors in October 2008, the two previously twinned companies' statutes were amended and the shares and participation certificates were de-twinned on 20 October. As a consequence of the de-twinning, the Company's interests in luxury goods were separated from its interests in British American Tobacco plc ('BAT') from that date and Reinet Investments SCA (formerly Richemont SA, Luxembourg) became an independent enterprise with assets comprising the Company's former interest in BAT, as well as € 351 million in cash and certain other assets not related to luxury goods. On the same date, the former participation certificates of Richemont SA, Luxembourg were converted to ordinary shares and have been traded, in the name of Reinet Investments SCA ('Reinet'), on the Luxembourg stock exchange (ISIN: LU0383812293) from 21 October 2008. Whilst certain Richemont executives continue to be involved in the management of Reinet, the Company does not participate in Reinet's management decisions.

Other than in respect of the de-twinning, the Company's 1 044 000 000 shares were not directly impacted by the changes summarised above. In the remainder of the corporate governance report, references to these shares should be interpreted as meaning twinned Richemont equity units up to and including 20 October 2008.

The luxury goods businesses in the Group operate in five identifiable main business areas: (i) jewellery, (ii) specialist watchmaking, (iii) writing instruments, (iv) leather and accessories and (v) other businesses. Each of the Maisons in the Group enjoys a high degree of autonomy, with its own management group under a chief executive officer. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services in terms of distribution, finance, legal and administration services.

Details of the principal companies within the Group, are set out in note 38 to the consolidated financial statements on page 106 of this report. The market capitalisation and ISIN number of the Richemont 'A' shares are given in section 2 of the corporate governance report, which deals with the capital structure.

### Compagnie Financière Rupert

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1 per cent of the equity of the Group and controlling 50 per cent of the voting rights at the level of Compagnie Financière Richemont SA. Mr Johann Rupert, the Executive Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Jürgen Schrempp and Mr Ruggero Magnoni, both non-executive directors of Compagnie Financière Richemont SA, and Mr Jan Rupert, an executive director of the Company, were appointed as partners of Compagnie Financière Rupert in 2006.



Compagnie Financière Rupert does not hold any Richemont 'A' shares. Trusts and other entities in the shareholding structure above Compagnie Financière Rupert have indicated to the Company that they, together with parties closely related thereto, held a total of 162 664 'A' shares, or the equivalent thereof in the form of Depositary Receipts, as at 31 March 2009.

#### Other significant shareholders

Public Investment Corporation Limited ('PIC'), Pretoria, South Africa notified the Company on 22 February 2008 that accounts under its management held Richemont South African Depositary Receipts equivalent to 32 633 436 'A' units, now shares, in Compagnie Financière Richemont SA. At that date, PIC's holding indirectly represented 3.13 per cent of the voting rights at the level of Compagnie Financière Richemont SA.

On 30 March 2009 Richemont Employee Benefits Limited, an indirectly held subsidiary, notified the Company that it had acquired shares and the right to acquire further shares equivalent to 34 144 378 'A' shares or 3.27 per cent of the Company's voting rights. The shares and rights were acquired to hedge liabilities arising from the Group's stock option plan.

As at the date of this report, the Company has received no other notifications of significant shareholdings representing in excess of 3 per cent of the voting rights.

Changes in significant shareholdings are promptly notified to SIX Swiss Exchange. From January 2009, SIX Swiss Exchange simultaneously publishes such notifications on its website.

#### Cross shareholdings

Richemont does not hold an interest in any company which is itself a shareholder in the Group.

## 2. CAPITAL STRUCTURE

### Shares

There are 522 000 000 'A' bearer shares and 522 000 000 'B' registered shares in issue. Richemont 'A' bearer shares are listed and traded on SIX Swiss Exchange. Until 3 May 2009, the shares were traded on SWX Europe; from 4 May 2009, trading was transferred to SIX Swiss Exchange. The 'B' registered shares are not listed and are held by Compagnie Financière Rupert, as detailed above. Each 'A' bearer share has a par value of CHF 1.00 and each 'B' registered share has a par value of CHF 0.10. Further details are given in note 17 to the consolidated financial statements on page 83 of the annual report, including the twinning of shares with participation certificates in Richemont SA, Luxembourg up to 20 October 2008.

Holders of 'A' and 'B' shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, 'B' shareholders receive one tenth of the dividend per share paid to holders of the 'A' shares.

During the three years ended 31 March 2009, the only change to the capital structure has been the de-twinning of 20 October 2008, described in section 1 above.

At 31 March 2009, Richemont's market capitalisation, based on a closing price of CHF 17.78 per 'A' share and a total of 522 000 000 'A' shares in issue, was CHF 9 281 million. The overall valuation of the Group at the year end, reflecting the value of both the listed 'A' shares and the unlisted 'B' shares, was CHF 10 209 million.

Based on the valuation of the underlying assets of the Group at the time the aforementioned restructuring was effected, the luxury businesses owned by Compagnie Financière Richemont SA and therefore represented by the 'A' share were calculated as being 43.7 per cent of the last traded value of the Richemont 'A' units at the close of business on 20 October 2008, the balance of the closing unit price being attributable to the Reinet share. Accordingly, of the actual market closing price of CHF 42.90 per 'A' unit, CHF 18.73 was attributable to the Compagnie Financière Richemont SA 'A' share and the remainder, being CHF 24.17, was attributable to the Reinet share.

The closing price of the Richemont 'A' share on 31 March 2009 was CHF 17.78. Over the preceding year, the highest closing price of the 'A' share was CHF 30.04 (CHF 68.80 for the former 'A' unit) on 19 May 2008, and the lowest closing price of the 'A' share was CHF 14.23 on 3 March 2009.

The ISIN of Richemont 'A' shares is CH0045039655 and the Swiss 'Valorennummer' is 4503965. To 20 October 2008, the ISIN of Richemont 'A' units was CH0012731458 and the Swiss 'Valorennummer' was 1273145.

### Dividend

In respect of the financial year ended 31 March 2009, a dividend of CHF 0.30 per share has been proposed.

### Unit and share buy-back programmes

Over the course of the period from March 1999 to 31 March 2009, the Group has repurchased a total of 34 552 934 'A' units and 3 649 884 'A' shares through the market in support of unit- and share-based compensation plans for executives.

In February 2004, the Board of Compagnie Financière Richemont SA approved the buy back of 10 million 'A' units over the period to February 2006. That programme was subsequently extended to February 2008. In May 2008, the Board approved a new programme to buy back a further 10 million 'A' units over the period to May 2010, with the proviso that the authority would extend to 10 million 'A' shares in the event of a de-twinning of the units. The 10 million 'A' units or shares represent 1.74 per cent of the capital of the Group and 0.96 per cent of the voting rights of Compagnie Financière Richemont SA.

During the period to 20 October 2008, the Group repurchased 1 706 974 'A' units through the exercise of over-the-counter call options; these purchases are reflected in the aggregate figure of 34 552 934 units referred to above. Following the restructuring of 20 October 2008, the Group repurchased 3 649 884 'A' shares in the market. The Group continued to hedge its obligations under the Richemont unit-based and, subsequently, share-based compensation plan by converting existing over-the-counter call options and purchasing further over-the-counter call options. Consequently, at 31 March 2009, the Group held over-the-counter call options over 13 612 223 'A' shares. Taking into account the exercise of options by executives during the course of the year, the balance of 'A' shares held in treasury at 31 March 2009 was 17 529 155 shares. At that date, the Group also held a forward purchase agreement in respect of 3 000 000 'A' shares, the cost of which is reflected in the reserve for treasury shares. Details of the Group's stock option plan are set out in section 5 of this report and in note 34 to the consolidated financial statements

on page 103. The operating expense charged to the income statement in respect of the fair value of options granted to executives during the year under review is set out under the heading 'Stock option plan' on page 103 of this report.

When 'A' shares or 'A' units are bought back, a reserve for treasury units, equal to the cost value of the shares or units purchased in the market, is established as an element of shareholders' equity in the consolidated balance sheet. As shares or units are sold as a consequence of the exercise of options by executives, the reserve is correspondingly reduced. During the year under review, the reserve for treasury shares decreased by a net € 73 million as a consequence of the repurchase of 'A' shares and units, as described above, the conversion of units to shares and the related treatment of shares held in other companies, partly offset by the exercise of options by executives and the consequent delivery of 'A' shares and units from the Group to those executives. Further details are given in notes 17 and 34 to the consolidated financial statements.

On 13 May 2009, the Board approved the buy-back of a further 5 400 000 'A' shares through the market over the period to May 2011, being an extension of the existing programme. The extended programme allows for the buy-back of up to 10 million 'A' shares over the next two years, representing 1.74 per cent of the capital and 0.96 per cent of the voting rights of the Company.

#### **Voting rights**

Holders of Richemont shares may attend and vote at meetings of shareholders of Compagnie Financière Richemont SA. They may attend in person or may appoint the Company or a third party to represent them at the meeting.

There is no limit on the number of shares that may be held by any given party nor any restriction on the voting rights attaching to those shares.

Richemont 'A' and 'B' shares have equal rights to share in the dividends and capital of the Company: 'B' shareholders are entitled to receive 10.0 per cent of the dividend per share paid to 'A' shareholders and 9.1 per cent of the Company's capital.

However, despite the differing nominal values of the 'A' and 'B' shares, each 'B' share conveys the same right, in normal circumstances, to vote at meetings of shareholders as each 'A' share. Richemont 'B' shares therefore control 50 per cent of the votes at shareholder meetings. The 'B' registered shares are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions relating to the objects of the Company, its capital structure, the transfer of its registered office or its dissolution require the approval of two thirds of the shares represented and an absolute majority of the nominal share capital.

#### **Statutory quorums**

The general meeting of shareholders of Compagnie Financière Richemont SA is the ultimate decision-making forum of the Company. Resolutions of the general meeting are generally passed by an absolute majority of the votes represented at the meeting. As detailed above, certain resolutions may require the approval of two-thirds of the shares represented at the meeting and an absolute majority of the nominal share capital.

The Annual General Meeting in respect of the financial year ended 31 March 2009 will be held on 9 September 2009 at the Mandarin Oriental Hotel, Geneva. The agenda for that meeting is set out on page 116 of this report. The notice period and agenda in respect of the meeting follow the requirements of Swiss company law. Holders of a minimum of one million 'A' shares, which reflects a holding of 'A' shares in Compagnie Financière Richemont SA with a nominal value of CHF 1 million, may request that an item be placed on the agenda for the meeting. Such requests must be submitted, in writing, at least 20 days in advance of the deadline for publication of the formal notice convening the meeting.

#### **South African Depository Receipts**

Richemont Securities AG, previously a wholly-owned subsidiary of Compagnie Financière Richemont SA and now owned in equal part by Compagnie Financière Richemont SA and Reinet Fund SCA, acts as Depository for the issuance, transfer and cancellation of Richemont South African Depository Receipts ('DRs'), which are traded on the Johannesburg stock exchange operated by JSE Limited. DRs trade in the ratio of ten DRs to each Richemont 'A' share. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities AG, as Depository, and Compagnie Financière Richemont SA, as issuer.

In its capacity as Depository, Richemont Securities AG holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities AG's interest in the 'A' shares that it holds is therefore non-beneficial. At 31 March 2009, Richemont Securities AG held 202 787 387 Richemont 'A' shares, representing some 39 per cent of the 'A' shares, in safe custody in respect of DRs in issue.

Dividends received by Richemont Securities AG are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities AG and remitted to the holders of DRs. Non-South African resident holders of DRs may receive the dividends in Swiss francs, subject to their residence status.

Holders of DRs issued by Richemont Securities AG are not entitled to attend the shareholders' meeting of Compagnie Financière Richemont SA or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Richemont Securities AG, which then represents the holders as their proxy at the Annual General Meeting.

#### **Transferability of shares**

Richemont's listed 'A' shares are issued in bearer form. They are issued in the form of a permanent global certificate. Each shareholder retains a pro rata interest in the relevant permanent global certificate, which remains in safekeeping with SIS SegalInterSettle AG. Shareholders do not have the right to request the printing and delivery of individually certificated shares. Individual share certificates may, however, be printed and delivered, or otherwise permitted, if considered appropriate by the Company. There are no restrictions on transfers of shareholdings.

Transfers of the unlisted 'B' registered shares in Compagnie Financière Richemont SA, which are held solely by Compagnie Financière Rupert, must be approved by the Board of Directors of the Company.

### 3. BOARD OF DIRECTORS

#### Responsibilities and membership

The Board of Directors of Compagnie Financière Richemont SA ('the Board') is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business. The Board is responsible for the preparation of the financial statements of the Company and of the Group and for the organisation of shareholder meetings.

The Board is composed principally of non-executive directors with diverse professional and business backgrounds. Seven nationalities are represented on the Board, which was composed of 15 members at 31 March 2009. Board members are elected at each year's Annual General Meeting for a term of one year. All directors are eligible to stand for re-election each year, details of nominations being given in the notice of the Annual General Meeting published on page 116 of this report and in the press. The proposal to the Annual General Meeting is that the Board be elected on an individual basis. There is no restriction on the number of times a director may seek re-election and no formal age limit for directors.

In terms of its regular business, the Board generally meets for half a day to a full day, five times per annum. Further meetings on specific topics are held on an ad hoc basis. As part of its schedule of meetings, the Board meets with executive management for two days each year to review the strategic direction of the Group's businesses. During the period from 1 April 2008 to 31 March 2009, the Board held six meetings. These included a two-day meeting with senior management of certain Maisons at which brand strategy, marketing plans and new products were presented. The Executive Chairman, Group Chief Executive Officer and Group Finance Director establish agendas for meetings of the Board. Financial reports and supporting information in respect of agenda items are circulated to members of the Board in advance of each meeting. Directors may ask that an item be placed on the agenda for any meeting.

Three directors of the Management Committee – the Director of Corporate Finance, the Director of Corporate Affairs and the Lead Counsel and Chief Intellectual Property Counsel – regularly attend Board meetings. Other members of senior management may be invited to attend periodically to address specific subjects. The Board may invite external counsel and specialists to attend meetings.

#### Board Committees

In terms of the Group's framework of corporate governance, the Board of Compagnie Financière Richemont SA has established an Audit Committee, a Compensation Committee and a Nominations Committee. The composition of these Committees is indicated in the biographical notes on Board members set out below. In addition to these Committees of the Board, the Group's senior management are members of the Management Committee, formerly the Board of Richemont SA, Luxembourg.

Each Committee has its own written Charter outlining its duties and responsibilities and a Chairman elected by the Board. The

Chairman of each Committee presents a summary of the proceedings of each Committee meeting to the Board. All Committees of the Board are entitled to invite members of senior management and external specialists to attend meetings for specific matters on an ad hoc basis.

#### Audit Committee

The four members of the Audit Committee are non-executive directors. The Group Finance Director attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditors.

Meetings of the Audit Committee are held at least three times per annum and have a typical duration of half a day. During the year ended 31 March 2009, meetings took place on four occasions. During the course of each of these meetings, the Audit Committee met with the external auditors *in camera*.

The Audit Committee's principal tasks are to:

- satisfy itself that the consolidated financial statements follow approved accounting principles and give a true and fair view of the Group's financial position and results;
- recommend to the Board the appointment, reappointment or dismissal of the external auditors and keep under review their independence and objectivity as well as their level of compensation;
- examine and review, with both external and internal auditors, the adequacy and effectiveness of the Group's management information systems as well as accounting, financial and operational controls;
- oversee the effectiveness of the Group's Internal Audit function and to liaise with the Head of Internal Audit on all matters of significance arising from the department's work;
- oversee the adequacy and effectiveness of risk management practices in the Group and advise the Board on its responsibility to perform regular risk assessments;
- examine and review the adequacy, effectiveness and integrity of the processes to assure the Group's compliance with all applicable laws and regulations; and
- ensure compliance with the Group's internal Corporate Governance Regulations, including the Code of Conduct for Dealings in Securities, and its commitment approval procedures.

The Chairman of the Audit Committee reports the findings of each Committee meeting to the Board and makes recommendations to management on behalf of the Board.

The Company has a centralised risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact and subsequently prioritised by Group Management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Board of Directors and the Audit Committee.

*Section 3 of the corporate governance report continues on page 47*



# Board of directors of Compagnie Financière Richemont SA



**Johann Rupert**  
Executive Chairman  
South African, age 59

Mr Rupert was appointed to the Board in 1988 and has served as Executive Chairman of Compagnie Financière Richemont SA since 2002. He is Chairman of the Nominations Committee, the Strategic Product and Communication Committee, the Chairman's Committee and the Group's Management Committee.

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa and has had an extensive career in international business, banking and finance. After working for the Chase Manhattan Bank and Lazard Frères in New York he founded Rand Merchant Bank in 1979. In 1985 he joined the Rembrandt Group. Three years later he founded Richemont and became Group Chief Executive. Appointed as Executive Chairman in September 2002, he served as Group Chief Executive Officer during the period from October 2003 to September 2004. He is Chairman of Reinet Investments Manager SA, the management company of Reinet Investments S.C.A., Non-Executive Chairman of Remgro Limited and of VenFin Limited, and the Managing Partner of Compagnie Financière Rupert.

The University of Stellenbosch awarded him an honorary doctorate in Economics in 2004. He is Chairman of the Peace Parks Foundation and a Trustee of the Nelson Mandela Children's Foundation.



**Jean-Paul Aeschimann**  
Deputy Chairman  
Swiss, age 75

Since 1988, Maître Aeschimann has served as Non-Executive Deputy Chairman. He is Chairman of the Audit Committee and a member of the Compensation and Nominations Committee.

Maître Aeschimann graduated in law from the University of Neuchâtel, studied at Harvard University and has been admitted to the Bar of Geneva. He is a practising lawyer and is Counsel to Lenz & Staehelin, based in Geneva. He serves as Vice-Chairman and Chairman of the Audit Committee of the Board of Barclays Bank (Suisse) SA as well as director of a number of Swiss subsidiaries of international groups.

Lenz & Staehelin acts as legal counsel to Richemont and to Compagnie Financière Rupert and Maître Aeschimann is the Special Auditor of Compagnie Financière Rupert.



**Norbert Platt**  
Group Chief Executive Officer  
German, age 62

Mr Platt was appointed to the Board in September 2005.

He graduated with a BSc in precision mechanical engineering from the University of Frankfurt/Main and has studied business and management topics at Harvard Business School and at INSEAD. He worked for a number of years in the field of precision instruments, working with Rollei in Germany and internationally, becoming CEO of Rollei Singapore and Managing Director of Rollei Fototechnik in Germany.

He joined Montblanc in 1987 and was President and CEO of Montblanc International. Mr Platt was elected to the former Board of Richemont SA, Luxembourg in 2000 and appointed Group Chief Executive Officer with effect from October 2004. He remains a member of the management board of Montblanc International Holding and is Non-Executive President of Montblanc International and a member of the Group's Management Committee.



**Richard Lepeu**  
Group Finance Director  
French, age 57

Mr Lepeu was appointed to the Board in September 2004.

He is a graduate of the Institut d'Etudes Politiques de Paris and the Université de Sciences Economiques de Paris X. He worked in international corporate finance before joining Cartier in 1979 as assistant to the President. Within Cartier, he was appointed Company Secretary in 1981 and became Director of Finance and Administration in 1985 before being appointed Chief Executive in 1995. He served as Chief Operating Officer of Richemont from April 2001 until his appointment as Group Finance Director in May 2004. He is a member of the Chairman's Committee and the Group's Management Committee.

Mr Lepeu is also President of Richemont France and a member of the Boards of Richemont Japan and Richemont North America.



**Franco Cologni**  
Italian, age 74

Dr Cologni was appointed to the Board in 2002 and now serves as an advisor to the Executive Chairman. He provides strategic input to the Maisons and is a regular contributor to the Strategic Product and Communication Committee.

He is a graduate of the University of Milan, where he later became a professor. As a writer, he has published several books and articles, in particular on luxury goods, jewellery and watches, and is the publisher and editor-in-chief of the 'Cartier Art' magazine. He joined Cartier in 1969 and served as Managing Director and Chairman of Cartier International. Dr Cologni has also been closely involved with the Group's watchmakers and since 2005 has served as Chairman of the Fondation de la Haute Horlogerie in Geneva. He is founder of The Creative Academy, which offers Masters degrees in design and creative management. He is also founder and Chairman of the non-profit institution Fondazione Cologni dei Mestieri d'Arte, established in Milan in 1995.



**Lord Douro**  
British, age 63

Lord Douro has served as a Non-Executive Director since 2000. He is a member of the Nominations Committee.

Lord Douro holds an MA degree from Oxford University. He has broad experience in banking and finance, serving as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is a director of Sanofi-Aventis and of Pernod Ricard and Abengoa Bio Energia. He is a senior advisor to the Crédit Agricole Group and Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.

From 1990 to 1993 he was Chairman of Dunhill Holdings and from 1993 to 1998 Deputy Chairman of Vendôme Luxury Group, both former subsidiaries of the Group. Since 1998 he has served as Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests and provides consultancy services to the Group.



**Yves-André Istel**  
American, age 73

Mr Istel was appointed to the Board in 1990. A Non-Executive Director, he is a member of the Audit Committee, the Nominations Committee and the Compensation Committee.

Mr Istel graduated from Princeton University and has had an extensive career in investment banking. He was Managing Director of Lehman Brothers from 1977 to 1983, Co-Chairman of First Boston International from 1984 to 1988, Chairman of Wasserstein Perella & Co International from 1988 to 1992 and Vice Chairman of Rothschild Inc from 1993 to 2002. He is currently Senior Advisor to Rothschild Inc.

Mr Istel is Chairman of the Board of Overseers of Reinet Investments S.C.A.; a Non-Executive Director of Imperial Sugar Company and a member of its Audit and its Nominating & Governance Committees; a director of Analog Devices, Inc. and member of its Governance Committee; a Non-Executive Director of Tiedemann Trust Company; and a member of Healthpoint Partners LLC's Advisory Board.

Mr Istel is Chairman of the Advisory Board of the Remarque Institute and the Center for French Civilisation and Culture, New York University, as well as the European Institute and the Fondation Saint-John Perse. He is a member of the Economic Club of New York and the Bretton Woods Committee.



**Ruggero Magnoni**  
Italian, age 58

Mr Magnoni was elected as Non-Executive Director in 2006 and is a member of the Audit and Nominations Committee. In 2006 he also became a partner of Compagnie Financière Rupert.

Mr Magnoni graduated from Bocconi University, Italy and holds an MBA from Columbia University, USA.

Mr Magnoni joined Lehman Brothers in 1977 and held a number of senior roles across that firm's international activities. From 1987 to 1994, he was responsible for Lehman Brothers' activities in Italy. In 2000, Mr Magnoni became Head of the European Private Equity division and Vice Chairman of Lehman Brothers Inc. and in 2002, Chairman of Lehman Brothers International Italy. Since October 2008, Mr Magnoni has been Chairman of Nomura International plc's Investment Banking division for Europe, Middle East and Africa.

Mr Magnoni is a member of the Board of Overseers of Reinet Investments S.C.A., Chairman of the Board of Spumador SpA and a member of the boards of Omniainvest SpA and 422 BV. He is a founding investor in Sopaf SpA and Hanseatic Americas Limited and is involved with various philanthropic activities, amongst them, Fondazione Laureus Italia. He is a member of the Campaign Board of Bocconi University in Milan.



**Simon Murray**  
British, age 69

Mr Murray became a Non-Executive Director in 2003 and is a member of the Nominations Committee.

He was educated at Bedford School in England and attended SEP Stanford Business School in the United States. He began his business career at Jardine Matheson, with ultimate responsibility for the company's engineering and trading operations, as well as holding directorships in various affiliated companies. In 1980, he formed his own project advisory company involved primarily in financing capital-intensive engineering projects in the Asia-Pacific region. In 1984 he became the Group Managing Director of the Hong Kong-based conglomerate Hutchison Whampoa, leading that company's entry into the mobile telecommunication business and developing its energy business. He joined Deutsche Bank Group as Executive Chairman Asia-Pacific in 1993, supervising the Group's operations in the region.

In 1998 he founded Simon Murray & Associates and its subsidiary GEMS (General Enterprise Management Services Ltd), a private equity investment management company. Mr Murray is a director of Vodafone Group, UK and Cheung Kong (Holdings) Limited, Hong Kong.



**Alain Dominique Perrin**  
French, age 66

Mr Perrin has served as Executive Director on the Board of Compagnie Financière Richemont SA since 2003.

He is a graduate of the Ecole des Cadres et des Affaires Economiques, Paris (E.D.C.). He joined Cartier in 1969, assuming a series of roles and serving as President of Cartier International SA between 1981 and 1998. Mr Perrin was Chief Executive of Richemont SA, Luxembourg from 2001 to 2003, overseeing the Group's luxury goods businesses from 1999 to 2003. He was responsible for the creation of the Fondation Cartier pour l'Art Contemporain in Paris and the launch of the annual Salon International de la Haute Horlogerie.

Mr Perrin serves on the management committees of a number of non-profit organisations. He is President of the Ecole de Dirigeants et Créateurs d'entreprise (E.D.C.) and President of the European Foundation for Management Development (E.F.M.D.), which delivers EQUIS and EPAS accreditations to business schools and universities around the world. Mr Perrin is also President of the Fondation Cartier pour l'Art Contemporain and the Jeu de Paume Museum, Paris.



**Alan Quasha**  
American, age 59

Mr Quasha was elected as Non-Executive Director in 2000 and is a member of the Nominations Committee.

He is a graduate of Harvard College, Harvard Business School, Harvard Law School and New York University Law School. After practising law, he moved into commerce and since 1987 has been President of Quadrant Management Inc.

Mr Quasha served as a director of Richemont SA, Luxembourg from 1988 up until his appointment to the Board of Compagnie Financière Richemont SA and was Chief Executive Officer of North American Resources Limited between 1988 and 1998.

He is a member of the Board of Overseers of Reinet Investments S.C.A., Chairman of Carret Asset Management Group LLC, Chairman of HKN Inc., and was a director of American Express Funds from 2002 to 2005. He is a former Governor of the American Stock Exchange, a former Chairman of the Visiting Committee of Harvard University's Weatherhead Centre for International Affairs and is Chairman of the American Brain Trauma Foundation.



**Lord Renwick of Clifton**  
British, age 71

Lord Renwick was appointed to the Board in 1995. He is a Non-Executive Director, Chairman of the Compensation Committee and a member of the Audit and Nominations Committees.

Lord Renwick is a graduate of Cambridge University and served in the British diplomatic service, rising to become Ambassador to South Africa from 1987 to 1991 and Ambassador to the United States from 1991 to 1995. He is currently Vice Chairman, Investment Banking of JPMorgan Europe and of JPMorgan Cazenove.

He is Chairman of Fluor Limited, Deputy Chairman of Fleming Family & Partners and a Trustee of The Economist.



## Board of directors of Compagnie Financière Richemont SA continued



**Jan Rupert**  
Manufacturing Director  
South African, age 53

Mr Jan Rupert was appointed to the Board of Compagnie Financière Richemont SA in 2006 and in the same year became a partner of Compagnie Financière Rupert.

Since joining the Group in 1999, he has held the position of Manufacturing Director, with overall responsibility for the Group's manufacturing strategy. He was appointed to the former Board of Richemont SA, Luxembourg in 2000 and continues to be a member of the Group's Management Committee.

Mr Rupert is a graduate in mechanical engineering from Stellenbosch University, South Africa and has had an extensive career in production management in the tobacco and watchmaking industries. Prior to joining Richemont, he was Manufacturing Director of Rothmans International.



**Jürgen Schrempp**  
German, age 64

Mr Schrempp was elected as a Non-Executive Director in 2003 and is a member of the Nominations Committee. In 2006 he became a partner of Compagnie Financière Rupert.

He holds a Professorship of the Federal State of Baden-Württemberg in Germany, an honorary Doctorate of the University of Graz, Austria, and an honorary Doctorate in Commerce of the University of Stellenbosch, South Africa.

Mr. Schrempp is former Chairman of the Board of Management of DaimlerChrysler. He served as President of Mercedes-Benz of South Africa, President of EUCLID, USA, as well as Chairman of the Board of Management of Daimler-Benz Aerospace. Mr Schrempp was a leading contributor in the creation of EADS (European Aeronautic Defence and Space Company). He became Chairman of Daimler-Benz in 1995. He continues to hold the position of Non-Executive Chairman of Mercedes-Benz of South Africa.

He is the Independent Lead Director of the South African Coal, Oil and Gas Corporation (SASOL), and a Non-Executive Director of South African Airways and Jonah Capital, an investment holding company in South Africa. He is a member of the Board of Overseers of Reinert Investments S.C.A., Luxembourg. He also serves as Deputy-Chairman of Iron Mineral Beneficiation Services, South Africa, and on the Advisory Council of GEMS, a private equity firm. He is Chairman of the Southern Africa Initiative of German Business (SAFRI) and a member of the International Investment Council of the South African President.

Mr Schrempp is Chairman Emeritus of the Global Business Coalition on HIV/AIDS and Honorary Consul-General of the Republic of South Africa. Amongst other distinctions, he is a Commander of the French Legion of Honour and holds South Africa's highest civilian award, the Order of Good Hope.



**Martha Wikstrom**  
American, age 52

A Non-Executive Director, Ms. Wikstrom was appointed to the Board in 2005 and is a member of the Nominations Committee.

Ms Wikstrom is a graduate of the University of Utah and has an extensive background in retailing and the luxury goods industry. From 1981 to 1999, Ms Wikstrom worked with Nordstrom's, one of America's leading specialty retailers, rising from sales person to President of Nordstrom's Full Line Store Group. Ms Wikstrom was formerly Managing Director of Harrods Limited and a Director of Harrods Holdings Limited and Harrods Estates. She also held positions as interim CEO and Board Director of Kurt Geiger Limited. She is a founding partner of Atelier Management, LLC, an investment company specialising in the acquisition and development of luxury brands in which Richemont is the principal investor.

Ms Wikstrom sits as Chairman of the Board of Harrys of London Limited and is a Director of Space NK Limited and Columbus VC Limited, a subsidiary of Reinert.

#### Compensation Committee

The Compensation Committee comprises three non-executive directors. To assist it in its deliberations it may draw on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary but at least twice per annum and typically last one to two hours. The Executive Chairman and Group Finance Director regularly attend meetings of the Compensation Committee. During the year under review, the Committee met on five occasions.

The purpose of the Committee is to advise the Board of Compagnie Financière Richemont SA in all aspects of compensation policy insofar as it relates to members of the Board of Directors, the Management Committee and senior executives and to establish a framework for the compensation of executive management. The Committee is responsible for setting the compensation of the non-executive directors and the executive directors of Compagnie Financière Richemont SA together with that of the Executive Chairman and for reviewing the compensation of all other members of senior management.

The Committee oversees the administration of the Group's long-term, share-based compensation plan for executives and, *inter alia*, approves the awards granted to executive directors, taking into account the recommendations of the Executive Chairman; and approves the awards made to other executives in aggregate, recognising that the Chairman's Committee has the authority to make awards to executives other than executive directors. In addition, the Committee oversees any other material long-term compensation plans for executives of the Group and approves awards under such plans as appropriate.

#### Nominations Committee

The Nominations Committee consists of the non-executive directors meeting under the chairmanship of the Executive Chairman. Meetings of the Committee are held on an ad hoc basis, as required. During the year ended 31 March 2009, one meeting took place.

The principal functions of the Committee are to advise the Board of Compagnie Financière Richemont SA in areas such as the composition and size of the Board and the criteria to be applied in the selection of new members of the Board and management.

In addition, the Committee is responsible for the nomination of directors to serve on the committees of the Board.

#### Management Committees

In addition to the committees of the Board, there are a number of management committees. Key amongst these are the Chairman's Committee, the Strategic Product and Communication Committee and the Management Committee. These bodies perform complementary functions in terms of strategic, marketing and operational performance recommendations, respectively.

The management is responsible for implementing the strategic policies determined by the Board. Members of the management are empowered to conduct the day-to-day strategic and operational administration of the Group including, *inter alia*, financial management. The management is responsible for the

management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board. Management operates within the guidelines as set out in the Group's commitment approval procedures and such other policies and procedures as may from time to time be laid down by the Board. In addition, the management provides the Board with such support as it may require in order to be able to consider and evaluate strategic alternatives.

#### The Chairman's Committee

The Chairman's Committee comprises the Executive Chairman, Johann Rupert, the Group Chief Executive Officer, Norbert Platt, the Group Finance Director, Richard Lepeu, and the Manufacturing Director, Jan Rupert. Other executives may be invited to participate on an ad hoc basis at the discretion of the Executive Chairman. The Committee meets on an ad hoc basis to review matters associated with the implementation of the Group's strategic policies. In the year under review the Committee met four times.

#### The Strategic Product and Communication Committee

The Strategic Product and Communication Committee ('SPCC') comprises the Executive Chairman and the Group Chief Executive Officer, other executive and non-executive directors of the Board being invited on an ad hoc basis to deal with specific matters. The Committee's objective is to guide the Group's Maisons by verifying that decisions made in respect of communication, products and distribution are appropriate and consistent with the individual Maison's identity and strategy. During the year ended 31 March 2009, five meetings took place.

Other committees have been established to determine the Group's policies in specific business areas, including finance, taxation, health and safety issues and corporate social responsibility.

#### 4. SENIOR MANAGEMENT

The former Board of Richemont SA, Luxembourg a directly held, wholly-owned subsidiary of Compagnie Financière Richemont SA until 20 October 2008, functions as the Group's Management Committee.

The Management Committee typically meets five times per annum, for half a day to a day. During the year under review, such meetings took place on four occasions. The Management Committee is composed of the Executive Chairman, the Group Chief Executive Officer and the Group Finance Director together with the Chief Executive Officers of certain leading business units as well as functional heads. The Chief Executive Officers of all Maisons are invited to attend meetings on a rotational basis. At 31 March 2009, the Committee had twelve members, four of whom also served on the Board of Compagnie Financière Richemont SA during the year under review. Appointments to the Management Committee are made by the Board of Compagnie Financière Richemont SA upon the recommendation of the Nominations Committee.

# Group Management Committee



**Johann Rupert**  
Executive Chairman  
*(For biographical details see page 44)*

**Norbert Platt**  
Group Chief Executive Officer  
*(For biographical details see page 44)*

**Richard Lepeu**  
Group Finance Director  
*(For biographical details see page 44)*

**Jan Rupert**  
Manufacturing Director  
*(For biographical details see page 46)*

**Giampiero Bodino**  
Group Art Director  
Italian, age 48  
Appointed to the Group's Management Committee 2004  
A graduate of the Institute of Applied Arts and Design of Turin where he specialised in art styling, industrial design and architecture, Mr Bodino has had an extensive career in the design industry, working with major luxury and fashion houses, including Bulgari, Gucci, Versace and Swarovski.

His association with the Group, which began in 1990, extends across most of the Maisons and has involved watches, jewellery, accessories and writing instruments. In February 2002 he became Creative Director for the Group and is a key contributor to the Strategic Product and Communication Committee. He was subsequently appointed Cartier Creative Director and in February 2004 became Group Art Director.



**Pilar Boxford**  
Group Public Relations Director  
British, age 57  
Appointed to the Group's Management Committee 2004  
Ms Boxford graduated in Economics and Finance from the Institut d'Etudes Politiques de Paris. She joined Cartier Paris in 1979 as Product Manager – Perfumes and subsequently became responsible for Cartier's worldwide public relations strategy. In 1984, she transferred to Cartier London as Communications Director and became a member of the management board of Cartier UK Limited. She was appointed Group Public Relations Director in February 2004. Her primary role is to support the Maisons in the development of effective PR strategies with a view to strengthening their presence on the world stage.



**Bernard Fornas**  
Chief Executive of Cartier  
French, age 62  
Appointed to the Group's Management Committee 2002  
Mr Fornas graduated from Lyon Business School and holds an MBA from the Kellogg School of Management, Northwestern University. Prior to joining Cartier, he worked with a number of companies in the consumer products sector, including Procter & Gamble from 1973 to 1976 and the International Gold Corporation, where he was Jewellery Division Manager until 1983. He then moved to Guerlain, in the field of perfumes & cosmetics, where he was International Marketing Director and Advisor to the President from 1984 to 1993.

Mr Fornas joined Cartier as International Marketing Director in 1994. He subsequently became Chief Executive of Baume & Mercier in 2001 and was appointed Chief Executive of Cartier in 2002.

He was appointed Vice President of the Comité Colbert in 2007.



**Alan Grieve**  
Director of Corporate Affairs  
British, age 57  
Appointed to the Group's Management Committee 2004  
Mr Grieve holds a degree in business administration from Heriot-Watt University, Edinburgh and is a member of the Institute of Chartered Accountants of Scotland.

Prior to joining Richemont's predecessor companies in 1986, he worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young). He served as Company Secretary of Richemont from its formation in 1988 until 2004. He has been involved in many aspects of the Group's financial management, serving also on the boards of a number of the Group's subsidiary companies.

In addition to his role within Richemont, he is Chief Financial Officer of the management companies of both Reinet Investments S.C.A. and its subsidiary Reinet Fund S.C.A. F.I.S. (together 'Reinet'). Reinet was established in October 2008 to hold the non-luxury goods interests of Richemont. He is also a director of various subsidiary companies within the VenFin Limited group. He was appointed to the board of Klinik Hirslanden AG, the Swiss subsidiary of the Medi-Clinic organisation, itself an associated company of Remgro Limited, in February 2008. Mr Grieve is a founding member of the Laureus Sport for Good Global Foundation.



**Albert Kaufmann**  
General Counsel  
Swiss, age 61

Appointed to the Group's Management Committee 2000  
Mr Kaufmann holds a degree from the Faculty of Law of the University of Geneva and has been admitted to the Geneva Bar. He joined Cartier in 1974 to lead its legal department and has since been responsible for the legal affairs of the Group's luxury goods companies. He was a member of the board of Cartier International and a director of Vendôme Luxury Group. He was appointed to his current position as Group General Counsel in 1999.

Mr Kaufmann is a member of the board of the Federation of the Swiss Watch Industry.



**Thomas Lindemann**  
Group Human Resources Director  
German, age 45

Appointed to the Group's Management Committee 2005  
Mr Lindemann is a graduate in economics from Mannheim University. From 1989, he held a variety of human resources and commercial roles in the consumer products company, Wella Group, before joining Montblanc in 1998 as Human Resources Director. He assumed the role of Director of Human Resources for Richemont Northern Europe in 2002 and was appointed Group Human Resources Director in April 2005.



**Eloy Michotte**  
Corporate Finance Director  
Belgian, age 61

Appointed to the Group's Management Committee 1988  
Mr Michotte graduated in engineering from the University of Louvain in Belgium and holds an MBA from the University of Chicago. He has had an extensive career in international business and finance, having worked with Ford, McKinsey & Co and Bankers Trust Company prior to joining Richemont at the time of its formation in 1988. As Head of Corporate Finance, he has responsibility, in particular, for mergers and acquisitions and serves on the boards of a number of companies in which the Group has an interest, including Net-à-Porter Limited.

In addition to his role within Richemont, he is an Executive Director of the management companies of both Reinet Investments S.C.A. and its subsidiary Reinet Fund S.C.A. F.I.S. (together 'Reinet'). Reinet was established in October 2008 to hold the non-luxury goods interests of Richemont.



**Frederick Mostert**  
Lead Counsel and Chief Intellectual  
Property Counsel  
South African, age 49

Appointed to the Group's Management Committee 1994  
Dr Mostert holds a masters degree from Columbia University School of Law in New York City and a doctorate from the University of Johannesburg. He is a member of the New York Bar, a solicitor of England and Wales, and practised corporate law at Shearman and Sterling and international intellectual property law at Fross, Zelnick, Lehrman & Zissu in New York. He joined Richemont in 1990.

Dr Mostert is a past President of the International Trademark Association, serves on the Advisory Council of the McCarthy Center for Intellectual Property and Technology Law, is a guest professor at Peking University and a Fellow of the London School of Economics. He is a Director of Freedom Under Law, Laureus World Sports Awards Limited, Walpole, Bespoke Innovations Sàrl and Columbus VC Limited, a subsidiary of Reinet.



The executive management is charged by the Board with implementing strategic policies. It is empowered to conduct the day-to-day strategic and operational management including, *inter alia*, the financial management of the Group. It is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board.

The Board employs various reporting means and control mechanisms in order to monitor the way in which senior management exercises the authority delegated to it.

- Prior to each meeting of the Board, members receive a financial report, summarising recent Group, divisional and Maison financial performance as well as operational developments.
- The Group Chief Executive Officer and Group Finance Director report to the Board at each meeting. Supplementary reports are provided, as required, by the Director of Corporate Affairs, the Director of Corporate Finance and the Lead Counsel and Chief Intellectual Property Counsel as well as the Company Secretary.
- The Group's employee performance review process requires that members of senior management are given clearly defined targets at the beginning of each financial year. The executive directors of the Board monitor performance against these targets on an ongoing basis and report progress to the Board.
- There is regular interaction between members of the Board and the Management Committee, for example, through the presence of certain executive directors on a regular or ad hoc basis at Board meetings and other Board committee meetings, as outlined above. Members of the Board are also exposed to the decision-making process at the level of each Maison through their involvement with the annual reviews of the Maisons' strategies and through the Strategic Product and Communication Committee.
- The Group's internal audit function provides an objective means of assessing how the Group's risks are being managed and controlled. This function's independent status is reinforced by the direct reporting line from the Head of Internal Audit to the Chairman of the Audit Committee. The function performs financial and operational audits in accordance with a programme approved annually by the Audit Committee. This risk-based programme is designed to ensure that all business units as well as Group-wide issues are given sufficient audit coverage within an appropriate timeframe. Findings from each audit, together with any related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee and discussed at Audit Committee meetings. Progress with the implementation of corrective actions is monitored by senior management and the Audit Committee on a regular basis.

#### Management contracts

With the exception of the contract between Atelier Fund, LLC and Atelier Management, LLC described in note 33(e) on page 99 of this report, there are no contracts between the Group and any third parties for the management of any subsidiary or associated company in the Group.

## 5. COMPENSATION, SHAREHOLDINGS AND LOANS

### Content and method of determining the compensation and share-ownership programmes

The Group's compensation policies are designed to ensure that Group companies attract and retain management talent, recognising the international nature of their businesses. The Group sets high standards in the selection of executives who are critical to the long-term development of the business.

The Compensation Committee of the Board is responsible for setting the compensation of the non-executive directors and the executive directors of Compagnie Financière Richemont SA together with that of the Executive Chairman and for reviewing the compensation of all other members of senior management.

Executives are rewarded in line with the level of their authority and responsibility within the organisation. In addition to a basic salary, they generally receive short-term incentives related to their individual achievements and the performance of the Group as a whole. Both elements are reviewed annually in accordance with the Group's salary review process. Increases in basic salary are determined by reference to a set of competencies required to fulfil the role, the length of time in the position and market benchmarking statistics provided by an external consultant.

The level of short-term incentive is dependent on performance against a range of individual key performance indicators and collective strategic objectives, established at the beginning of the year. These indicators and objectives relate to the potential of the area of the business for which the individual is responsible. The level for executives is typically between 30 per cent and 40 per cent of basic salary, with further incentives for exceptional performance.

Executives are also eligible to participate in the Group's stock option plan, details of which are set out on page 103 of this report. Option awards are linked to each executive's salary level and performance. The Group does not operate any schemes to issue shares to executives as part of their compensation package. The 2008 grant of options included vesting conditions linked to the performance of the Company's share price relative to a comparative group of luxury goods businesses.

The Group also operates a long-term incentive plan. The purpose of this plan is to motivate and reward Maison executives by linking a major part of their compensation package to the value added to the area of the business for which they are responsible, typically over a three-year period.

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their duties.

Non-executive directors receive an annual fee in respect of their membership of the Board. The level of this fee is kept under review by reference to comparable external figures. Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's stock option plan. There is no scheme to issue shares to non-executive directors.

Non-executive directors who are also members of the Compensation Committee or the Audit Committee are entitled to receive an attendance fee of € 3 200 (CHF 5 000) and € 6 400 (CHF 10 000) for each respective Committee meeting.



## Directors' compensation

The total level of compensation paid to members of the Board of Compagnie Financière Richemont SA and the Management Committee, including pension contributions, benefits in kind and all other aspects of compensation, amounted to € 37 319 954. In determining the value of each component of compensation, the Group has followed the valuation and measurement principles of International Financial Reporting Standards ('IFRS'). The amounts are in agreement with other IFRS information provided elsewhere in this annual report.

		Salary, short-term incentives and other short-term employee benefits €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total 2009 €
<b>Board of Directors of Compagnie Financière Richemont SA</b>						
Johann Rupert	Executive Chairman	2 098 794	–	1 528 739	2 295 383	<b>5 922 916</b>
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	123 613	–	–	–	<b>123 613</b>
Norbert Platt	Group Chief Executive Officer	5 070 284	–	67 643	2 221 997	<b>7 359 924</b>
Richard Lepeu	Group Finance Director	2 704 187	–	69 225	1 287 895	<b>4 061 307</b>
Franco Cologni	Senior Executive Director	517 161	–	9 416	–	<b>526 577</b>
Lord Douro	Non-Executive Director	192 080	–	–	–	<b>192 080</b>
Yves-André Istel	Non-Executive Director	118 613	–	–	–	<b>118 613</b>
Simon Murray	Non-Executive Director	76 938	–	–	–	<b>76 938</b>
Alain Dominique Perrin	Executive Director	1 545 442	–	–	–	<b>1 545 442</b>
Alan Quasha	Non-Executive Director	76 938	–	–	–	<b>76 938</b>
Lord Renwick	Non-Executive Director	118 613	–	–	–	<b>118 613</b>
Jan Rupert	Manufacturing Director	1 005 354	–	53 016	1 014 734	<b>2 073 104</b>
Jürgen Schrempp	Non-Executive Director	76 938	–	–	–	<b>76 938</b>
Total		13 801 893	–	1 728 039	6 820 009	<b>22 349 941</b>
<b>Group Management Committee</b>		10 032 558	(414 000)	629 485	4 721 970	<b>14 970 013</b>
Total key management compensation		23 834 451	(414 000)	2 357 524	11 541 979	<b>37 319 954</b>

\*The cost for stock options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are to be found in note 34 to the consolidated financial statements.

The comparative analysis of the table above is presented in note 33(f) of the consolidated financial statements on page 101 of this report.

Details of options held by executive directors and members of the Management Committee under the Group's long-term share-based compensation plan at 31 March 2009 are as follows:

		Number of options				Weighted average grant price CHF	Exercise period	Latest expiry date			
	1 April 2008	Granted in year	Exercised in year	Impact of de-twinning of Richemont units	31 March 2009						
<b>Board of Directors of</b>											
<b>Compagnie Financière Richemont SA</b>											
Johann Rupert	6 104 000	–	–	2 171 841	8 275 841	11.83	Apr 2009-Jul 2011	June 2013			
Norbert Platt	924 666	429 375	–	967 835	2 321 876	22.64	Apr 2009-Jul 2014	June 2017			
Richard Lepeu	995 000	257 625	–	541 987	1 794 612	19.75	Apr 2009-Jul 2014	June 2017			
Jan Rupert	570 000	214 689	–	451 654	1 236 343	20.71	Apr 2009-Jul 2014	June 2017			
<b>Group Management Committee</b>											
Giampiero Bodino	240 000	68 700	–	277 445	586 145	22.22	Apr 2009-Jul 2014	June 2017			
Pilar Boxford	80 233	17 175	(18 567)	79 575	158 416	20.76	Apr 2009-Jul 2014	June 2017			
Bernard Fornas	503 000	8 589	–	516 177	1 027 766	20.42	Apr 2009-Jul 2014	June 2017			
Alan Grieve	206 000	51 525	–	169 046	426 571	20.17	Apr 2009-Jul 2014	June 2017			
Albert Kaufmann	560 000	171 750	(1 670)	494 670	1 224 750	20.96	Apr 2009-Jul 2014	June 2017			
Thomas Lindemann	137 000	85 875	(5 500)	169 693	387 068	23.41	Jul 2009-Jul 2014	June 2017			
Eloy Michotte	225 555	85 875	–	150 551	461 981	20.36	Apr 2009-Jul 2014	June 2017			
Frederick Mostert	296 666	171 750	–	318 307	786 723	23.17	Apr 2009-Jul 2014	June 2017			

Salary and other short-term benefit payments received by Mr Johann Rupert from Richemont and from its related parties, Remgro Limited, Venfin Limited and Reinet Investments SCA, are donated to charity.

Me Jean-Paul Aeschmann, the Deputy Chairman, is counsel to the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 743 000 from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of € 371 000 to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni, a senior executive director of Compagnie Financière Richemont SA, is the President of the Foundation.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 115 142 in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

Since his appointment to the Board in 2006, Mr Ruggero Magnoni has formally waived his entitlement to receive any fees or compensation in respect of his duties as a non-executive director.

During the period to 20 October 2008, the Group had an interest in three closed-ended investment funds managed by General Enterprise Management Services Limited. Mr Simon Murray has an effective interest of 25 per cent in this investment management company. The net cash paid to the fund during the period, net of amounts returned, was € 1 735 252.

On 28 February 2006, the Group committed to invest US\$ 65 million in a subsidiary company, Atelier Fund, LLC, a limited liability investment company specialising in high potential brand/retail opportunities in the luxury goods sector. Ms Martha Wikstrom holds a one-third interest in Atelier Management, LLC, the managing company of this investment fund. During the year under review, fees of € 853 000 were paid to the managing company for fund management and other services not specific to Atelier Fund, LLC.

Messrs Istel, Magnoni, Quasha and Schrempp are members of the Board of Overseers of the Reinet Group. No amount of their compensation as disclosed above is in respect of this role.

The Management Committee includes the Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and the Manufacturing Director. The compensation of these four directors is disclosed above as members of the Board and is therefore excluded from the total compensation of the Management Committee. Details of other members of the Management Committee are included in section 4 of the corporate governance report on pages 48 and 49.

Since the date of the de-twinning, certain members of the Management Committee have provided services to Reinet entities. € 584 000 of the total compensation costs disclosed above was in respect of these services and has been recovered from Reinet.

## Highest compensation paid to a member of the Management Committee

The total level of compensation of the highest paid director of the Management Committee was € 7 359 924, which was paid to Mr Norbert Platt, Group Chief Executive Officer.

## Compensation of Board sub-committees

The Board has established a number of sub-committees. These committees comprise both executive and non-executive directors of the Board. The compensation of the individual members of these committees is disclosed above.

## Compensation for former members of governing bodies

During the year under review, a former executive director received a fee of € 129 863 from the Group for services provided to an entity in which the Group is a joint venture partner. Two former executive directors received a total cash settlement of € 17 962 in accordance with the terms of the modification to the Group's stock option plan.

## Allotment of shares

No shares or units were allotted to directors or members of the Management Board during the year under review.

## Share ownership

As at 31 March 2009, members of the Board and parties closely linked to them owned a total of 60 500 Richemont 'A' shares. Members of the Management Committee and parties closely linked to them held a total of 51 670 Richemont 'A' shares at that date. As noted above Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 522 000 000 'B' registered shares in the Company. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 162 664 'A' shares or 'A' share equivalents at 31 March 2009. The interest of individual directors in Richemont 'A' shares is as follows:

	At 31 March 2009
<b>Board of Directors of Compagnie Financière Richemont SA</b>	
Lord Douro	18 000
Yves-André Istel	16 000
Simon Murray	7 500
Alain Dominique Perrin	15 000
Lord Renwick	4 000
	60 500
<b>Group Management Committee</b>	
Alan Grieve	50 000
Albert Kaufmann	1 670
	51 670
	112 170

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 Richemont 'A' shares. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold Richemont 'A' shares and 'A' share equivalents in their own right. Mr Jan Rupert is a trustee of certain of these trusts but is not in a position to control their

investment decisions or to control the exercise of voting rights by those trusts. In addition, members of Mr Jan Rupert's family are also beneficiaries of certain companies that have acquired and currently hold 20 000 Richemont 'A' shares.

Mr Jan Rupert has no beneficial interest in Compagnie Financière Rupert and shares referred to in the paragraph above do not form part of the interest held by Compagnie Financière Rupert and its associated parties. For the avoidance of doubt, Mr Johann Rupert, Group Executive Chairman and a cousin of Mr Jan Rupert, is not a director of the company referred to in the paragraph above and has no interest in its holding of 'A' shares. He is neither a trustee of the trusts referred to in the preceding paragraph nor a beneficiary of those trusts. Details of the holding of Compagnie Financière Rupert and parties associated with Mr Johann Rupert are given at the beginning of this section of the corporate governance report.

Mr Alain Dominique Perrin, an executive director, also has an indirect holding of 720 779 'A' shares. This indirect holding followed the redemption during the year of indirect holdings of derivative instruments linked to 720 779 underlying shares.

Mr Alan Grieve, a member of the Management Committee, also serves as a director of certain private companies established when the Group was founded and linked to former investors in Compagnie Financière Rupert. These companies hold in total 9 791 954 Richemont 'A' shares. Mr Grieve has no beneficial interest in those companies or in the 'A' shares that they hold. These companies have no current connection with Compagnie Financière Rupert and are not associated in any way with Mr Johann Rupert.

#### **Stock option plan**

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. No awards under the stock option plan have been made to non-executive directors.

Richemont agrees with the principle that stock options form a significant part of compensation and that the issue of new shares to meet the obligations under stock option plans results in dilution. For this reason, Richemont has implemented a series of buy-back programmes since 1999 to acquire 'A' shares to meet the obligations arising under its share-based compensation plans. By using its own capital to acquire these shares, Richemont has effectively always reflected the financing cost of the share-based compensation plans in the income statement. In addition, since 2004, Richemont has entered into over-the-counter call options with a third party to purchase treasury shares at the same strike price as the share options granted to executives. These call options, together with the shares held, provide a comprehensive hedge of the Group's anticipated obligations arising under its stock option plan.

Awards under the Group's stock option plan will not result in the issue of new capital and, in consequence, there will be no dilution of current shareholders' interests.

In accordance with IFRS 2, *Share-based Payment*, the Group recognises in its financial statements an operating expense in respect of the fair value of options granted to executives. The aggregate charge in respect of each option grant is amortised

over the vesting period of the award. Further details are given in note 34 to the consolidated financial statements. For the year under review the IFRS 2 charge amounted to € 31 million (2008: € 31 million).

With effect from the 2005 award, the terms of the Group's long-term share-based compensation plan have been amended to permit executives not only to exercise but also to trade options once they have vested. The options granted as from 2008 onwards include a performance condition correlated to a comparative group of luxury goods businesses upon which vesting is conditional.

The de-twinning process described in Section 1 of this report impacted the value and the number of stock options previously awarded to executives. With limited exceptions due to regulatory restrictions, Richemont unit options, which had vested but were not yet exercised at the date of the de-twinning, have been converted into options over Richemont shares, options over BAT shares and options over Reinet shares. The exchange ratio used, determined at market prices at close of business on the date of de-twinning, was calculated to preserve the economic benefits of the Richemont option holders. Richemont unit options which had not vested at the date of the de-twinning were converted in their entirety into options over Richemont shares. Further details regarding the valuation of the options are presented in note 33 to the consolidated financial statements.

The exercise of options and transactions in Richemont shares and related securities by any director or member of the Management Committee is promptly notified to the SIX Swiss Exchange, which simultaneously publishes such notifications on its website.

#### **Loans to members of governing bodies**

As at 31 March 2009, there were no loans or other credits outstanding to any current or former executive or non-executive director. The Group's policy is not to extend loans to directors. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director.

### **6. SHAREHOLDER PARTICIPATION RIGHTS**

Details of shareholder voting rights and the right to attend meetings of shareholders are given above in section 2 of the corporate governance report under the heading 'Capital Structure'.

### **7. CHANGE OF CONTROL AND DEFENCE MECHANISMS**

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), Compagnie Financière Richemont SA has not elected to 'opt out' or 'opt up' in respect of the provisions relating to the obligations for an acquirer of a significant shareholding to make a compulsory offer to all shareholders. In accordance with SESTA, any party that would directly or indirectly or acting in concert with third parties acquire more than 33⅓ per cent of the voting rights of the Company would therefore be obliged to make an offer to acquire all of the listed equity securities of the Company. The interest of Compagnie Financière Rupert in 100 per cent of the 'B' registered shares in the Company, which existed at the date SESTA came into force, does not trigger any obligation in this respect. As noted above, Compagnie Financière Rupert controls 50 per cent of the voting rights of Compagnie Financière Richemont SA.

No specific provisions exist in the statutes or internal regulations of the Company which would seek to limit or block any takeover bid. No special contractual relationships exist between Group companies and directors or members of management which would protect management or act as a deterrent to a change of control of the Company.

The rules of the stock option plan for executives in the Group contain specific provisions in respect of a change of control of the Group, which are typical in terms of such plans and would result in the immediate vesting of benefits due to participants in the event of a change of control taking place.

## 8. AUDITORS

The external auditors report to the Board through the Audit Committee, which also supervises the Group's relationship with the auditors.

PricewaterhouseCoopers SA ('PwC') were reappointed by the shareholders of Compagnie Financière Richemont SA at the 2008 Annual General Meeting as the auditors of the financial statements of the Company and of the consolidated financial statements of the Group. They were appointed for a period of one year and, being eligible, will stand for a further period of office of one year at this year's Annual General Meeting. A questionnaire-based evaluation, in which the Finance Director of every subsidiary is consulted, forms the basis of an annual review of the external auditors' performance. The results of this exercise are reviewed by the Audit Committee.

PwC (formerly Coopers & Lybrand) were initially appointed as auditors of the Company and the Group in 1993. Mr David Mason, the lead auditor, assumed that role in September 2005. The Company's policy is to rotate the lead auditor at least once every seven years.

Total fees paid or accrued as payable to PwC for the audit of the financial statements of the Company and the Group and related services were € 6.2 million in respect of the financial year ended 31 March 2009. Fees paid or accrued as payable in respect of the financial year to PwC for non-audit services amounted to € 2.7 million. The scope of services provided by the external auditors is reviewed annually by the Audit Committee and the relative weight of non-audit work provided by the external auditors is also kept under close review.

Representatives of PwC attended all meetings of the Audit Committee held during the financial year as well as the meeting of the Committee held on 12 May 2009 at which the financial statements were reviewed. For further information on the role of the Audit Committee, please refer to section 3 of the corporate governance report.

## 9. INFORMATION POLICY

The Group reports to shareholders in accordance with the guidance provided by SIX Swiss Exchange. The annual report is the principal source of financial and business information for shareholders. The Group's preliminary announcement of the results for the financial year is issued in May each year. In addition to the annual report, each year Richemont publishes its half-yearly financial report in November as well as a trading statement in January covering the Group's performance during the third quarter of the financial year. Additionally, an announcement

as to current trading performance is made each year at the Annual General Meeting, which is normally held in September. Ad hoc news announcements are made in respect of matters which the Board considers to be of significance to shareholders, in accordance with the specific guidelines laid down by SIX Swiss Exchange.

The annual and half-yearly financial reports are distributed to all parties who have asked to be placed on the Group's mailing list and to registered holders of South African Depository Receipts. Investors may request electronic notification that such reports have been published on the Group's website.

All news announcements other than the annual and half-yearly financial reports are distributed by e-mail. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by e-mail ([secretariat@cfinfo.net](mailto:secretariat@cfinfo.net)) or by registering on the Group's website ([www.richemont.com](http://www.richemont.com)).

Copies of the annual and half-yearly financial reports, the preliminary announcement, trading statements, ad hoc press releases and the corporate responsibility report may also be downloaded from the Richemont website. Copies of the statutes of the Company, together with the Corporate Governance Regulations, are also available on the website.

In addition, the Group presents its annual and half-yearly financial results to analysts and major investors each year. The presentations to invited participants take place in Geneva and are broadcast over the internet. The slide presentation is downloadable from the website. A replay of the broadcast is available on the Group's website within 24 hours of the presentation and a transcript of the presentation shortly thereafter.

Statutory and regulatory announcements are published in the Swiss Official Gazette of Commerce and, in certain cases, by SIX Swiss Exchange. In line with the requirements of the European Union Transparency Directive, up to 3 May 2009 all announcements made under the periodic reporting and shareholding disclosure requirements were also distributed by one of the Regulatory Information Services accredited by the UK Financial Services Authority.

# Consolidated financial statements

## Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and associated undertakings (together, 'the Group') for the year ended 31 March 2009. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2009 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 108 to 111.

The agenda for the Annual General Meeting, which is to be held in Geneva on 9 September 2009, is set out on page 116.

Further information on the Group's activities during the year under review is given in the Business Review on pages 6 to 39.

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# Consolidated balance sheet

## at 31 March

	Notes	2009 € m	2008 re-presented € m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1 148	975
Intangible assets	8	386	232
Investments in associated undertakings	9	14	3 008
Deferred income tax assets	10	305	257
Financial assets held at fair value through profit or loss	11	143	68
Other non-current assets	12	180	174
		2 176	4 714
<b>Current assets</b>			
Inventories	13	2 422	2 076
Trade and other receivables	14	672	641
Derivative financial instruments	15	18	72
Prepayments and accrued income		80	108
Assets of disposal groups held for sale	27	11	–
Cash at bank and on hand	16	2 032	2 094
		5 235	4 991
<b>Total assets</b>		<b>7 411</b>	<b>9 705</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	334	334
Participation reserve	17	–	645
Treasury shares	17	(195)	(268)
Hedge and share option reserves	17	90	176
Cumulative translation adjustment reserve		124	(348)
Retained earnings		4 479	7 076
<b>Total shareholders' equity</b>		<b>4 832</b>	<b>7 615</b>
Minority interest		3	4
<b>Total equity</b>		<b>4 835</b>	<b>7 619</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	18	77	246
Deferred income tax liabilities	10	78	59
Retirement benefit obligations	20	39	42
Provisions	21	40	52
Other long-term liabilities		34	15
		268	414
<b>Current liabilities</b>			
Trade and other payables	22	545	563
Current income tax liabilities		172	188
Borrowings	18	188	12
Derivative financial instruments	15	123	8
Provisions	21	117	95
Accruals and deferred income		218	216
Short-term loans	18	276	267
Bank overdrafts	16	669	323
		2 308	1 672
<b>Total liabilities</b>		<b>2 576</b>	<b>2 086</b>
<b>Total equity and liabilities</b>		<b>7 411</b>	<b>9 705</b>

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

# Consolidated income statement

## for the year ended 31 March

	Notes	2009 € m	2008 re-presented € m
<b>Continuing operations</b>			
Sales	6	5 418	5 290
Cost of sales		(1 988)	(1 875)
<b>Gross profit</b>		<b>3 430</b>	<b>3 415</b>
Selling and distribution expenses		(1 235)	(1 177)
Communication expenses		(644)	(608)
Administrative expenses		(542)	(522)
Other operating (expense)/income	23	(27)	10
<b>Operating profit</b>		<b>982</b>	<b>1 118</b>
Finance costs	26	(228)	(114)
Finance income	26	127	161
Share of post-tax profit of associated undertakings	9	3	1
<b>Profit before taxation</b>		<b>884</b>	<b>1 166</b>
Taxation	10	(133)	(194)
<b>Profit from continuing operations</b>	24	<b>751</b>	<b>972</b>
<b>Discontinued operations</b>			
Profit from discontinued operations (net of tax)	27	325	592
<b>Net profit</b>		<b>1 076</b>	<b>1 564</b>
Attributable to:			
Shareholders		1 075	1 565
Minority interest		1	(1)
		<b>1 076</b>	<b>1 564</b>
Earnings per share for profit and profit from discontinued operations attributable to shareholders during the year (expressed in € per share)			
Basic:			
– from continuing operations	28	1.340	1.734
– from discontinued operations	28	0.581	1.055
		<b>1.921</b>	<b>2.789</b>
Diluted:			
– from continuing operations	28	1.337	1.710
– from discontinued operations	28	0.579	1.040
		<b>1.916</b>	<b>2.750</b>

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

## for the year ended 31 March

		Equity attributable to shareholders						Minority interest	Total equity
	Notes	Shareholders' capital € m	Treasury shares € m	Other reserves € m	Cumulative translation adjustment reserve € m	Retained earnings € m	Total € m	€ m	€ m
Balance at 31 March 2007		979	(264)	151	113	6 532	7 511	2	7 513
Adoption of IAS 38 (amendment)	2.1	–	–	–	–	(27)	(27)	–	(27)
Balance at 1 April 2007		979	(264)	151	113	6 505	7 484	2	7 486
Currency translation adjustments		–	–	–	(461)	–	(461)	3	(458)
Cash flow hedges:									
– net gains	17	–	–	31	–	–	31	–	31
– recycle to income statement	17	–	–	(13)	–	–	(13)	–	(13)
Net share of expense of associated undertakings recognised directly in equity	9	–	–	–	–	(87)	(87)	–	(87)
Tax on items recognised directly in equity	17	–	–	(24)	–	–	(24)	–	(24)
Net income/(expense) recognised directly in equity		–	–	(6)	(461)	(87)	(554)	3	(551)
Net profit/(loss)		–	–	–	–	1 565	1 565	(1)	1 564
Total recognised income/(expense)		–	–	(6)	(461)	1 478	1 011	2	1 013
Net share of transactions of associated undertakings with their equity holders	9	–	–	–	–	(173)	(173)	–	(173)
Net changes in treasury shares	17	–	(4)	–	–	(33)	(37)	–	(37)
Employee share option plan	17	–	–	31	–	–	31	–	31
Dividends paid	29	–	–	–	–	(701)	(701)	–	(701)
Balance at 31 March 2008		979	(268)	176	(348)	7 076	7 615	4	7 619
Currency translation adjustments		–	–	–	57	–	57	–	57
Cash flow hedges:									
– net losses	17	–	–	(41)	–	–	(41)	–	(41)
– recycle to income statement	17	–	–	(12)	–	–	(12)	–	(12)
Net share of income of associated undertakings recognised directly in equity (discontinued operations)	9	–	–	–	–	101	101	–	101
Tax on items recognised directly in equity	17	–	–	(4)	–	–	(4)	–	(4)
Net income/(expense) recognised directly in equity		–	–	(57)	57	101	101	–	101
Net profit		–	–	–	–	1 075	1 075	1	1 076
Total recognised income/(expense)		–	–	(57)	57	1 176	1 176	1	1 177
Net share of transactions of associated undertakings with their equity holders (discontinued operations)	9	–	–	–	–	(72)	(72)	–	(72)
Net changes in treasury shares	17	–	73	–	–	(7)	66	–	66
Employee share option plan	17	–	–	(29)	–	–	(29)	–	(29)
Dividends paid	29	–	–	–	–	(438)	(438)	–	(438)
Minorities acquired in business combinations		–	–	–	–	–	–	(2)	(2)
Partial liquidation of Group		(645)	–	–	415	(3 256)	(3 486)	–	(3 486)
Balance at 31 March 2009		334	(195)	90	124	4 479	4 832	3	4 835

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

## for the year ended 31 March

	Notes	2009 € m	2008 € m
<b>Cash flows from operating activities</b>			
Cash flow generated from operations	30	819	968
Interest received		73	82
Interest paid		(37)	(41)
Dividends from associated undertaking		343	325
Taxation paid		(179)	(171)
<b>Net cash generated from operating activities</b>		<b>1 019</b>	<b>1 163</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	32	(126)	(145)
Acquisition of associated undertakings	9	(3)	(1)
Acquisition of property, plant and equipment		(305)	(271)
Proceeds from disposal of property, plant and equipment		12	6
Acquisition of intangible assets		(44)	(33)
Proceeds from disposal of intangible assets		1	3
Acquisition of other non-current assets		(59)	(44)
Proceeds from disposal of other non-current assets		61	88
<b>Net cash used in investing activities</b>		<b>(463)</b>	<b>(397)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		108	179
Repayment of borrowings		(162)	(107)
Dividends paid		(438)	(701)
Distribution of discontinued operations, net of cash disposed of		(351)	–
Payment for treasury shares		(98)	(80)
Proceeds from sale of treasury shares		14	43
Capital element of finance lease payments		(5)	(3)
<b>Net cash used in financing activities</b>		<b>(932)</b>	<b>(669)</b>
<b>Net change in cash and cash equivalents</b>		<b>(376)</b>	<b>97</b>
Cash and cash equivalents at beginning of year		1 771	1 623
Exchange (losses)/gains on cash and cash equivalents		(32)	51
<b>Cash and cash equivalents at end of year</b>	16	<b>1 363</b>	<b>1 771</b>

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## at 31 March 2009

### 1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's luxury goods interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé and Azzedine Alaïa.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are listed and traded on SIX Swiss Exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont shares are traded on the Johannesburg stock exchange operated by JSE Limited.

On 20 October 2008, the de-twinning of the shares of the Company and the participation certificates of Richemont SA was effected. The participation certificates of Richemont SA have been converted into ordinary shares and are traded in the name of Reinet Investments SCA ('Reinet') on the Luxembourg stock exchange and are no longer directly related to the Company.

These consolidated financial statements have been approved for issue by the Board of Directors ('the Board') on 13 May 2009.

### 2. Summary of significant accounting policies

#### 2.1. Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards issued or adopted by the International Accounting Standards Board ('IASB') and in accordance with interpretations issued or adopted by the International Financial Reporting Interpretations Committee ('IFRIC'), (together 'IFRS').

The policies set out below have been consistently applied to the periods presented unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The Group has early adopted the amendments to IAS 38, *Intangible Assets* which are required by the IASB's Improvements to IFRS published in May 2008. Goods and services received in respect of advertising activities are now expensed when the entity has the right to access the goods or receives the services. Previously items of promotional material representing expected usage in the next twelve months were held as prepayments and were recognised through profit or loss when utilised. In accordance with the implementation guidance of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been

re-presented. Opening retained earnings for 2008 have been reduced by € 27 million. The effect of the change is tabulated below.

	€ m
Effect at 1 April 2007	
Decrease in retained earnings	
(€ 32 million communication costs	
less tax of € 5 million)	(27)
Effect at 31 March 2008	
Increase in communication costs	7
less tax	(1)
Net decrease in profit	6
Effect at 31 March 2009	
Increase in communication costs	12
less tax	(2)
Net decrease in profit	10

The impact on earnings per share was:

	March 2009			March 2008		
	Before change €	Impact of change €	After change €	Before change €	Impact of change €	After change €
Basic	1.939	(0.018)	<b>1.921</b>	2.800	(0.011)	2.789
Diluted	1.934	(0.018)	<b>1.916</b>	2.760	(0.010)	2.750

The following interpretations which are mandatory for the financial year ended 31 March 2009 have not had a material effect on the Group's consolidated net income and financial position.

- IFRIC 14, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. The Group has considered the requirements in respect of its defined benefit plans and concluded that there are currently no surpluses that result in the recognition of assets. In respect of the Group's plans which are in surplus, current and future contributions are expected to exceed service costs, thus no economic benefit is available through contribution reductions.
- IFRIC 11, IFRS 2 *Group and Treasury Share Transactions* provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled payment transactions in the stand alone accounts of the parent and Group companies. This interpretation does not impact the Group's financial statements.

#### 2.2. 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 and joint ventures.

The attributable results of subsidiary undertakings, associated undertakings and joint ventures are included in the consolidated financial statements from their dates of acquisition; results are de-consolidated from their dates of disposal.

Uniform accounting policies have been adopted.



Subsidiary undertakings are defined as those undertakings that 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 drawn up at 31 March of each year. In consolidating the financial statements of subsidiary undertakings, intra-Group transactions, balances and unrealised gains and losses are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group does not consolidate an entity for which it holds over 50 per cent of the share capital due to the fact that, despite this level of shareholding, the Group does not have the power to govern the financial and operating policies of that entity. Specifically, the Group's appointed directors do not constitute a majority of the Board of Directors of the Company, the body which controls the entity.

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.

Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertaking. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group recognises as equity movements its share of transactions booked by associated undertakings directly in equity.

Joint ventures are enterprises that are jointly controlled by the Group and one or more other parties in accordance with contractual arrangements between the parties. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group includes its share of the joint ventures' income and expenses, assets and liabilities and cash flows in the relevant components of the consolidated financial statements.

The Group treats transactions with minority interests as transactions with parties external to the Group.

Non-cash distributions to shareholders, acting in their capacity as shareholders are recognised at book value.

### 2.3. Segment reporting

Details on the Group's business segments can be found under note 6. The Group uses business segments as the primary segments while geographical segments are considered secondary.

### 2.4. Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Following the de-twinning of the Richemont units on 20 October 2008, the functional currency of the Company changed from euro to Swiss franc. This change reflects the change in asset base and cash flow of the entity following the partial liquidation of its investment in Richemont SA. The consolidated financial statements are presented in millions of euros (the 'presentation currency'). Management believes that this currency is more useful to the users of the consolidated financial statements.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing during the period. The average rates approximate actual rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in note 3.2.

#### (c) Subsidiary and associated undertakings

The results and financial positions of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at that balance sheet date;
- (ii) income and expenses for each income statement are translated at the average exchange rate; and
- (iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment reserve).

Exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

# Notes to the consolidated financial statements continued

## 2.5. Property, plant and equipment

Land and buildings comprise mainly factories, retail boutiques and offices.

All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, up to the limits, as follows:

• Buildings	50 years
• Plant and machinery	20 years
• Fixtures, fittings, tools and equipment	15 years

Land and assets under construction are not depreciated.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

## 2.6. Intangible assets

### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary or associate at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associated undertakings is included in the carrying value of the investment in the associated company.

Goodwill arising from subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The cash-generating units represent the Group's investments in assets grouped at the lowest levels for which there are separately identifiable cash flows.

### (b) Computer software and related licences

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of 15 years. Licences are amortised over their contractual lives. Costs associated with evaluating or maintaining computer software are expensed as incurred.

### (c) Research and development, patents and trademarks

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of commercial production of the product on the straight-line method over the period of its expected benefit.

### (d) Leasehold rights and key money

Premiums paid to parties other than the lessor at the inception of operating leases for leasehold buildings are capitalised and amortised over their expected useful lives or, if shorter, the lease period.

## 2.7. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group has identified goodwill as the only category of asset with an indefinite life.

All other fixed and financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## 2.8. Other financial asset investments

The Group classifies its investments in the following categories: financial assets held at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition.

### (a) Financial assets held at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading. Assets in this category are classified as current if they are either held for trading or are expected to be realised within the next twelve months.

Purchases and sales of these financial assets are recognised on the transaction date. They are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in the income statement in the period in which they arise.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or if the assets comprise unlisted securities, the Group establishes fair value by using valuation techniques which include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

#### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market. They are included in trade and other receivables within current assets, except for maturities greater than twelve months which are classified as other non-current assets.

#### **(c) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold to maturity. The Group did not hold any investments in this category during the year.

#### **2.9. Other non-current assets**

The Group holds a collection of jewellery and watch pieces primarily for presentation purposes to promote the Maisons and their history. They are not intended for sale.

Maisons' collection pieces are held as non-current assets at cost less any permanent impairment in value.

#### **2.10. Inventories**

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. It excludes borrowing costs.

#### **2.11. Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement of the provision is recognised in the income statement.

#### **2.12. Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **2.13. Equity**

##### **(a) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

##### **(b) Treasury shares**

All consideration paid by the Group in the acquisition of treasury shares and received by the Group on the disposal of treasury shares is recognised directly in shareholders' equity. The cost of treasury shares held at each balance sheet date is deducted from shareholders' equity. Gains or losses arising on the disposal of treasury shares are recognised within retained earnings directly in shareholders' equity.

#### **2.14. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

#### **2.15. Current and deferred income tax**

Taxes on income are provided in the same period as the revenue and expenses to which they relate. Current taxes include capital taxes of some jurisdictions.

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **2.16. Employee benefits**

##### **(a) Retirement benefit obligations**

The Group operates a number of defined benefit and defined contribution post-employment benefit plans throughout the world. The plans are generally funded through payments to trustee-administered funds by both employees and relevant Group companies taking into account periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, usually dependent on one or more factors such as age, years of service and compensation.

# Notes to the consolidated financial statements continued

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligations at the balance sheet date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at balance sheet dates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the terms of the related pension liability.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on the straight-line method over the vesting period.

Actuarial gains and losses in excess of the greater of 10 per cent of the value of plan assets or 10 per cent of the defined benefit obligations are charged or credited to income over the expected average remaining service lives of employees.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## (b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

## (c) Short-term incentive plans

The Group recognises a liability and an expense for short-term incentives where contractually obliged or where there is a past practice that has created a constructive obligation.

## (d) Share-based payment

The Group operates an equity-settled share-based compensation plan based on options granted in respect of Richemont shares. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At

each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement over the remaining vesting period and a corresponding adjustment to equity.

## 2.17. Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring and property related provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value at the balance sheet date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risk specific to the liability. Any increase in provisions due to the passage of time is recognised as interest expense.

## 2.18. Revenue recognition

### (a) Goods and services

Sales revenue comprises the fair value of the sale of goods and services, net of value-added tax, duties, other sales taxes, rebates and trade discounts and after eliminating sales within the Group. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

### (b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### (c) Royalty income

Royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

## 2.19. Leases

### (a) Operating leases

Payments made under operating leases (net of any incentives received) are charged to the income statement on the straight-line method over the lease term. Sub-lease income (net of any incentives given) is credited to the income statement on the straight-line method over the sub-lease term.



## (b) Finance leases

At commencement of the lease term, assets and liabilities are recognised at the lower of the present value of future minimum lease payments or fair value of the leased item. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established.

## 2.20. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation the comparative income statement is re-presented as if the discontinued operation had been discontinued from the start of the comparative period.

## 2.21. Dividend distributions

Dividend distributions to Richemont shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

## 2.22. Changes to IFRS

Certain new accounting standards issued by IASB and new interpretations issued by IFRIC are not yet effective for the year ended 31 March 2009 and have not been applied in preparing these consolidated financial statements.

- IFRS 2 (Amendment), (effective for accounting periods beginning on or after 1 January 2009) deals with two matters. It clarifies that vesting conditions can be service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has no impact for the Group.
- IFRS 8, *Operating Segments* which is effective for accounting periods beginning on or after 1 January 2009 requires segmental information based on the internal reports regularly reviewed by the Group's chief operating decision-maker in order to assess each segment's performance and to allocate resources to them. It is expected that the application of this new standard will lead to a change in segmental information in the disclosure of the Group's operating segments.
- IAS 1 (revised), *Presentation of Financial Statements* (effective from 1 January 2009). It primarily affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosures of specific transactions and other events required by other IFRSs.
- IAS 23 (Amendment), *Borrowing Costs* (effective from 1 January 2009) requires that an entity capitalise, as part of the cost of the asset, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is the Group's existing policy therefore the revised standard will not impact the Group's consolidated financial statements.
- IAS 27 (revised), *Consolidated and Separate Financial Statements* must be applied for annual periods beginning on or after 1 July 2009. The amendments to this standard relate to the accounting for non-controlling interests and loss of control of a subsidiary. These revisions will require any future transactions between the Group and minority shareholders ('non-controlling interests') to be accounted for in equity.
- IAS 32, *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation* (Amendment) (effective from 1 January 2009). The amendment requires certain puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity rather than as a liability. These amendments are not expected to have any impact on the Group's financial statements.
- IFRS 3 (revised), *Business Combinations* is effective for business combinations with an acquisition date on or after 1 July 2009. These revisions concern the accounting for business combinations in Group and separate financial statements. The Group will apply the requirements of these standards to business combinations with an acquisition date on or after 1 July 2009.
- IFRS 5 (Amendment), *Non-Current Assets held-for-sale and Discontinued Operations* (and consequential amendment to IFRS 1, *First-Time Adoption*) (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010.
- IAS 23 (Amendment), *Borrowing Costs* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 April 2009.

# Notes to the consolidated financial statements continued

- IAS 28 (Amendment), *Investments in Associates* (and consequential amendments to IAS 32, *Financial Instruments: Presentation*, and IFRS 7, *Financial Instruments: Disclosures*) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 April 2009.

- IAS 36 (Amendment), *Impairment of Assets* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009.

- IAS 19 (Amendment), *Employee Benefits* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after twelve months of employee service being rendered.
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Group will apply the IAS 19 (Amendment) from 1 April 2009.

- IAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements in to and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, *Operating Segments* which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The Group will apply the IAS 39 (Amendment) from 1 April 2009. It is not expected to have an impact on the Group's income statement.

- IAS 1 (Amendment), *Presentation of Financial Statements* (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 April 2009. It is not expected to have an impact on the Group's financial statements.

- IFRIC 13, *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes with their customers. This interpretation does not have any impact on the consolidated financial statements.

- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, *The Effects of Changes in Foreign Exchange Rates* do apply to the hedged item. The Group will apply IFRIC 16 from 1 April 2009. It is not expected to have a material impact on the Group's financial statements.

- IAS 28 (Amendment), *Investments in Associates* (and consequential amendments to IAS 32, *Financial Instruments: Presentation* and IFRS 7, *Financial Instruments: Disclosures*) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, *Financial Instruments: Presentation* and IFRS 7, *Financial Instruments: Disclosures*. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in an associate to be equity accounted in the Group's consolidated accounts.
- IAS 38 (Amendment), *Intangible Assets* (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment deletes the wording that states that there is rarely if ever support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Group's operations, as all intangible assets are amortised using the straight-line method.
- IAS 20 (Amendment), *Accounting for Government Grants and Disclosure of Government Assistance* (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Group's operations as there are no loans received or other grants from the government.
- IFRIC 15, *Agreements for the Construction of Real Estate* provides guidance on how to determine whether an agreement or the construction of real estate is within the scope of IAS 11, *Construction Contracts* or IAS 18, *Revenue* and when revenue from the construction should be recognised. The Group will apply IFRIC 15 from 1 April 2009. It is not expected to have any impact on the Group's financial statements.
- IFRIC 17, *Distribution of Non-cash Assets to Owners* clarifies that non-cash distributions to owners should be measured at the fair value of the assets distributed. The Group will apply IFRIC 17 from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.
- IFRIC 18, *Transfer of Assets from Customers* clarifies the treatment of agreements in which an entity receives an item of property, plant and equipment from a customer to connect to an ongoing supply of goods and services. The Group will apply IFRIC 18 from 1 April 2010. It is not expected to have any impact on the Group's financial statements.

- IFRS 7 (Amendment), *Improving Disclosures about Financial Instruments*. The amendment requires additional disclosures in respect of financial instruments based on a three tier hierarchy for fair value measurement disclosures. It also clarifies and enhances to ensure the existing requirements for liquidity risk disclosure so that users of the financial statements can evaluate the nature and extent of liquidity risk related to financial instruments. The Group will apply the amendments to IFRS 7 from 1 April 2010. It is expected to lead to changes in the disclosures relating to financial instruments.

### 3. Financial risk management

#### 3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department ('Group Treasury') under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has approved formal written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investing excess liquidity.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar, HK dollar and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Entities in the Group use forward contracts to manage their foreign exchange risk arising from recognised assets and liabilities. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury oversees the management of the net position in each foreign currency by using external forward currency contracts.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's financial risk management policy is to hedge up to 70 per cent of anticipated net cash flow exposure arising in US dollars, HK dollars, SG dollars and Japanese yen for the subsequent twelve months. A significant portion of projected sales in each major currency qualifies as 'highly probable' forecast transactions for hedge accounting purposes.

# Notes to the consolidated financial statements continued

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in equity and profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. These arise principally from the re-pricing of derivative contracts. The analysis is performed on the same basis as for 2008.

	Change in rate		Equity		Income statement	
	2009 %	2008 %	2009 € m	2008 € m	2009 € m	2008 € m
USD strengthening vs CHF	13%	11%	(29)	(4)	(12)	(2)
JPY strengthening vs CHF	15%	8%	(16)	(17)	(1)	(1)
HKD strengthening vs CHF	13%	11%	(28)	(18)	–	(6)
SGD strengthening vs CHF	13%	9%	(2)	(2)	–	–
CNY* strengthening vs CHF	15%	13%	–	–	(8)	(4)
HKD strengthening vs EUR	14%	11%	–	–	(33)	(9)
JPY strengthening vs EUR	20%	12%	–	–	(48)	(12)
USD strengthening vs EUR	14%	10%	–	–	(1)	(5)
CHF strengthening vs EUR	6%	6%	–	–	70	34
SGD strengthening vs EUR	11%	–	–	–	(2)	–
GBP strengthening vs CHF	16%	–	–	–	5	–
GBP strengthening vs EUR	15%	–	–	–	(5)	–

	Change in rate		Equity		Income statement	
	2009 %	2008 %	2009 € m	2008 € m	2009 € m	2008 € m
USD weakening vs CHF	13%	11%	22	3	8	2
JPY weakening vs CHF	15%	8%	12	14	1	1
HKD weakening vs CHF	13%	11%	22	14	–	5
SGD weakening vs CHF	13%	9%	2	2	–	–
CNY* weakening vs CHF	15%	13%	–	–	5	3
HKD weakening vs EUR	14%	11%	–	–	22	11
JPY weakening vs EUR	20%	12%	–	–	29	13
USD weakening vs EUR	14%	10%	–	–	(1)	7
CHF weakening vs EUR	6%	6%	–	–	(70)	(34)
SGD weakening vs EUR	11%	–	–	–	1	–
GBP weakening vs CHF	16%	–	–	–	(5)	–
GBP weakening vs EUR	15%	–	–	–	5	–

\*Chinese yuan/renminbi

## (ii) Price risk

The Group is exposed to commodity price risk and equity securities' price risk.

### • Commodity price risk

The Group is exposed to price risk related to anticipated purchases of certain commodities, namely precious metals and stones for use in its manufacturing processes. There is no financial risk as the commodities are for use as raw materials by the Group's businesses. A change in those prices may alter the gross margin of specific businesses. The Group enters into commodity options to manage fluctuation in prices or anticipate purchases.

### • Equity securities' price risk

The Group is exposed to equity securities' price risk relating to its investments in listed and unlisted equities and its obligation to executives in the form of options over shares in listed equities. These are classified in the consolidated balance sheet as financial assets and liabilities held at fair value through profit or loss.

At 31 March 2009, the Group held a number of listed investments with a total market value of € 131 million. These investments are primarily listed in the UK and Luxembourg. Movements of plus/(minus) 40 per cent and 49 per cent based on the one-year and the three-month historic volatilities for the UK and Luxembourg listed equities respectively, all other variables held constant, would have had a pre-tax impact of plus/(minus) € 53 million. At 31 March 2008 the Group had an interest in a small number of investments listed in the UK and the USA. Any market movement would not have a significant impact for the Group's consolidated financial statements.

The Group also holds a portfolio of unlisted equities, principally through its venture capital/investment funds entities. These investments are acquired through capital injection with a view to future business development. These investments are recorded at fair value through profit or loss using valuation techniques. The Group actively monitors the performance of these investments, but is ultimately exposed to their underperformance.

As a consequence of the de-twinning of the Richemont units the Group modified the terms of its executive option plan which resulted in the award of options over shares in equities listed in the UK and Luxembourg. Movements of plus/(minus) 40 per cent and 49 per cent based on the one-year and the three-month volatilities of the UK and Luxembourg equity-based options respectively, all other variables held constant, would have had an impact on profit before tax of plus € 30 million, minus € 43 million.

## (iii) Interest rate risk

### • Fair value interest rate risk

The Group has limited fair value interest rate risk in view of the floating rate nature of its long-term borrowings.

### • Cash flow sensitivity for variable interest rate instruments

An increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted net profit by plus/(minus) € 8 million (2008: plus/(minus) € 12 million), all other variables remaining constant. The analysis is performed on the same basis for 2008.

## (b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The minimum credit rating requirements of trading and deposit counterparties are a long-term credit rating of A2/A and a short-term credit rating of P1/A-1. At 31 March 2009, 42 per cent of the Group's cash was invested in AAA rated Euro Government Bond Funds (2008: 66 per cent).

The balance of the funds is held as cash.



### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Local liquidity is ensured by maintaining local bank credit facilities and by funding the excess funding requirements by the Group overlay cash pool.

### 3.2. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 15. Movements in the hedge reserve in shareholders' equity are shown in note 17.4.

#### (a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### (b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

### 3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal values less estimated credit adjustments of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### 3.4. Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return of capital to shareholders which the Group defines as total equity excluding minority interests and the level of dividends to ordinary shareholders.

From time to time the Group will approve special dividends. These distribute to shareholders exceptional non-recurring profits and cash flows.

The Board seeks to maintain a balance between business returns and a secure capital position. The Group's target is to achieve a return on shareholders' equity, excluding buy-backs, in excess of 12 per cent.

There were no changes in the Group's approach during the year.

The Group is not subject to any externally imposed capital requirements.

# Notes to the consolidated financial statements continued

## 4. Risk assessment

The Company has a centralised risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact, and subsequently prioritised by Group Management. A consolidated risk report which includes action plans is reviewed annually by the Board of Directors and the Audit Committee.

For identified risks, which arise from the accounting and financial reporting, a risk assessment is performed. Throughout the Group's internal control system framework on financial reporting, relevant control measures are defined, which reduce the financial risk. Remaining risks are categorised depending on their possible impact (low, average, high) and appropriately monitored.

## 5. Critical accounting estimates and judgements

The Group is required to make estimates and assumptions that affect certain balance sheet and income statement items and certain disclosures regarding contingencies. Estimates and judgements applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the consolidated financial statements. Principal matters where assumptions, estimates and judgements are made relate in particular to:

### Accounting estimates

- (a) the determination of sales deductions, including rebates, returns, discounts and incentives, which are reported as a reduction in sales;
- (b) the determination of carrying values for property, plant and equipment, intangible assets and inventories, especially as they relate to the purchase price allocation for newly acquired entities;
- (c) the assessment and recording of liabilities in respect of retirement benefit obligations;
- (d) the recognition of provision for income taxes, including deferred taxation, taking into account the related uncertainties in the normal course of business; and
- (e) the measurement of the recoverable amounts of cash-generating units containing goodwill.

The amounts involved are disclosed elsewhere in the financial statements, and the likelihood of a significant adjustment to any amounts in the next twelve months is limited.

### Accounting judgements

- (f) the determination of the fair value of stock options immediately before and after the modification of 20 October 2008 based on closing market data on the date of modification; and
- (g) the recognition of non-cash distributions to shareholders, acting in their capacity as shareholders, at book value.

## 6. Segment information

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The Group has identified business segments as the primary segments.

A geographical segment is engaged in providing products within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group uses geographical segments as the secondary segments.

### (a) Primary reporting format – business segments

For the purposes of clarity and comparability of external reporting, the Group combines internal management units with similar risk and reward profiles into business operating segments, which are constituted as follows:

- Jewellery Maisons – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- Specialist Watchmakers – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's specialist watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis;
- Writing Instrument Maison – business whose primary activity includes the design, manufacture and distribution of writing instruments, namely Montblanc; and
- Leather and Accessories Maisons – businesses whose principal activities include the design and distribution of leather goods and other accessories, being Alfred Dunhill and Lancel.

Other Group operations mainly comprise Chloé, royalty income and other businesses. None of these constitutes a separately reportable segment.

Amounts included in 'Corporate' represent the costs of the Group's corporate operations which are not attributed to the segments.

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments and leather goods, is reflected in the sales and operating result for that segment.

Segment assets consist primarily of property, plant and equipment, inventories, trade and other debtors and non-current assets. Segment liabilities comprise operating liabilities, including provisions, but exclude short and long-term loans and bank overdrafts.

Inter-segment transactions are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions.

## 6. Segment information continued

### (a) Primary reporting format – business segments (continued)

The segment results for the years ended 31 March are as follows:

	Sales		Inter-segment sales		Total segment sales	
	2009	2008	2009	2008	2009	2008
	re-presented	re-presented			re-presented	re-presented
	€ m	€ m	€ m	€ m	€ m	€ m
<b>Sales</b>						
Jewellery Maisons	2 762	2 657	1	1	2 763	2 658
Specialist Watchmakers	1 437	1 378	12	7	1 449	1 385
Writing Instrument Maisons	595	637	1	1	596	638
Writing Instrument Maison – impact of discontinued operations	(8)	(12)	–	–	(8)	(12)
Leather and Accessories Maisons	294	309	–	–	294	309
Other Businesses	338	321	163	105	501	426
	5 418	5 290	177	114	5 595	5 404
					2009	2008
					re-presented	re-presented
					€ m	€ m
<b>Operating result from continuing operations</b>						
Jewellery Maisons					777	765
Specialist Watchmakers					287	374
Writing Instrument Maison					69	126
Leather and Accessories Maisons					(10)	(5)
Other Businesses					(1)	16
Corporate					(140)	(158)
Operating profit					982	1 118
Finance costs					(228)	(114)
Finance income					127	161
Operating profit before share of results of associated undertakings					881	1 165
Share of post-tax profit of associated undertakings					3	1
Profit before taxation					884	1 166
Taxation					(133)	(194)
Profit from continuing operations					751	972
Profit from discontinued operations (note 27)					325	592
Net profit					1 076	1 564

Net segment assets at 31 March are as follows:

	Segment assets		Segment liabilities		Net segment assets	
	2009	2008	2009	2008	2009	2008
	re-presented*	re-presented*			re-presented*	re-presented*
	€ m	€ m	€ m	€ m	€ m	€ m
<b>Net segment assets</b>						
Jewellery Maisons	1 995	1 759	(292)	(295)	1 703	1 464
Specialist Watchmakers	1 436	1 004	(201)	(164)	1 235	840
Writing Instrument Maisons	462	443	(80)	(86)	382	357
Leather and Accessories Maisons	201	178	(50)	(60)	151	118
Other Businesses	411	459	(91)	(111)	320	348
Corporate	555	503	(363)	(233)	192	270
	5 060	4 346	(1 077)	(949)	3 983	3 397
Investments in associated undertakings	14	3 008	–	–	14	3 008
Cash and cash equivalents	2 032	2 094	(669)	(323)	1 363	1 771
Short-term loans and borrowings	–	–	(541)	(525)	(541)	(525)
Retirement benefit obligations	–	–	(39)	(42)	(39)	(42)
Deferred and current income tax, net	305	257	(250)	(247)	55	10
	7 411	9 705	(2 576)	(2 086)	4 835	7 619

\* The segment assets at 31 March 2008 have been re-presented for the impact of the adoption of the amendments to IAS 38, *Intangible Assets*, by a total of € 39 million (see note 2.1).

# Notes to the consolidated financial statements continued

## 6. Segment information continued

### (a) Primary reporting format – business segments (continued)

Other segment information for the years ended 31 March is as follows:

	Capital expenditure		Depreciation/ amortisation charge		Impairment charge	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
<b>Items related to property, plant, equipment and intangible assets</b>						
Jewellery Maisons	105	107	74	63	1	–
Specialist Watchmakers	86	61	43	31	1	–
Writing Instrument Maisons	34	43	31	21	–	–
Leather and Accessories Maisons	25	25	12	11	–	–
Other Businesses	52	36	30	19	3	–
Corporate	48	39	28	29	1	–
	350	311	218	174	6	–
	Share option costs					
					2009 € m	2008 € m
<b>Other non-cash items</b>						
Jewellery Maisons					6	6
Specialist Watchmakers					5	5
Writing Instrument Maisons					2	2
Leather and Accessories Maisons					1	1
Other Businesses					1	1
Corporate					16	16
					31	31

### (b) Secondary reporting format – geographical segments

Sales, segment assets and capital expenditure in the three main geographical areas where the Group's business segments operate are as follows in respect of the years ended 31 March:

	Sales		Segment assets at 31 March		Capital expenditure	
	2009 € m	2008 re-presented € m	2009 € m	2008 re-presented € m	2009 € m	2008 € m
<b>Europe</b>	<b>2 363</b>	<b>2 284</b>	<b>3 793</b>	<b>3 244</b>	<b>236</b>	<b>194</b>
France	500	493	542	505	26	25
Switzerland	288	257	2 245	1 895	137	92
Germany, Italy and Spain	611	681	487	488	31	30
Other Europe	964	853	519	356	42	47
<b>Asia</b>	<b>2 166</b>	<b>1 994</b>	<b>815</b>	<b>671</b>	<b>85</b>	<b>75</b>
China/Hong Kong	921	790	357	236	53	34
Japan	692	699	286	292	14	30
Other Asia	553	505	172	143	18	11
<b>Americas</b>	<b>889</b>	<b>1 012</b>	<b>452</b>	<b>431</b>	<b>29</b>	<b>42</b>
USA	662	775	379	341	24	36
Other Americas	227	237	73	90	5	6
	5 418	5 290	5 060	4 346	350	311

Sales are allocated based on the location of the customer or the boutique. Segment assets and capital expenditure are allocated based on where the assets are located.



## 7. Property, plant and equipment

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
<b>1 April 2007</b>					
Cost	419	270	833	48	1 570
Depreciation	(93)	(200)	(469)	–	(762)
<b>Net book value at 1 April 2007</b>	<b>326</b>	<b>70</b>	<b>364</b>	<b>48</b>	<b>808</b>
Exchange adjustments	3	3	(23)	(2)	(19)
Acquisition through business combinations	35	17	2	–	54
Additions	20	37	163	58	278
Disposals	(1)	–	(5)	(1)	(7)
Depreciation charge	(15)	(18)	(106)	–	(139)
Transfers and reclassifications	13	6	28	(47)	–
<b>31 March 2008</b>					
Cost	493	342	909	56	1 800
Depreciation	(112)	(227)	(486)	–	(825)
<b>Net book value at 31 March 2008</b>	<b>381</b>	<b>115</b>	<b>423</b>	<b>56</b>	<b>975</b>
	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
<b>1 April 2008</b>					
Cost	493	342	909	56	1 800
Depreciation	(112)	(227)	(486)	–	(825)
<b>Net book value at 1 April 2008</b>	<b>381</b>	<b>115</b>	<b>423</b>	<b>56</b>	<b>975</b>
Exchange adjustments	9	2	35	4	50
Acquisition through business combinations	–	2	–	–	2
Additions	20	45	169	73	307
Disposals	–	–	(13)	–	(13)
Depreciation charge	(17)	(33)	(121)	–	(171)
Impairments	–	(1)	(3)	–	(4)
Transfers and reclassifications	14	12	28	(52)	2
<b>31 March 2009</b>					
Cost	540	402	1 099	81	2 122
Depreciation	(133)	(260)	(581)	–	(974)
<b>Net book value at 31 March 2009</b>	<b>407</b>	<b>142</b>	<b>518</b>	<b>81</b>	<b>1 148</b>

Depreciation expense of € 35 million has been charged to cost of sales in the year (2008: € 30 million).

Included above is property, plant and equipment held under finance leases with a net book value of € 38 million (2008: € 25 million) comprising building € 33 million (2008: € 12 million), plant and machinery € 2 million (2008: € 7 million), fixtures, fittings, tools and equipment € 3 million (2008: € 6 million).

Borrowing costs capitalised during the current and prior year were immaterial (2009: rates of 2.1 per cent, 2008: rates of 4.0 per cent).

Committed capital expenditure not reflected in these financial statements amounted to € 11 million at 31 March 2009 (2008: € 28 million).

# Notes to the consolidated financial statements continued

## 8. Intangible assets

	Goodwill € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs and other € m	Total € m
<b>1 April 2007</b>					
Cost	13	130	45	69	257
Amortisation	–	(96)	(27)	(20)	(143)
<b>Net book value at 1 April 2007</b>	<b>13</b>	<b>34</b>	<b>18</b>	<b>49</b>	<b>114</b>
Exchange adjustments	(1)	(1)	3	1	2
Acquisition through business combinations	–	2	–	85	87
Additions:					
– internally developed	–	–	–	14	14
– other	–	4	7	8	19
Goodwill arising on business combinations	32	–	–	–	32
Disposals	–	–	–	(1)	(1)
Amortisation charge	–	(9)	(5)	(21)	(35)
Transfers	–	–	2	(2)	–
<b>31 March 2008</b>					
Cost	44	130	57	173	404
Amortisation	–	(100)	(32)	(40)	(172)
<b>Net book value at 31 March 2008</b>	<b>44</b>	<b>30</b>	<b>25</b>	<b>133</b>	<b>232</b>
	Goodwill € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs and other € m	Total € m
<b>1 April 2008</b>					
Cost	44	130	57	173	404
Amortisation	–	(100)	(32)	(40)	(172)
<b>Net book value at 1 April 2008</b>	<b>44</b>	<b>30</b>	<b>25</b>	<b>133</b>	<b>232</b>
Exchange adjustments	7	–	1	9	17
Acquisition through business combinations	–	3	–	54	57
Additions:					
– internally developed	–	–	–	19	19
– other	–	4	14	6	24
Goodwill arising on business combinations	93	–	–	–	93
Disposals	–	–	–	(5)	(5)
Amortisation charge	–	(6)	(8)	(33)	(47)
Impairments	–	–	–	(2)	(2)
Transfers	11	–	(2)	(11)	(2)
<b>31 March 2009</b>					
Cost	155	119	72	245	591
Amortisation	–	(88)	(42)	(75)	(205)
<b>Net book value at 31 March 2009</b>	<b>155</b>	<b>31</b>	<b>30</b>	<b>170</b>	<b>386</b>

Amortisation expense of € 10 million (2008: € 7 million) relating to intangibles has been charged to cost of sales.

The remaining amortisation periods for intangible assets range between one and 25 years.

Computer software and related licences include internally generated computer software, whilst internally generated product development costs are included within the total for development costs and other.

## 8. Intangible assets continued

### Impairment testing for intangible assets with indefinite lives including goodwill

Goodwill is the only intangible with an indefinite life.

For the purposes of impairment testing, goodwill is allocated to the Group's Maisons which represent the lowest level within the Group at which goodwill is monitored.

An operating segment level summary of goodwill is presented below.

	2009 € m	2008 € m
Jewellery Maisons	36	–
Specialist Watchmakers	106	33
Other Businesses – retail	13	11
Total	155	44

The recoverable amount of goodwill is determined based on the value-in-use of the Maison to which the goodwill is allocated. The value-in-use is determined by discounting the future cash flows generated from the continuing use of the Maison.

#### Jewellery Maisons/Specialist Watchmakers

The goodwill of € 93 million recognised during the year arises from the Group's acquisition of Roger Dubuis. The value-in-use was determined by discounting the future cash flows generated from the continuing operations of the jewellery Maisons and specialist watchmakers segments, applying the following key assumptions:

- pre-tax cash flows are based on an estimated five-year business plan. Management believes that this forecast period is justified due to the relative insignificance of the amount; and
- a pre-tax discount rate of 10.6 per cent.

The recoverable amount significantly exceeds the carrying amount. Management considers that it is not reasonably possible for future cash flows to change so significantly to eliminate the excess.

#### Other Businesses – retail

The recoverable amount of € 13 million (2008: € 11 million) for a Hong Kong-based clothing and accessories retailer was determined by discounting the future cash flows generated from the continuing operations, applying the following key assumptions:

- pre-tax cash flows are based on the approved five-year business plan; and
- a pre-tax discount rate of 10.6 per cent.

The recoverable amount significantly exceeds the carrying amount. Management considers that it is not reasonably possible for future cash flows to change so significantly to eliminate the excess.

The values assigned to the key assumptions represent management's assessment of future trends in the luxury goods businesses and are based on both external and internal sources.

In all cases, the carrying amount of the goodwill was determined to be lower than its recoverable amount; therefore no impairment losses were recognised.

# Notes to the consolidated financial statements continued

## 9. Investments in associated undertakings

	BAT € m	Other € m	Total € m
At 1 April 2007	3 497	9	3 506
Exchange adjustments	(523)	(1)	(524)
Share of post-tax profit	–	1	1
Discontinued operations	609	–	609
Dividends received	(325)	–	(325)
Acquisition of associated undertakings	–	1	1
Other equity movements arising from:			
– expenses recognised directly in equity	(87)	–	(87)
– transactions with equityholders	(173)	–	(173)
At 31 March 2008	2 998	10	3 008
Exchange adjustments	20	(1)	19
Share of post-tax profit	–	3	3
Discontinued operations	355	–	355
Dividends received	(343)	–	(343)
Acquisition of associated undertakings	–	3	3
Other equity movements arising from:			
– expenses recognised directly in equity	101	–	101
– transactions with equityholders	(71)	(1)	(72)
Indirect disposal on partial liquidation of parent group	(3 060)	–	(3 060)
At 31 March 2009	–	14	14

Investments in associated undertakings at 31 March 2009 include goodwill of € 5 million (2008: € 2 200 million).

### British American Tobacco plc ('BAT')

The summarised financial information in respect of the Group's share of results of its principal associated undertaking, BAT, up to the date of the Group's restructuring is as follows:

	Period to 20 October 2008 € m	Year to 31 March 2008 € m
Operating profit	519	826
After:		
Share of other expense	(8)	(27)
Finance costs	(63)	(137)
Finance income	15	53
Share of post-tax profit of associates	62	134
Profit before taxation	533	876
Taxation	(150)	(223)
Net profit	383	653
Attributable to:		
Shareholders' equity	355	609
Minority interest	28	44
	383	653

The Group's share of results and retained reserves of BAT for the six-month period to 30 September 2008 have been derived from accounts drawn up to that date, and for the period from 1 October to 20 October 2008 from estimates by management using the average daily profit of BAT for the preceding six-month period.

## 9. Investments in associated undertakings continued

Changes in the Group's percentage holding of BAT during the years ended 31 March 2009 and 2008 relate to the share buy-back programme carried out by BAT. The following table indicates the percentages applied to BAT's profits:

	Percentage
For the period to 20 October 2008	
1 April 2008 to 30 June 2008	19.4
1 July 2008 to 20 October 2008	19.5
For the year ended 31 March 2008	
1 April 2007 to 30 June 2007	19.1
1 July 2007 to 31 March 2008	19.3

On 20 October 2008, the Group effectively disposed of its entire holding in BAT through the partial liquidation of Richemont SA (note 27).

The market capitalisation of BAT ordinary shares at 20 October 2008 was £ 34 303 million (31 March 2008: £ 38 126 million). The fair value of the Group's effective interest of 19.5 per cent in BAT ordinary shares at that date was € 8 664 million (31 March 2008: effective interest: 19.3 per cent; fair value: € 9 250 million).

### Other associated undertakings

The Group holds a 29.0 per cent interest in Net-à-Porter Ltd, an online retailer of women's designer branded ready-to-wear fashion clothing, shoes and accessories and a 20 per cent interest in Greubel Forsey, a Swiss specialist watchmaker.

During the year under review the Group acquired a 30.0 per cent interest in Lancel Japan, the exclusive distributor for Lancel products in Japan, and a 34.7 per cent interest in Rouages SA, a Swiss watch component manufacturer.

Summarised financial information of other associated undertakings:

	2009 € m	2008 € m
Revenue	112	87
Total assets	63	43
Total liabilities	(30)	(23)
	33	20

## 10. Taxation

### 10.1. Deferred income tax

#### Deferred income tax assets

	1 April 2007 re-presented € m	Exchange adjustments € m	(Charge)/credit for year re-presented € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2008 re-presented € m
Depreciation	28	–	(3)	–	–	25
Provision on inventories	23	–	(2)	–	–	21
Bad debt reserves	2	–	1	–	–	3
Retirement benefits	14	–	(3)	–	–	11
Unrealised gross margin elimination	120	–	10	–	–	130
Tax losses carried forward	14	–	(10)	–	–	4
Deferred tax on option plan	29	1	15	(21)	–	24
Other	43	–	(1)	(3)	–	39
	273	1	7	(24)	–	257



# Notes to the consolidated financial statements continued

## 10. Taxation continued

	1 April 2008 re-presented € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfer € m	31 March 2009 € m
Depreciation	25	5	4	–	–	34
Provision on inventories	21	2	–	–	–	23
Bad debt reserves	3	–	–	–	–	3
Retirement benefits	11	1	–	–	–	12
Unrealised gross margin elimination	130	–	4	–	–	134
Tax losses carried forward	4	–	3	–	–	7
Deferred tax on option plan	24	(1)	(12)	(7)	–	4
Other	39	14	23	3	9	88
	257	21	22	(4)	9	305

### Deferred income tax liabilities

	1 April 2007 € m	Exchange adjustments € m	(Charge)/credit for year € m	Acquisition in business combinations and transfer € m	31 March 2008 € m
Depreciation	(8)	(4)	2	–	(10)
Provision on inventories	(11)	(2)	1	–	(12)
Other	(13)	(8)	–	(16)	(37)
	(32)	(14)	3	(16)	(59)

	1 April 2008 € m	Exchange adjustments € m	(Charge)/credit for year € m	Acquisition in business combinations and transfer € m	31 March 2009 € m
Depreciation	(10)	(1)	–	(11)	(22)
Provision on inventories	(12)	(1)	–	–	(13)
Other	(37)	3	(3)	(6)	(43)
	(59)	1	(3)	(17)	(78)

At 31 March 2009, the Company and its subsidiary undertakings had taxation losses carried forward of € 300 million (2008: € 268 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these losses is uncertain. Of this amount € 211 million can be carried forward with no expiry dates. Based on current rates of taxation, future utilisation of these losses would result in the recognition of deferred tax assets at 31 March 2009 of € 82 million (2008: € 80 million).

The Company and its subsidiary undertakings also had temporary differences of € 46 million (2008: € 46 million) in respect of which deferred tax assets had not been recognised as the future utilisation of these temporary differences is uncertain. Based on current rates of taxation, future utilisation of these temporary differences would result in the recognition of deferred tax assets at 31 March 2009 of € 12 million (2008: € 14 million).

### 10.2. Taxation charge

Taxation charge in the income statement:

	2009 € m	2008 re-presented € m
Current tax	152	204
Deferred tax credit	(19)	(10)
	133	194

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax profit of associated undertakings. The rates for the years ended 31 March 2009 and 2008 were 15.7 per cent and 16.9 per cent respectively.

## 10. Taxation continued

The taxation charge on the Group's profit before tax differs from the amount that arises using the statutory tax rates applicable to profits of the consolidated companies as follows:

	2009 € m	2008 re-presented € m
Profit before taxation from continuing operations	884	1 166
Less: share of post-tax profit of associated undertakings	(3)	(1)
Profit before taxation from discontinued operations	325	592
Less: share of post-tax profit of associated undertakings	(355)	(609)
Adjusted profit before taxation	851	1 148
Tax on adjusted profit calculated at statutory tax rate	179	242
Difference in tax rates	(68)	(65)
Non-taxable income	(3)	(3)
Non-deductible expenses	11	6
Utilisation and recognition of prior year tax losses	(11)	(10)
Non-recognition of current year tax losses	15	4
Withholding and other taxes	8	15
Prior year adjustments	2	5
Taxation charge	133	194

The statutory tax rate applied reflects the rate applicable to the principal Swiss-based trading company.

## 11. Financial assets held at fair value through profit or loss

	2009 € m	2008 € m
Investments in listed undertakings	131	–
Investments in unlisted undertakings	12	68
	143	68

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets, comprising listed investments held to hedge the Group's obligations in respect of options granted to executives over the listed equities and unlisted investments acquired through the Group's venture capital/investment fund entities, are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis.

There are no other non-current or current financial assets that were designated as held at fair value through profit or loss on initial recognition.

Commitments for future investments have been disclosed in note 31.

The movement on the fair value of listed investments during the year can be summarised:

	2009 € m
Book value of investments received at time of de-twinning of Richemont units (note 17.3)	164
Initial uplift to fair value recognised through equity	19
Fair value movements	(23)
Disposals	(37)
Exchange adjustments	8
	131

# Notes to the consolidated financial statements continued

## 12. Other non-current assets

	2009 € m	2008 € m
Maisons' collections	97	90
Lease deposits	58	58
Loans and receivables	8	10
Other assets	17	16
	<b>180</b>	<b>174</b>

The carrying value of lease deposits, loans and receivables approximate their fair values. There are no overdue or impaired amounts included in deposits, loans and receivables.

## 13. Inventories

	2009 € m	2008 € m
Raw materials and work in progress	819	803
Finished goods	1 603	1 273
	<b>2 422</b>	<b>2 076</b>

The cost of inventories recognised as an expense and included in cost of sales amounted to € 1 763 million (2008: € 1 713 million).

The Group reversed € 68 million (2008: € 24 million) of a previous inventory write-down during the year as the goods were sold at an amount in excess of the written down value. The amount reversed has been credited to cost of sales.

The Group recognised € 124 million (2008: € 75 million) in the write-down of inventory as a charge to cost of sales.

## 14. Trade and other receivables

	2009 € m	2008 € m
Trade receivables	543	519
Less: provision for impairment	(26)	(19)
Trade receivables – net	517	500
Loans and receivables	119	109
Other receivables	36	32
	<b>672</b>	<b>641</b>

Trade and other receivables are valued based on expected cash flows which are not discounted as they are expected to occur within the next twelve months.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally-dispersed customers.

In addition to the amounts above there are non-current assets amounting to € 66 million (2008: € 68 million) and cash balances as disclosed in note 16 which are considered to be loans and receivables.

The maximum exposure to credit risk for trade receivables by geographic region was:

	2009 € m	2008 € m
Europe	308	290
France	83	83
Switzerland	59	53
Germany, Italy and Spain	105	106
Other Europe	61	48
Asia	130	120
China/Hong Kong	57	43
Japan	52	57
Other Asia	21	20
Americas	79	90
USA	66	78
Other Americas	13	12
	<b>517</b>	<b>500</b>

## 14. Trade and other receivables continued

The maximum exposure to credit risk for trade receivables by type of customer was:

	2009 € m	2008 € m
Wholesale customers	446	435
Retail customers	71	65
	517	500

The Group's most significant wholesale customer in China accounts for € 10 million of the total trade receivables carrying amount at March 2009 (2008: € 8 million for a European wholesaler).

### Impairment losses

Impairment losses are recognised for all known bad debts and are provided on a specific basis.

The movement in the provision for impairment of trade and other receivables was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(19)	(15)
Exchange adjustments	(1)	1
Acquisition through business combinations	(1)	–
Provision charged to income statement	(11)	(14)
Utilisation of provision	3	1
Reversal of unutilised provision	3	8
Balance at 31 March	(26)	(19)

At 31 March 2009, trade receivables of € 34 million (2008: € 31 million) were impaired.

Receivables past due but not impaired:

	2009 € m	2008 € m
Up to three months past due	146	116
Three to six months past due	35	21
Over six months past due	13	10
	194	147

Based on past experience, the Group does not impair receivables that are not past due unless they are known to be bad debts. The Group has established credit check procedures that ensure the high creditworthiness of its customers.

Due to their short maturity, the fair values of trade and other receivables approximate to their book values.

The majority of trade receivables are denominated in the functional currency of the selling entity. Where this is not the case, forward currency contracts are usually entered into, covering the receivable from inception to maturity.

## 15. Derivative financial instruments

The Group uses the following derivative instruments:

- Currency forwards: representing commitments to purchase or sell foreign and domestic currencies.
- Foreign currency options: contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), at or by a set date or during a set period, a specific amount of a foreign currency or financial instrument at a pre-determined price.
- Accrual style option forwards: forward instruments that incorporate similar option terms as described above and that may give the right to increase the nominal value.
- Interest rate swaps: commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation.

# Notes to the consolidated financial statements continued

## 15. Derivative financial instruments continued

- (e) Call options: agreements granting the right to buy Richemont shares at pre-determined prices as treasury stock to partially hedge the Group's obligations arising under the share option plan (note 17).
- (f) Currency basket options: option instruments that have all the characteristics of a standard option, except that the strike price is based on a weighted value of the component currencies.
- (g) Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at pre-determined prices.

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet date but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The fair value of publicly traded derivatives, securities and investments is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date.

The fair values and nominal amounts of derivative instruments held are as follows:

	Nominal amount		Fair value assets		Fair value liabilities	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	554	399	10	26	(27)	–
– currency options	–	10	–	1	–	–
Non-hedge derivatives						
Accrual style option forwards	125	87	–	18	(45)	(4)
Currency basket options	–	300	–	12	–	–
Interest rate swap derivatives	38	–	–	–	(1)	–
Currency forwards	508	266	7	15	(15)	(4)
Derivative share options	107	–	–	–	(35)	–
Currency options	23	–	1	–	–	–
			18	72	(123)	(8)

Other than the non-hedge derivatives detailed above, the Group has no other financial assets classified as held for trading.

The contractual maturity of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		Between 1 and 2 years	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency derivatives						
– currency forwards	116	156	438	237	–	6
– currency options	–	3	–	4	–	3
Non-hedge derivatives						
Accrual style option forwards	118	70	7	17	–	–
Currency basket options	–	100	–	200	–	–
Interest rate swap derivatives	–	–	–	–	38	–
Currency forwards	370	126	138	95	–	45
Derivative share options	107	–	–	–	–	–
Currency options	–	–	23	–	–	–
	711	455	606	553	38	54



## 15. Derivative financial instruments continued

### Nominal amount

Nominal amounts represent the following:

- currency forwards: the sum of all contract volumes, bought or sold, outstanding at the year end;
- currency options: the sum of the amounts underlying the options outstanding at the year end;
- accrual style option forwards: the nominal value accrued at the year end. Depending on future movements in foreign currency exchange rates the nominal amount at the date of expiry of these options could range between € 125 million and € 435 million; and
- derivative share options: the sum of all share options on listed equities, other than Compagnie Financière Richemont SA, granted to executives as part of the Group option plan.

Foreign currency amounts have been translated to euros using the exchange rates prevailing at the balance sheet date.

### Non-hedge derivatives

Non-hedge derivatives are transactions involving foreign currency options, currency forwards or derivative share options.

### Interest rate swap derivatives

Interest rate swaps have been entered into to manage the risk relative to fluctuations in variable interest rates on short and medium-term lines of credit. At 31 March 2009 the weighted average interest charge of the Group was 2.9 per cent (2008: 3.6 per cent).

## 16. Cash and cash equivalents

	2009 € m	2008 € m
Cash at bank and on hand	2 032	2 094
Bank overdrafts	(669)	(323)
	1 363	1 771

The effective interest rate on bank overdrafts was 1.9 per cent (2008: 4.1 per cent). The effective interest rate on cash at bank was 3.2 per cent (2008: 4.3 per cent).

There is no restricted cash included within cash and cash equivalents. In 2008, € 14 million of restricted cash had been deposited in an account to satisfy the conditions of a guarantee arrangement.

## 17. Equity

### 17.1. Share capital

	2009 € m	2008 € m
Authorised, issued and fully paid:		
522 000 000 'A' bearer shares with a par value of CHF 1.00 each	304	304
522 000 000 'B' registered shares with a par value of CHF 0.10 each	30	30
	334	334

### 17.2. Participation reserve

	2009 € m	2008 € m
Reserve in respect of 574 200 000 participation certificates with no par value issued by Richemont SA	–	645

On 20 October 2008, the de-twinning of the shares issued by the Company and the participation certificates issued by Richemont SA was effected.

The participation certificates from Richemont SA have been converted to ordinary shares and are traded in the name of Reinet Investments S.C.A. on the Luxembourg stock exchange (ISIN: LU0383812293).

# Notes to the consolidated financial statements continued

## 17. Equity continued

### 17.3. Treasury shares

In order to hedge partially its potential obligations arising under the share option plan, the Group has purchased Richemont 'A' shares. Changes in the holding of this treasury stock of shares are shown as movements in shareholders' equity as follows:

	Units/shares millions	€ m
Balance at 1 April 2007	12.8	264
Purchased	3.0	61
Sold	(2.7)	(57)
Balance at 31 March 2008	13.1	268
Purchased	8.4	118
Sold	(1.0)	(27)
Transfer to investments in listed undertakings (note 11)	–	(164)
Balance at 31 March 2009	20.5	195

The cost value of the 1.0 million shares (2008: 2.7 million shares) sold during the year to plan participants who exercised their options was € 27 million (2008: € 57 million).

As in previous years, the Group has entered into over-the-counter purchased call options ('OTC options') with a third party to purchase treasury shares at the same strike prices as the share options granted to executives. These OTC options together with treasury shares provide a comprehensive hedge of the Group's potential obligations arising under the share option plan. Following the de-twinning of the Richemont units in October 2008, the treasury shares and the outstanding OTC options were modified in line with the terms of the de-twinning and market practise. The treasury shares converted into ordinary shares in the Company and Reinet. A cost of € 164 million has been transferred to investments in listed undertakings representing the historic cost of the Reinet shares included in the treasury reserve at the date of de-twinning. An immediate gain of € 19 million was recognised on measuring the Reinet shares at market value. This gain has been recognised directly in equity retained earnings. The OTC options converted into OTC options over the Company's ordinary shares only with both the number and strike prices having been adjusted at nil cost.

The costs of these call options together with the loss realised on shares sold during the year to plan participants, offset by the gain of € 19 million on measuring the Reinet shares at market value, amounted to € 7 million (2008: € 33 million) and were recognised directly in retained earnings.

The market value of the 20.5 million shares (2008: 13.1 million shares) held by the Group at the year end, based on the closing price at 31 March 2009 of CHF 17.78 (2008: CHF 55.70), amounted to € 242 million (2008: € 467 million).

### 17.4. Hedge and share option reserves

	Hedge reserve € m	Share option reserve € m	Total € m
Balance at 1 April 2007	8	143	151
Movements in hedge reserve			
– fair value gains	31	–	31
– recycle to income statement	(13)	–	(13)
Movement in employee share option reserve			
– expense recognised in the year	–	31	31
Tax on items recognised directly in equity	(3)	(21)	(24)
Balance at 31 March 2008	23	153	176
Movements in hedge reserve			
– fair value losses	(41)	–	(41)
– recycle to income statement	(12)	–	(12)
Movement in employee share option reserve			
– expense recognised in the year	–	31	31
– derivative liability recognised on stock option modification	–	(60)	(60)
Tax on items recognised directly in equity	3	(7)	(4)
Balance at 31 March 2009	(27)	117	90

### 17.5. Legal reserves

Legal reserves amounting to € 95 million (2008: € 95 million) are included in the reserves of Group companies but are not available for distribution.

## 18. Borrowings

	2009 € m	2008 € m
<b>Non-current</b>		
Bank borrowings	73	238
Finance lease obligations	4	8
	<b>77</b>	<b>246</b>
<b>Current</b>		
Short-term loans	276	267
Bank borrowings	184	8
Finance lease obligations	4	4
	<b>464</b>	<b>279</b>
<b>Total borrowings</b>	<b>541</b>	<b>525</b>

	Short-term loans		Bank borrowings		Finance lease obligations		Total	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Amounts repayable within the financial year ended/ending 31 March								
2009	–	267	–	8	–	4	–	279
2010	276	–	184	176	4	4	464	180
2011	–	–	–	62	4	4	4	66
2012	–	–	73	–	–	–	73	–
	276	267	257	246	8	12	541	525
Interest	–	–	–	–	–	–	–	–
	276	267	257	246	8	12	541	525

Bank and other borrowings are subject to market-linked rates of interest ranging from 1.0 per cent to 14.4 per cent.

The interest rates applied to bank borrowings are fixed until the maturity of the borrowing.

The Group's borrowings are denominated in the following currencies:

	2009 € m	2008 € m
Euro	7	23
Hong Kong dollar	112	101
Japanese yen	158	137
Swiss franc	1	91
US dollar	80	68
Chinese renminbi	126	59
Other	57	46
	<b>541</b>	<b>525</b>

The carrying amounts of borrowings approximate their fair values. The fair values of long-term borrowings are based on cash flows discounted using a rate based on the borrowing rate.

# Notes to the consolidated financial statements continued

## 19. Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. Derivative assets are excluded.

**31 March 2009**

### Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
<b>Current financial liabilities</b>			
Other short-term loans	279	279	276
Trade and other payables	545	545	545
Bank overdrafts	669	669	669
	<b>1 493</b>	<b>1 493</b>	<b>1 490</b>

	Within 1 year € m	Between 1-2 years € m	Between 2-5 years € m	Contractual cash flow € m	Carrying amount € m
<b>Non-current financial liabilities</b>					
Long-term borrowings (including current portion)	191	6	75	272	265

### Derivative financial liabilities

	6 months or less € m	Between 6-12 months € m	Contractual cash flow € m	Carrying amount € m
Currency forwards	585	109	694	42
Accrual style option forwards	118	7	125	45
Interest rate swap	–	–	–	1
Derivative share options	107	–	107	35
	<b>810</b>	<b>116</b>	<b>926</b>	<b>123</b>

<b>Total financial liabilities</b>			<b>2 691</b>	<b>1 878</b>
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All outstanding derivative share options are fully vested and have expiry dates from June 2009 to June 2017. The Group holds equity investments which fully hedge the obligations under the option plans.

**31 March 2008**

### Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
<b>Current financial liabilities</b>			
Other short-term loans	272	272	267
Trade and other payables	563	563	563
Bank overdrafts	323	323	323
	<b>1 158</b>	<b>1 158</b>	<b>1 153</b>

	Within 1 year € m	Between 1-2 years € m	Between 2-5 years € m	Contractual cash flow € m	Carrying amount € m
<b>Non-current financial liabilities</b>					
Long-term borrowings (including current portion)	15	184	68	267	258

### Derivative financial liabilities

	6 months or less € m	Between 6-12 months € m	Between 1-2 years € m	Contractual cash flow € m	Carrying amount € m
Currency forwards	38	9	–	47	4
Accrual style option forwards	47	53	12	112	4
	<b>85</b>	<b>62</b>	<b>12</b>	<b>159</b>	<b>8</b>

<b>Total financial liabilities</b>				<b>1 584</b>	<b>1 419</b>
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## 20. Retirement benefit obligations

The net liabilities reflected in non-current liabilities in the balance sheet in respect of post-employment benefit plans are determined as follows:

	2009 € m	2008 € m
Present value of funded obligations	(632)	(635)
Fair value of plan assets	618	723
Net funded obligations	(14)	88
Present value of unfunded obligations	(41)	(38)
Unrecognised actuarial loss/(gain)	16	(19)
Amount not recognised due to asset limit	–	(73)
Net liabilities	(39)	(42)

The movement in the present value of the defined benefit obligation was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(673)	(663)
Exchange adjustments	–	15
Current service cost	(31)	(29)
Contributions by plan participants	(19)	(15)
Interest cost	(29)	(26)
Actuarial gains	53	44
Gains on curtailments	–	4
Liabilities extinguished on settlements	4	1
Liabilities assumed in business combinations	(2)	(32)
Benefits paid	24	28
Balance at 31 March	(673)	(673)
Present value of funded obligations	(632)	(635)
Present value of unfunded obligations	(41)	(38)
	(673)	(673)

The movement in the fair value of plan assets was as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	723	642
Exchange adjustments	(2)	(14)
Expected return on plan assets	37	31
Actuarial losses	(178)	(45)
Assets distributed on settlements	(3)	–
Contributions paid by employer	44	90
Contributions paid by plan participants	19	15
Assets acquired in business combinations	2	32
Benefits paid	(24)	(28)
Balance at 31 March	618	723



# Notes to the consolidated financial statements continued

## 20. Retirement benefit obligations continued

The major categories of plan assets at the balance sheet date are as follows:

	2009 € m	2008 € m
Equities	206	248
Bonds	245	280
Property	67	75
Other assets, including insurance policies	100	120
Fair value of plan assets	618	723

The plans do not invest directly in property occupied by or in financial securities issued by the Group.

The expected rate of return on plan assets during the coming year is 5.1 per cent (2008: 5.3 per cent). This expected rate of return was derived as a weighted average of the long-term expected rates of return on each of the major asset classes at the measurement date taking account of government bond yields available at the balance sheet date and investment market expectations for future returns in excess of government bond yields for each asset class. The actual return on plan assets was a loss of € 141 million (2008: loss of € 14 million).

The amounts recognised in the income statement in respect of such plans are as follows:

	2009 € m	2008 € m
Current service cost	31	29
Interest cost	29	26
Expected return on plan assets	(37)	(31)
Net actuarial losses recognised in the year	91	18
Adjustment to recognise the effect of asset limit	(74)	(7)
Gains on curtailment and/or settlement	(1)	(5)
	39	30

	2009 € m	2008 € m
Expense charged in:		
Cost of sales	18	12
Net operating expenses	21	18
	39	30

Total pension costs are included in employee benefits expense (note 25).

Changes in the net liabilities recognised in the balance sheet are as follows:

	2009 € m	2008 € m
Balance at 1 April of prior year	(42)	(103)
Exchange adjustments	(2)	1
Total expense charged to the income statement	(39)	(30)
Contributions paid	44	90
Balance at 31 March	(39)	(42)

The Group expects to contribute € 45 million to such plans in the coming twelve months.

## 20. Retirement benefit obligations continued

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:

	2009 Range	Weighted average	2008 Range	Weighted average
Discount rate	1.8% to 7.0%	4.3%	1.4% to 6.6%	4.5%
Expected return on plan assets	3.2% to 6.0%	5.1%	2.0% to 6.1%	5.3%
Future salary increases	1.8% to 4.9%	2.6%	1.4% to 6.0%	2.8%
Future pension increases	2.2% to 3.3%	3.0%	2.3% to 3.4%	3.1%

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 cost.

The Group's major benefit plans are in Switzerland, the UK and Germany.

In Switzerland, the Group operates a foundation covering the majority of employees in Switzerland, which holds assets separately to the Group. The foundation operates as a defined contribution plan with the Group's annual contribution being a fixed percentage of salary. Under IAS 19, *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2009, the expense recognised in the Group's consolidated income statement in respect of the foundation is equal to the Group's contribution.

In the UK, the Group operates a defined contribution plan for new hires and a defined benefit plan, which is closed to new entrants. For the defined benefit plan, benefits are related to service and final salary. The plan is funded through a trustee-administered fund, which is held separately to the Group, with a funding target to maintain assets equal to the value of the accrued benefits based on projected salaries. Contributions to the defined contribution arrangements are in addition and charged directly to the income statement.

In January 2008, a new plan was set up in Germany. Although this plan is largely defined contribution in nature it is accounted for under IAS 19 as a defined benefit plan due to some underlying guarantees applying. The plan is available to new hires from January 2008 and existing employees who chose to move from the old plan. The old plan is funded through a contractual trust agreement.

Benefits under arrangements other than those detailed above are generally related to service and either salary or grade. They are funded in all locations where this is consistent with local practice; otherwise the liability is recognised in the balance sheet.

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

Defined benefit pension plans for the current and previous periods:

	2009 € m	2008 € m	2007 € m	2006 € m	2005 € m
Present value of defined benefit obligation	(673)	(673)	(663)	(632)	(562)
Fair value of plan assets	618	723	642	590	501
Surplus/(deficit) in plan	(55)	50	(21)	(42)	(61)
Experience adjustments on plan liabilities	53	44	9	(30)	(20)
Experience adjustments on plan assets	(178)	(45)	1	46	9

# Notes to the consolidated financial statements continued

## 21. Provisions

	Warranties and sales related € m	Restructuring and property related € m	Employee benefits € m	Other € m	Total € m
At 1 April 2007	68	35	30	18	151
Acquired through business combinations	–	–	–	1	1
Charged/(credited) to the income statement:					
– additional provisions	42	8	17	8	75
– unused amounts reversed	(5)	(10)	(4)	(3)	(22)
Net charge/(credit)	37	(2)	13	5	53
Utilised during the year	(33)	(10)	(5)	(4)	(52)
Transfers	–	5	–	(5)	–
Exchange adjustments	(1)	(4)	(1)	–	(6)
At 31 March 2008	71	24	37	15	147
Acquired through business combinations	13	5	–	3	21
Charged/(credited) to the income statement:					
– additional provisions	52	19	1	5	77
– unused amounts reversed	(10)	(1)	(6)	(1)	(18)
Net charge/(credit)	42	18	(5)	4	59
Utilised during the year	(55)	(8)	(6)	(6)	(75)
Transfers	–	(2)	–	–	(2)
Exchange adjustments	3	3	–	1	7
At 31 March 2009	74	40	26	17	157
				2009 € m	2008 € m
Total provisions at 31 March:					
– non-current				40	52
– current				117	95
				157	147

### Warranties and sales-related provisions

Group companies establish provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of € 74 million (2008: € 71 million) has been recognised for expected sales returns and warranty claims. It is expected that € 67 million (2008: € 60 million) of this provision will be used within the following twelve months and that the remaining € 7 million (2008: € 11 million) which relates solely to potential warranty claims will be utilised over the remainder of the expected warranty period of the products.

### Restructuring and property-related provisions

These provisions represent the Group's obligations arising from committed restructuring activities and contractual obligations in respect of properties. It is anticipated that most of the restructuring provision will be utilised in the coming year. Certain property obligations will remain until 2014.

### Employee benefits provisions

These include obligations arising under the Group's long-term incentive plan and the social costs on the Group's share option plan. An amount of € 18 million is expected to reverse in the coming twelve months. The remainder will reverse in the next two to ten years.

### Other provisions

These provisions relate to legal and constructive obligations. It is not expected that the outcomes of legal claims will give rise to any significant losses beyond the amounts provided at 31 March 2009.

## 22. Trade and other payables

	2009 € m	2008 € m
Trade creditors	278	299
Other creditors	267	264
	545	563

## 23. Other operating (expense)/income

	2009 € m	2008 re-presented € m
Royalty income – net	16	15
Amortisation of intangible assets acquired on business combinations	(13)	(3)
Other expenses	(30)	(2)
	(27)	10

## 24. Profit from continuing operations

Profit from continuing operations is stated after the following items of expense/(income):

	2009 € m	2008 € m
Depreciation of property, plant and equipment (note 7)	171	139
Amortisation of intangible assets (note 8)	47	35
Operating lease rentals	278	283
Sub-lease rental income	(2)	(2)
Cash flow hedge – transfer from shareholders' equity	(12)	(13)
Research and development costs	23	19
Loss on disposal of property, plant and equipment	1	1
Profit on disposal of intangible assets	–	(2)
Restructuring charges	17	5

## 25. Employee benefits expense

	2009 € m	2008 € m
Wages and salaries including termination benefits € 11 million (2008: € 6 million)	917	855
Social security costs	160	153
Share option expense	31	31
Long-term employee benefits	(7)	11
Pension costs – defined contribution plans	11	11
Pension costs – defined benefit plans (note 20)	39	30
	1 151	1 091

	2009 number	2008 number
Average number of employees:		
Switzerland	6 478	5 839
Rest of the world	13 093	12 436
	19 571	18 275

# Notes to the consolidated financial statements continued

## 26. Net finance (costs)/income

	2009 € m	2008 € m
<b>Finance income:</b>		
Interest income on bank and other deposits	73	82
Dividend income on financial assets at fair value through profit or loss	1	6
Net gain in fair value of financial assets at fair value through profit or loss	–	9
Net foreign exchange gains on monetary items	53	–
Mark-to-market adjustment in respect of hedging activities	–	64
<b>Finance income</b>	<b>127</b>	<b>161</b>
<b>Finance costs:</b>		
Interest expense:		
– bank borrowings	(37)	(35)
– other financial expenses	(1)	(1)
Net loss in fair value of financial assets at fair value through profit or loss	(18)	–
Mark-to-market adjustment in respect of hedging activities	(172)	–
Net foreign exchange losses on monetary items	–	(78)
<b>Finance costs</b>	<b>(228)</b>	<b>(114)</b>
<b>Net finance (costs)/income</b>	<b>(101)</b>	<b>47</b>

Foreign exchange gains resulting from effective hedge derivative instruments of € 12 million (2008: gains of € 13 million) were reflected in cost of sales during the year. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

## 27. Discontinued operations

### 27.1. British American Tobacco ('BAT')

In their Extraordinary General Meeting on 9 October 2008 the shareholders of the Company approved the restructuring of its business by splitting its luxury goods businesses from its other interests, which included its interest in BAT and other assets, including cash of € 351 million.

The de-twinning of the shares of the Company and the participation certificates of Richemont SA was effected on 20 October 2008. As part of the restructuring, Richemont SA distributed to the Company its entire holdings in the share capital of the entities holding the luxury goods businesses in compensation for the cancellation of the share capital of Richemont SA, 100 per cent held by the Company. The cancellation of the shares of Richemont SA represents a disposal to the unitholders of the residual interests of Richemont SA which comprised principally its interest in BAT and other assets. The de-consolidation of Richemont SA generates no gain or loss through profit or loss as it represents a partial liquidation of Richemont SA in the context of a Group restructuring.

In addition to BAT, management has authorised and is actively involved in the disposal of two small business units.

The results and cash flows of the discontinued operations include the share of post tax profit and dividends received from BAT, and the two business units mentioned above. Management considers the net costs and cash flows of other assets disposed of to be immaterial.



## 27. Discontinued operations continued

### Results of discontinued operations

	2009 € m	2008 € m
Sales	9	12
Cost of sales	(21)	(19)
Gross loss	(12)	(7)
Selling and distribution expenses	(3)	(4)
Communication expenses	(2)	(6)
Administrative expenses	(1)	–
Other operating expense	(12)	–
Operating loss	(30)	(17)
Share of post-tax profit of associated undertakings	355	609
Profit before taxation	325	592
Taxation	–	–
Profit from discontinued operations	325	592

### Cash flow generated from/(used in) discontinued operations

	2009 € m	2008 € m
Net cash generated from operating activities (operating)	335	314
Disposal of discontinued operations net of cash disposed of (financing)	(351)	–
	(16)	314

### Effect of disposal on the financial position of the Group

	2009 € m
Investment in associated undertaking	3 060
Financial assets held at fair value through profit or loss	76
Other non-current assets	3
Deferred income tax liabilities	(1)
Current income tax liabilities	(1)
Accruals and deferred income	(2)
Cash	351

#### 27.2. Assets of disposal groups held for sale

The assets relate to disposal groups which have been approved for disposal. The completion date is expected during June 2009. These assets have been written down by € 11 million to their fair values less costs to sell, which are as follows:

	2009 € m
Property plant and equipment	2
Inventories	9
	11

# Notes to the consolidated financial statements continued

## 28. Earnings per share

### 28.1. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding shares purchased by the Company and held in treasury.

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1

### 28.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Company has only one category of dilutive potential shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1
Adjustment for share options (millions)	1.5	8.0
Weighted average number of shares for diluted earnings per share (millions)	561.0	569.1

## 29. Dividends

In September 2008, a dividend of € 0.78 per unit was paid (September 2007: € 0.65 per unit, together with a special dividend of € 0.60 per unit).

### 30. Cash flow generated from operations

	2009 € m	2008 re-presented € m
Operating profit	951	1 101
Depreciation and impairment of property, plant and equipment	175	139
Amortisation and impairment of intangible assets	49	35
Loss on disposal of property, plant and equipment	1	1
Profit on disposal of intangible assets	–	(2)
(Decrease)/increase in provisions	(11)	2
Decrease in retirement benefit obligations	(5)	(60)
Non-cash items	20	19
Increase in inventories	(218)	(308)
Decrease/(increase) in trade debtors	21	(11)
Increase in other receivables, prepayments and accrued income	(15)	(6)
(Decrease)/increase in current liabilities	(154)	58
Increase in long-term liabilities	5	–
Cash flow generated from operations	819	968

### 31. Financial commitments and contingent liabilities

At 31 March 2009, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise. Details of the Group's commitments in respect of financial derivatives are given in note 15 and in respect of property, plant and equipment in note 7. At 31 March 2009, the Group has provided non-significant guarantees to third parties up to a maximum of € 4 million (2008: € 14 million).

The Group leases various boutiques, offices and manufacturing premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The cost for certain boutique leases contains a fixed portion together with a variable portion which is most commonly a percentage of sales achieved. The commitments below reflect only the fixed elements.

The Group had signed non-cancellable operating leases in respect of which the following minimum rentals are payable at 31 March:

	Land and buildings		Other assets		Total	
	2009 € m	2008 € m	2009 € m	2008 € m	2009 € m	2008 € m
Within one year	207	159	16	10	223	169
Between two and five years	450	353	25	20	475	373
Thereafter	250	249	2	2	252	251
	907	761	43	32	950	793

At 31 March 2009, the Group had committed to invest a further € 1 million (2008: € 307 million) in unlisted undertakings until 2010.

# Notes to the consolidated financial statements continued

## 32. Business combinations

### Business operations

On 11 August 2008, the Group acquired a 60 per cent controlling interest in Manufacture Roger Dubuis SA, a Geneva-based watchmaker.

This together with other non-material manufacturing and retail businesses acquired during the year represent the total business combinations.

The acquisition of Manufacture Roger Dubuis SA resulted in a residual goodwill amount of € 93 million. The goodwill relates to the additional manufacturing synergies to the Group. The goodwill is not tax deductible.

Manufacture Roger Dubuis SA contributed revenues of € 8 million for the period from acquisition to 31 March 2009 and losses of € 18 million for the same period. If the acquisition had occurred on 1 April 2008, the annual contribution to sales would have been around € 12 million and losses € 27 million. The other acquisitions have no material impact since acquisition, and this would not have changed had the acquisition occurred on 1 April 2008.

### Net assets acquired in the year ended 31 March 2009

	Business operations acquired					
	Watch manufacturing		Other manufacturing and retail businesses		Total	
	Fair value € m	Acquirees carrying amount € m	Fair value € m	Acquirees carrying amount € m	Fair value € m	Acquirees carrying amount € m
Property, plant and equipment and other long-term assets	2	2	–	–	2	2
Intangible assets	54	–	3	–	57	–
Inventories	23	28	2	2	25	30
Trade and other receivables	4	4	–	–	4	4
Cash and cash equivalents	(15)	(15)	–	–	(15)	(15)
Current and long-term liabilities	(40)	(57)	(1)	–	(41)	(57)
Borrowings, current and deferred tax	(34)	7	–	–	(34)	7
Net assets acquired	(6)	(31)	4	2	(2)	(29)
Net assets acquired	(6)		4		(2)	
Attributable to minority interests	–		–		–	
Fair value of net assets acquired	(6)		4		(2)	
Receivable due to parent	7		–		7	
Goodwill	93		–		93	
Purchase consideration – cash paid	94		4		98	
Overdraft acquired	15		–		15	
Cash outflow on acquisitions	109		4		113	
Cash paid to settle deferred consideration for combinations made in prior periods	13		–		13	
Cash outflow on acquisitions	122		4		126	

In the year ended 31 March 2008, the following business combinations were made:

### Business operations

During the year ended 31 March 2008, the Group made a number of acquisitions to enhance its manufacturing operations. In September 2007, Richemont acquired the component production facility of Manufacture Roger Dubuis SA and in November 100 per cent of the ordinary capital of Donzé-Baume SA, a watch case manufacturer.

The Group also acquired 100 per cent of the ordinary capital of the French fashion house, Azzedine Alaïa SAS.

These together with other non-material manufacturing businesses acquired during the year represent the total business combination.

The acquisition of Donzé-Baume SA resulted in a residual goodwill amount of € 32 million. The goodwill relates to the additional production capacity the Group has obtained by this acquisition and the fact that a significant external supplier was internalised. The goodwill is not tax deductible.

As no individual acquisition is considered material, the financial information is presented on an aggregate basis for each of these categories.

## 32. Business combinations continued

### Business operations (continued)

These acquired businesses contributed revenues of € 28 million for the period from acquisition to 31 March 2008 and losses of € 7 million for the same period. If the acquisitions had occurred on 1 April 2007, the annual contribution to sales would have been around € 40 million and losses € 1 million.

The acquisition accounting for all the new entities has not been completed in respect of pensions. A material impact is not considered likely.

### Net assets acquired in the year ended 31 March 2008

	Business operations acquired	
	Fair value € m	Acquirees carrying amount € m
Property, plant and equipment	54	51
Intangible assets	87	6
Inventories	29	30
Receivables	11	10
Cash and cash equivalents	3	3
Liabilities	(11)	(11)
Borrowings	(11)	(18)
Current and deferred tax	(19)	(1)
Other long-term liabilities	–	(5)
Net assets acquired	143	65
Fair value of net assets acquired	143	
Goodwill	32	
Purchase consideration	175	
Deferred payments	(27)	
Purchase consideration – cash paid	148	
Cash and cash equivalents acquired	(3)	
Cash outflow on acquisition	145	

## 33. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva holds 522 000 000 'B' registered shares representing an interest in 50 per cent of the voting rights in Compagnie Financière Richemont SA. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 162 664 Richemont 'A' bearer shares, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2009, representing 0.02 per cent of the voting rights of the Company.

The Group has a number of transactions and relationships with related parties, as defined by IAS 24, *Related Party Disclosures*, all of which are undertaken in the normal course of business.

Besides Compagnie Financière Rupert, the Board of Directors of Compagnie Financière Richemont SA and the Group Management Committee ('key management'), the Group has identified the following other related parties:

- Richemont's associated undertakings (see note 9);
- Richemont's joint venture interests (see note 35);
- Reinet Investments S.C.A. (see note 1), a public company incorporated in Luxembourg;
- Remgro Limited, a public company incorporated in South Africa;
- VenFin Limited, a private company incorporated in South Africa; and
- Richemont foundations (employee and others).



# Notes to the consolidated financial statements continued

## 33. Related-party transactions continued

### Group restructuring

In August 2008 the Company agreed with its joint venture partner, Remgro Limited, to restructure their joint holding in BAT and to return 90 per cent of the shares of BAT to their respective unit/shareholders.

The transaction was approved by the shareholders of the Company and the participation certificate holders of Richemont SA, Luxembourg ('RSA') at Extraordinary General Meetings held in October. On 20 October 2008 the Company separated from its former subsidiary RSA in a restructuring exercise that saw the luxury goods businesses being transferred from RSA to the Company effected by the redemption of the ordinary share capital of RSA which was 100 per cent held by the Company. RSA, renamed as Reinet Investments S.C.A. ('Reinet'), retained the full interest in BAT, a portfolio of small venture capital investments and some € 350 million in cash.

Until the restructuring, Richemont held its interest in BAT through a joint-venture vehicle, R&R Holdings SA. The joint venture partner was Remgro Limited. The restructuring, which resulted in the creation of Reinet, envisaged the partial liquidation of R&R Holdings SA and the distribution to Reinet of Richemont's 19.5 per cent share of the underlying holding of BAT shares. As a consequence of the distribution of the BAT shares, the joint-venture with Remgro Limited was terminated.

On 3 November 2008, Reinet distributed to its shareholders by way of a capital reduction 90 per cent of its interest in the shares of BAT. At that time, Remgro Limited contributed 10 per cent of its holding of BAT shares to Reinet in exchange for the issuance of Reinet securities to its shareholders in accordance with the original agreement.

Following the restructuring, the management of Richemont is distinct from Reinet, although a number of executives who have management responsibilities for Reinet continue to have executive roles and are employed by Richemont. Richemont has charged an applicable share of costs of the executives to Reinet in respect of the period ended 31 March 2009.

### Other related-party transactions

The following transactions were carried out with related parties giving rise to (expense/payables) and income/receivables:

#### (a) Transactions and balances between the Richemont Group and its associated undertakings

	2009 € m	2008 € m
Sales to Net-à-Porter	1	3
Receivables outstanding at 31 March:		
Net-à-Porter – sales of goods	–	1

#### (b) Transactions and balances between the Richemont Group and entities under common control

	2009 € m	2008 € m
Goods and services bought from and other transactions with entities under common control:		
Ventek International – acquisition of IT services and equipment	(1)	–
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	(2)	(2)
Montblanc Kulturstiftung – donation	–	(1)
Services sold to and other transactions with entities under common control:		
Reinet and its related Group companies	2	–
Payables outstanding at 31 March:		
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	(1)	–
Ventek International – acquisition of IT services and equipment	(1)	–
Receivables outstanding at 31 March:		
Fondation Antoine LeCoultré	1	1
Reinet and its related Group companies	2	–

### 33. Related-party transactions continued

#### (c) Transactions and balances between the Richemont Group and its joint ventures

	2009 € m	2008 € m
Services provided and other income from:		
Laureus World Sports Awards Limited – sponsorship	(4)	(5)
Goods and services sold to and other transactions with its joint ventures:		
R&R – dividends received	343	341
Ralph Lauren Watch and Jewelry Company Sàrl	3	–
Receivables outstanding at 31 March:		
R&R	–	1 353
Laureus World Sports Awards Limited	–	2
Ralph Lauren Watch and Jewelry Company Sàrl	1	–

#### (d) Transactions and balances between the Richemont Group and its investment entities

	2009 € m	2008 € m
Goods and services bought from and other transactions with its investment entities:		
Kaenon Polarized – purchase of goods	–	(1)
Receivables outstanding at 31 March:		
Kaenon Polarized	–	1
Luxe International Inc.	2	–

#### (e) Individuals

During the year, the Group gave donations of € 0.4 million (2008: € 0.3 million) to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni, a senior executive director of Compagnie Financière Richemont SA, is the President of the Foundation.

Me Jean-Paul Aeschmann, the Deputy Chairman, is counsel to the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.7 million (2008: € 0.5 million) from Group companies for advice on legal and taxation matters.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 million (2008: € 0.2 million) in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

During the period to 20 October 2008, the Group had interests in three closed-ended investment funds managed by General Enterprise Management Services Limited. Mr Simon Murray, a non-executive director of the Company, has an effective interest of 25 per cent in this investment management company. The cash invested during the period to 20 October 2008, net of capital refunds and distributions, was € 1.7 million (year to 31 March 2008: net received € 3.0 million).

On 28 February 2006, the Group committed to invest US\$ 65 million in a subsidiary company, Atelier Fund, LLC, a limited liability investment company specialising in high potential brand/retail opportunities in the luxury sector. Ms Martha Wikstrom, a non-executive director of the Company holds a one-third interest in Atelier Management, LLC, the managing company of this investment fund. During the year, fees of € 0.9 million (2008: € 1.1 million) were paid to the managing company for fund management and other services not specific to Atelier Fund, LLC.

In accordance with the terms of the modification to the Group's executive stock option plan, as detailed in note 34, certain executive directors and members of the Group's management committee received vested options over shares in BAT and Reinet. At 31 March 2009, the Group recognised in its balance sheet a liability of € 22 million in respect of its obligation to deliver shares on exercise of the vested options.

# Notes to the consolidated financial statements continued

## 33. Related-party transactions continued

### (f) Key management compensation

	2009 € m	2008 € m
Salaries, short-term incentives and other short-term employee benefits	24	23
Long-term employee benefits	–	2
Post-employment benefits	2	3
Share option expense	11	13
	37	41

### Key management compensation disclosures as required by Swiss law

The following disclosures on executive compensation are required by Swiss law. In determining the value of each component the Group has followed the valuation and measurement principles of International Financial Reporting. The amounts are in agreement with other IFRS information provided in this annual report.

### Key management compensation for the year ended 31 March 2009

		Salary, short-term incentives and other short-term employee benefits €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total €
<b>Board of Directors of Compagnie Financière Richemont SA</b>						
Johann Rupert	Executive Chairman	2 098 794	–	1 528 739	2 295 383	5 922 916
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	123 613	–	–	–	123 613
Norbert Platt	Group Chief Executive Officer	5 070 284	–	67 643	2 221 997	7 359 924
Richard Lepeu	Group Finance Director	2 704 187	–	69 225	1 287 895	4 061 307
Franco Cologni	Senior Executive Director	517 161	–	9 416	–	526 577
Lord Douro	Non-Executive Director	192 080	–	–	–	192 080
Yves-André Istel	Non-Executive Director	118 613	–	–	–	118 613
Simon Murray	Non-Executive Director	76 938	–	–	–	76 938
Alain Dominique Perrin	Executive Director	1 545 442	–	–	–	1 545 442
Alan Quasha	Non-Executive Director	76 938	–	–	–	76 938
Lord Renwick	Non-Executive Director	118 613	–	–	–	118 613
Jan Rupert	Manufacturing Director	1 005 354	–	53 016	1 014 734	2 073 104
Jürgen Schrempp	Non-Executive Director	76 938	–	–	–	76 938
Martha Wikstrom	Non-Executive Director	76 938	–	–	–	76 938
Total		13 801 893	–	1 728 039	6 820 009	22 349 941
<b>Group Management Committee</b>						
		10 032 558	(414 000)	629 485	4 721 970	14 970 013
Total key management compensation		23 834 451	(414 000)	2 357 524	11 541 979	37 319 954

\* The cost for stock options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 34.

During the year under review, certain members of the Group Management Committee provided services to the Reinet Group of entities which are regarded as entities under common control. € 0.6 million of total compensation costs disclosed above was in respect of these services and has been reimbursed by the Reinet Group (2008: nil).

### 33. Related-party transactions continued

#### Key management compensation for the year ended 31 March 2008

		Salary, short-term incentives and other short-term employee benefits €	Long-term benefits €	Post- employment benefits €	Stock option cost* €	Total €
<b>Board of Directors of Compagnie Financière Richemont SA</b>						
Johann Rupert	Executive Chairman	1 473 190	–	1 549 938	3 196 482	6 219 610
Jean-Paul Aeschimann	Non-Executive Deputy Chairman	102 621	–	–	–	102 621
Norbert Platt	Group Chief Executive Officer	4 598 776	–	65 409	2 030 234	6 694 419
Richard Lepeu	Group Finance Director	2 546 310	–	61 591	1 402 216	4 010 117
Franco Cologni	Senior Executive Director	506 119	–	11 609	–	517 728
Lord Douro	Non-Executive Director	228 282	–	–	–	228 282
Yves-André Istel	Non-Executive Director	97 621	–	–	–	97 621
Simon Murray	Non-Executive Director	73 215	–	–	–	73 215
Alain Dominique Perrin	Executive Director	1 446 914	–	–	–	1 446 914
Alan Quasha	Non-Executive Director	73 215	–	–	–	73 215
Lord Renwick	Non-Executive Director	88 469	–	–	–	88 469
Jan Rupert	Manufacturing Director	976 788	–	46 029	838 471	1 861 288
Jürgen Schrempp	Non-Executive Director	73 215	–	–	–	73 215
Martha Wikstrom	Non-Executive Director	73 215	–	–	–	73 215
Total		12 357 950	–	1 734 576	7 467 403	21 559 929
<b>Board of Directors of Richemont SA</b>		11 238 029	1 995 000	1 016 107	5 245 293	19 494 429
<b>Total key management compensation</b>		23 595 979	1 995 000	2 750 683	12 712 696	41 054 358

\* The cost for stock options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 34.

#### Stock option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. No awards under the stock option plan have been made to non-executive directors. Details of options held by executive directors and members of the management board under the plan are as follows:

#### At 31 March 2009

	Number of options					Weighted average grant price CHF	Exercise period	Latest expiry date
	1 April 2008	Granted in year	Exercised in year	Impact of option plan modifications (note 34)	31 March 2009			
<b>Board of Directors of Compagnie Financière Richemont SA</b>								
Johann Rupert	6 104 000	–	–	2 171 841	8 275 841	11.83	Apr 2009-Jul 2011	June 2013
Norbert Platt	924 666	429 375	–	967 835	2 321 876	22.64	Apr 2009-Jul 2014	June 2017
Richard Lepeu	995 000	257 625	–	541 987	1 794 612	19.75	Apr 2009-Jul 2014	June 2017
Jan Rupert	570 000	214 689	–	451 654	1 236 343	20.71	Apr 2009-Jul 2014	June 2017
<b>Group Management Committee</b>								
Giampiero Bodino	240 000	68 700	–	277 445	586 145	22.22	Apr 2009-Jul 2014	June 2017
Pilar Boxford	80 233	17 175	(18 567)	79 575	158 416	20.76	Apr 2009-Jul 2014	June 2017
Bernard Fornas	503 000	8 589	–	516 177	1 027 766	20.42	Apr 2009-Jul 2014	June 2017
Alan Grieve	206 000	51 525	–	169 046	426 571	20.17	Apr 2009-Jul 2014	June 2017
Albert Kaufmann	560 000	171 750	(1 670)	494 670	1 224 750	20.96	Apr 2009-Jul 2014	June 2017
Thomas Lindemann	137 000	85 875	(5 500)	169 693	387 068	23.41	Jul 2009-Jul 2014	June 2017
Eloy Michotte	225 555	85 875	–	150 551	461 981	20.36	Apr 2009-Jul 2014	June 2017
Frederick Mostert	296 666	171 750	–	318 307	786 723	23.17	Apr 2009-Jul 2014	June 2017

# Notes to the consolidated financial statements continued

## 33. Related-party transactions continued

Since his appointment to the Board of Compagnie Financière Richemont SA in September 2006, Mr Ruggero Magnoni has formally waived his entitlement to receive any fees or compensation in respect of his duties as a non-executive director.

The Group Management Committee (formerly the Board of Richemont SA, Luxembourg until 20 October 2008) comprises, in addition to the Executive Chairman, the Group Chief Executive Officer, the Group Finance Director and the Manufacturing Director, the following members:

Giampiero Bodino	Albert Kaufmann
<i>Group Art Director</i>	<i>General Counsel</i>
Pilar Boxford	Thomas Lindemann
<i>Group Public Relations Director</i>	<i>Group Human Resources Director</i>
Bernard Fornas	Eloy Michotte
<i>Chief Executive of Cartier</i>	<i>Corporate Finance Director</i>
Alan Grieve	Frederick Mostert
<i>Director of Corporate Affairs</i>	<i>Lead Counsel and Chief Intellectual Property Counsel</i>

### Highest paid compensation to a member of the management board

The total level of compensation of the highest paid member of the Group Management Committee was € 7 359 924, which was in respect of Mr Norbert Platt, Group Chief Executive Officer. Mr Platt's compensation is disclosed as a member of the Board of Compagnie Financière Richemont SA. It is therefore excluded from the total compensation of the Group Management Committee.

### Compensation of advisory committees

The Board of Compagnie Financière Richemont SA has established a number of advisory committees. These committees comprise both executive and non-executive directors of the Board of Compagnie Financière Richemont SA. The compensation of the individual members of these committees is disclosed above.

### Compensation for former executive directors

During the year under review, a former executive director (who is not a current member of the Group Management Committee) received € 0.1 million (2008: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

### Share ownership

As at 31 March 2009, members of the Board and parties closely linked to them owned a total of 60 500 Richemont 'A' shares. Members of the management committee and parties closely linked to them held a total of 51 670 Richemont 'A' shares at that date. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 522 000 000 'B' registered shares in the Group. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 162 664 'A' shares or 'A' share equivalents at 31 March 2009. The interest of individual directors and members of the Group Management Committee in Richemont 'A' shares is as follows:

	At 31 March 2009	At 31 March 2008
<b>Board of Directors of Compagnie Financière Richemont SA</b>		
Lord Douro	18 000	18 000
Yves-André Istel	16 000	16 000
Simon Murray	7 500	7 500
Alain Dominique Perrin	15 000	–
Lord Renwick	4 000	4 000
	<b>60 500</b>	<b>45 500</b>
<b>Group Management Committee</b>		
Alan Grieve	50 000	90 000
Albert Kaufmann	1 670	–
	<b>112 170</b>	<b>135 500</b>

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 Richemont 'A' shares. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold Richemont 'A' shares and 'A' share equivalents in their own right. Mr Jan Rupert is a trustee of certain of these trusts but is not in a position to control their investment decisions or to control the exercise of voting rights by those trusts. In addition, members of Mr Rupert's family are also beneficiaries of certain companies that have acquired and currently hold 20 000 Richemont 'A' shares.



### 33. Related-party transactions continued

Mr Jan Rupert has no beneficial interest in Compagnie Financière Rupert and shares referred to in the preceding paragraph do not form part of the interest held by Compagnie Financière Rupert and its associated parties. For the avoidance of doubt, Mr Johann Rupert, Group Executive Chairman and a cousin of Mr Jan Rupert, is not a director of the company referred to in the preceding paragraph and has no interest in its holding of 'A' shares. He is neither a trustee of the trusts referred to in the preceding paragraph nor a beneficiary of those trusts. Details of the holding of Compagnie Financière Rupert and parties associated with Mr Johann Rupert are given in the corporate governance report.

Mr Alain Dominique Perrin, an executive director, also has an indirect holding of 720 779 'A' shares. This indirect holding followed the redemption during the year of indirect holdings of derivative instruments linked to 720 779 underlying shares.

Mr Alan Grieve, a member of the Group Management Committee, also serves as a director of certain private companies established when the Group was founded and linked to former investors in Compagnie Financière Rupert. These companies hold in total 9 791 954 Richemont 'A' shares. Mr Grieve has no beneficial interest in those companies or in the 'A' shares that they hold. These companies have no current connection with Compagnie Financière Rupert and are not associated in any way with Mr Johann Rupert.

#### Loans to members of governing bodies

As at 31 March 2009, there were no loans or other credits outstanding to any current or former executive or non-executive director, or member of the Group Management Committee. The Group policy is not to extend loans to directors or members of the Group Management Committee. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director, or member of the Group Management Committee.

### 34. Share-based payment

#### Stock option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan vest over periods of three to eight years and have expiry dates, the date after which unexercised options lapse, of between five and 13 years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

#### Stock option plan at 31 March 2009

A reconciliation of the movement in the number of share awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2007	33.10	24 059 523
Awarded	75.10	2 368 400
Exercised	25.97	(2 697 893)
Lapsed	37.81	(550 413)
Balance at 31 March 2008	38.11	23 179 617
Exercised	26.47	(705 657)
Lapsed	48.66	(217 001)
Balance at 20 October 2008	38.37	22 256 959
Balance at 21 October 2008	18.54	38 281 276
Awarded	21.20	5 069 241
Exercised	11.03	(265 521)
Lapsed	21.74	(277 572)
Balance at 31 March 2009	18.88	42 807 424

In the detail that follows, the comparative information has not been re-presented to reflect the modification that occurred from the Group's restructuring during the year. Information prior to 20 October 2008 is presented on a unit basis and has not been re-presented for the impact of the de-twinning.

Of the total options outstanding at 31 March 2009, options in respect of 10 087 258 shares had vested and were exercisable (2008: 7 337 178 units).

The weighted average share price at the date of exercise for options exercised during the year was CHF 54.92 before the de-twinning and CHF 18.55 after the de-twinning (2008: CHF 76.42).

# Notes to the consolidated financial statements continued

## 34. Share-based payment continued

The following information applies to options outstanding at the end of each year:

	Exercise Price	Weighted average exercise price	Number of options	Weighted average remaining contractual life
31 March 2009	CHF 8.73-10.59	CHF 9.86	6 004 278	1.9 years
	CHF 12.70-14.45	CHF 13.65	10 302 997	4.3 years
	CHF 18.01	CHF 18.01	8 987 014	5.2 years
	CHF 23.18	CHF 23.18	7 228 975	6.2 years
	CHF 32.79	CHF 32.79	5 255 458	7.2 years
	CHF 21.20	CHF 21.20	5 028 702	8.2 years
31 March 2008	CHF 20.00-24.25	CHF 22.50	6 563 849	2.9 years
	CHF 29.10-33.10	CHF 31.51	6 981 768	5.3 years
	CHF 41.25	CHF 41.25	4 031 600	6.2 years
	CHF 53.10	CHF 53.10	3 248 500	7.2 years
	CHF 75.10	CHF 75.10	2 353 900	8.2 years

The average fair value of options granted during the period determined using a Monte Carlo model was CHF 8.48 (2008: Black Scholes model; value CHF 27.38). The significant inputs into the model were the share price of CHF 21.20 (2008: CHF 73.40) at the grant date, the exercise prices shown above, a standard deviation of expected share price returns of 41 per cent (2008: 34.0 and 33.0 per cent), an expected option life of seven to nine years, a dividend yield of 2.00 per cent (2008: 1.46 per cent) and a risk-free interest rate of 1.3 per cent to 1.7 per cent (2008: 3.0 per cent to 3.1 per cent). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last six years.

The amount recognised in the income statement before social security and taxes for equity-settled share-based payment transactions was € 31 million (2008: € 31 million).

### Modification during the year under review

On 20 October 2008, the Company split its luxury goods businesses from its other interests resulting in the de-twinning of the then existing Richemont units. The de-twinning process impacted the value and the number of stock options awarded to executives. Richemont unit options, which had vested but were not yet exercised at the date of the restructuring, have been converted into options over Richemont 'A' shares, options over BAT shares and options over Reinet shares. The exchange ratio used, determined at market prices at close of business on the date of the de-twinning, was calculated to preserve the economic benefits of the Richemont option holders. Richemont unit options which had not vested at the date of the restructuring were converted in their entirety into options over Richemont 'A' shares.

The fair value of the outstanding options immediately before and after the modification was recalculated using the binomial model. The significant inputs into the model were the risk-free interest rates set as at the date of the modification, the dividend yield based on historical values ignoring any special dividends (a zero dividend yield and an estimated share price were used for Reinet), an expected option life between zero and seven years and an early exercise assumption based on expected rational behaviour, and the seniority of the management and the relative values of the BAT share price (£ 17.14) and the Richemont unit price (CHF 42.90) at the date of modification. The volatility for BAT was based on a historic six-year average. The historic volatility and estimated price of the new Richemont share was determined by decomposing the Richemont unit price into the component parts of the luxury goods businesses, and BAT and other assets. The volatility of Reinet was based on nine comparative listed companies.

	Expected volatility	Expected dividends	Risk-free interest rate
Richemont (unit)	31%	2.8%	1.1% – 3.3%
Richemont (share)	41%	6.4%	1.1% – 3.3%
BAT	20%	4.1%	3.0% – 4.2%
Reinet	40%	–	2.7% – 3.9%

As a consequence of the restructuring, the incremental fair value granted amounts to € 5.8 million. The increase in fair value related to vested options amounts to € 0.4 million and has been fully recognised in the year. The increase in fair value related to unvested options of € 5.4 million will be recognised over the period from 20 October 2008 until the vesting dates which remain unchanged after the de-twinning process.

### 35. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds an interest of 50 per cent in Laureus World Sports Awards Limited, a company registered in the UK. The company manages the Laureus World Sports Awards, which honour the achievements of the world's greatest sportsmen and women on an annual basis and contributes to the Laureus Sport for Good Foundation, a charity registered in the UK which oversees the activities of Laureus Sport for Good Foundations around the world. The Group's partner in Laureus World Sports Awards Limited is Daimler AG.
- Richemont is a 50 per cent owner of Ralph Lauren Watch and Jewelry Company Sàrl. The joint venture entity designs and creates luxury watches and fine jewellery. The Group's partner is Polo Ralph Lauren Inc., New York.
- Until 20 October 2008, Richemont held a 19.5 per cent interest in BAT through the joint venture R&R Holdings SA incorporated in Luxembourg. As part of the Group restructuring, the assets of R&R Holdings SA, being namely the BAT shares, were transferred to Reinet and R&R Holdings SA was liquidated.

The following amounts represent the Group's share of the assets and liabilities and results of the joint ventures and are included in the consolidated balance sheet and income statement. The figures are before elimination of intra-Group transactions and balances.

	2009 € m	2008 € m
<b>Balance sheet</b>		
Investments in associated undertaking	–	2 998
Non-current assets	1	–
Current assets	12	7
Current liabilities	(14)	(1 362)
Non-current liabilities	(3)	(1)
	<b>(4)</b>	<b>1 642</b>
	2009 € m	2008 € m
<b>Income statement</b>		
<b>Continuing operations</b>		
Revenue	3	–
Operating loss	(2)	(4)
Finance income	4	4
Taxation	–	(1)
Profit/(loss) from continuing operations	2	(1)
Profit from discontinued operations (net of tax)	355	609
Net profit	357	608

### 36. Ultimate parent company

The directors regard Compagnie Financière Rupert, Bellevue, Geneva, Switzerland to be the Group's controlling party, as 50 per cent of the voting rights of the Company are held by that entity.

### 37. Post balance sheet events

A dividend of CHF 0.30 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 9 September 2009. These financial statements do not reflect these dividends payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2010.

# Notes to the consolidated financial statements continued

## 38. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
<b>Subsidiary undertakings</b>				
China	Shanghai	Alfred Dunhill (Shanghai) Trading Company Limited	100.0%	US\$ 650
	Shanghai	Montblanc Commercial (China) Co. Limited	100.0%	CNY 40 000
	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 282 700
France	Paris	Cartier SA	100.0%	€ 24 392
	Paris	Chloé International SAS	100.0%	€ 6 000
	Paris	Lancel Sogedi SA	100.0%	€ 27 520
	Paris	Van Cleef & Arpels Holding France SAS	100.0%	€ 17 519
Germany	Glashütte	Lange Uhren GmbH	100.0%	€ 550
	Hamburg	Montblanc – Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK\$ 2 500
India	Mumbai	Richemont India Private Limited	100.0%	INR 18 000
Italy	Milan	Officine Panerai Marketing e Comunicazione Srl	100.0%	€ 90
	Milan	Richemont Italia SpA	100.0%	€ 10 000
Japan	Tokyo	Richemont F&A Japan Limited	100.0%	JPY 110 000
	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0%	€ 3 000 000
Luxembourg	Luxembourg	Richemont Finance SA	100.0%	€ 350 000
	Luxembourg	Richemont International Holding SA	100.0%	€ 603 435
Netherlands	Amsterdam	Montblanc International BV	100.0%	€ 2 886
	Amsterdam	RLG Europe BV	100.0%	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0%	RUR 50 000
Spain	Madrid	Richemont Iberia, SL	100.0%	€ 6 005
Switzerland	Bellevue	Baume & Mercier SA	100.0%	CHF 100
	Geneva	Cartier International SA Genève	100.0%	CHF 500
	Geneva	Cartier SA	100.0%	CHF 1 000
	Schaffhausen	IWC International Watch Co. AG	100.0%	CHF 100
	Le Sentier	Manufacture Jaeger-LeCoultre SA	100.0%	CHF 100
	Meyrin	Manufacture Roger Dubuis SA	60.0%	CHF 10 000
	Le Locle	Montblanc Montre SA	100.0%	CHF 250
	La Côte-aux-Fées	Piaget SA	100.0%	CHF 128
	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
	Bellevue	Richemont Securities AG	50.0%	CHF 100
	Villars-sur-Glâne	Richemont Suisse SA	100.0%	CHF 4 850
	Geneva	Vacheron & Constantin SA	100.0%	CHF 100
	Villars-sur-Glâne	Van Cleef & Arpels SA	100.0%	CHF 31 387
Turkey	Istanbul	Richemont Istanbul Luks Esya Dagitim A.S.	100.0%	TRY 8 800
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
United Kingdom	London	Alfred Dunhill Limited	100.0%	£ 235 421
	London	Cartier Limited	100.0%	£ 4 200
	London	James Purdey & Sons Limited	100.0%	£ 9 635
	London	Richemont Holdings (UK) Limited	100.0%	£ 248 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US\$ 127 179
<b>Joint venture</b>				
Switzerland	Vernier	Ralph Lauren Watch and Jewelry Company Sàrl	50.0%	CHF 2 000

# Report of the Group auditors

To the General Meeting of Shareholders of Compagnie Financière Richemont SA, Bellevue, Geneva

As statutory auditor, we have audited the consolidated financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 56 to 106) for the year ended 31 March 2009.

## Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards ('IFRS') and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act ('AOA') and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

David Mason  
Audit expert  
Auditor in charge

Adriana Konca

Geneva, 13 May 2009



# Company financial statements

## Compagnie Financière Richemont SA

### Income statement

for the year ended 31 March

	Notes	2009 CHF m	2008 CHF m
Income			
Dividend income		589.2	373.1
Interest income		26.6	31.7
Other income		3.0	3.9
		618.8	408.7
Expenses			
General expenses	2,3	35.9	14.3
Profit before taxation		582.9	394.4
Taxation		2.2	3.0
Net profit		580.7	391.4

### Balance sheet

at 31 March

	Notes	2009 CHF m	2008 CHF m
Long-term assets			
Investments	4	1 077.2	702.2
Property, plant and equipment		0.1	0.1
		1 077.3	702.3
Current assets			
Current accounts receivable from Group companies		1 729.3	1 570.5
Other receivables		0.1	0.2
Cash and cash equivalents		0.6	1.1
		1 730.0	1 571.8
		2 807.3	2 274.1
Shareholders' equity			
Share capital	6	574.2	574.2
Legal reserve	7	117.6	117.6
Reserve for own shares	8	262.4	104.1
Retained earnings	9	1 835.8	1 466.9
		2 790.0	2 262.8
Current liabilities			
Accrued expenses		9.8	4.6
Taxation		5.0	3.3
Current accounts payable to Group companies		0.1	1.1
		14.9	9.0
Long-term liabilities	5	2.4	2.3
		2 807.3	2 274.1

## Notes to the Company financial statements

at 31 March 2009

### Note 1 – General

#### Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA ('the Company') at 31 March 2009 and the results of its operations for the year then ended, prepared in accordance with Swiss law.

#### Risk Management Disclosure

Compagnie Financière Richemont SA is fully integrated in the Group risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact, and subsequently prioritised by Group Management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

### Note 2 – General expenses

General expenses include personnel costs of CHF 3.6 million (2008: CHF 3.5 million).

### Note 3 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, art. 663 and following, can be found in note 33 to the consolidated financial statements.

### Note 4 – Investments

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

Company	Domicile	Purpose	2009 ownership	2008 ownership	2009 CHF m	2008 CHF m
Richemont SA	Luxembourg	Investment holding company	–	100%	–	700.0
Columbus VC Sàrl	Switzerland	Investment holding company	100%	100%	2.0	2.0
Richemont Securities AG	Switzerland	Depository/issuer of Richemont South African Depository Receipts	50%	100%	0.1	0.1
Richemont Holdings AG	Switzerland	Investment holding company	100%	100%	0.1	0.1
Richemont International SA	Switzerland	Operating company	100%	–	385.0	–
Richemont International Holding SA	Luxembourg	Investment holding company	100%	–	459.0	–
Richemont Finance SA	Luxembourg	Investment holding company	100%	–	189.0	–
Richemont Luxury Group Ltd	Jersey	Investment holding company	100%	–	42.0	–
					1 077.2	702.2

During the year Richemont restructured its businesses and created a new, separately-listed vehicle to hold its former non-luxury goods interests. The Company's former wholly-owned subsidiary, Richemont SA, Luxembourg transferred its luxury goods assets to the Company by way of a reduction in capital and changed its name and legal status to Reinet Investments S.C.A. ('Reinet'). Reinet is now listed independently from the Company on the Luxembourg Stock Exchange. For full details regarding the restructuring, please refer to note 27 in the consolidated financial statements.

During the year the Company transferred 50 per cent of its interest in Richemont Securities AG to Reinet; Richemont Securities AG operates South African Depository Receipt programmes for both Richemont and Reinet.

### Note 5 – Long-term liabilities

Long-term liabilities include retirement benefit obligations in the amount of CHF 2.2 million.

### Note 6 – Share capital

	2009 CHF m	2008 CHF m
522 000 000 'A' bearer shares with a par value of CHF 1.00 each, fully paid	522.0	522.0
522 000 000 'B' registered shares with a par value of CHF 0.10 each, fully paid	52.2	52.2
	574.2	574.2

### Note 7 – Legal reserve

The legal reserve of CHF 117.6 million (2008: CHF 117.6 million) is not available for distribution.

# Compagnie Financière Richemont SA

## Notes to the Company financial statements continued

### Note 8 – Reserve for own shares

The reserve is created in respect of Richemont 'A' shares purchased by Richemont Employee Benefits Limited ('REBL'), a subsidiary company.

Prior to the restructuring mentioned in note 4, a Richemont 'A' unit was composed of one 'A' bearer share issued by the Company and one participation certificate issued by Richemont SA, Luxembourg. 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. The remaining 75 per cent of the cost of shares sold was transferred from a reserve for own participation certificates in the balance sheet of Richemont SA. Accordingly, the reserve for Richemont 'A' units repurchased was accounted for as to 25 per cent in the balance sheet of the Company and 75 per cent in that of Richemont SA.

As a result of the restructuring, the Richemont 'A' units were separated into the shares of the Company and shares of Reinet. Reinet subsequently distributed a part of its holding of shares in BAT to its shareholders. The Richemont 'A' units having been de-twinned, the reserve for own shares in the Company's balance sheet now represents the cost value of the Company's shares only.

As a consequence of the restructuring, REBL acquired shares of BAT and Reinet which it holds as assets to hedge its obligations to option-holders.

During the year, REBL acquired 1 706 974 'A' units through the exercise of call options (2008: 3 000 000 'A' units) and a further 3 649 884 'A' shares were purchased in the open market (2008: none).

During the year, 705 657 'A' units and 265 521 'A' shares (2008: 2 682 893 'A' units) were sold to executives under the Richemont share option plan by REBL.

At 31 March 2009, following these transactions, REBL held 17 529 155 Richemont 'A' shares (2008: 13 143 475 Richemont 'A' units) with a cost of CHF 262.4 million (2008: CHF 416.5 million). The reserve for own shares of CHF 262.4 million (2008: CHF 104.1 million) represents 100 per cent of this amount. In 2008 this represented 25 per cent of this cost, the remaining 75 per cent being recorded in the balance sheet of Richemont SA. In terms of the reserve for own shares established in respect of purchased units and shares, a net amount of CHF 158.2 million has been transferred into the reserve (2008: CHF 6.1 million) during the year.

During the year, REBL purchased call options to acquire 1 000 000 'A' shares and entered into a forward contract to acquire up to an additional 3 000 000 'A' shares (2008: Call options to acquire 3 523 077 'A' units were purchased) in order to hedge obligations under the Richemont share option plan. Following the restructuring of 20 October 2008, outstanding call options to acquire 7 240 677 'A' units were converted into call options to acquire 12 612 223 'A' shares.

### Note 9 – Retained earnings

	2009 CHF m	2008 CHF m
Balance at 1 April of prior year retained earnings	1 466.9	1 131.4
Dividend paid	(53.6)	(49.8)
Net transfer to reserve for own shares	(158.2)	(6.1)
Balance at 1 April, after appropriations	1 255.1	1 075.5
Net profit	580.7	391.4
Balance at 31 March	1 835.8	1 466.9

### Note 10 – Commitments and contingencies

At 31 March 2009 the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of € 455.0 million.

At 31 March 2008 the Company had given no guarantees.

The directors believe that there are no contingent liabilities.

## Notes to the Company financial statements continued

### Note 11 – Significant shareholders

Pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company received formal notification in December 2000 from Compagnie Financière Rupert that it held 522 000 000 'B' registered shares, representing 50.0 per cent of the voting rights in the Company. In addition, Compagnie Financière Rupert has indicated that parties related to it held or controlled 162 664 'A' bearer shares (either directly or through the medium of South African Depository Receipts), representing 0.02 per cent of the voting rights in the Company as at 31 March 2009.

Also pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, the Company has received two formal notifications of significant shareholdings. In 2008, Public Investment Corporation Limited, Pretoria, which invests funds on behalf of South African public sector entities, notified the Company that accounts under its management held Richemont South African Depository Receipts equivalent to 32 633 436 'A' shares, representing 3.13 per cent of the voting rights in the Company. In 2009, REBL notified the Company that it had acquired 'A' shares and the right to acquire further 'A' shares equivalent to 34 144 378 'A' shares or 3.27 per cent of the voting rights in the Company. REBL acquires 'A' shares to hedge obligations arising from the Group's long-term stock option plan.

Richemont Securities AG, a subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DRs'), which are traded on the JSE Limited (the Johannesburg Stock Exchange). DRs trade in the ratio of ten DRs to each Richemont 'A' share. In its capacity as Depository and on behalf of the holders of DRs, Richemont Securities AG holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities AG's interest in Richemont 'A' shares is therefore non-beneficial in nature.

All dividends attributable to the 'A' shares held in safe custody are remitted by Richemont Securities AG individually to holders of DRs and Richemont Securities AG acts as the approved representative of DR holders in voting at shareholders' meetings of the Company. DR holders may provide Richemont Securities AG with voting instructions as to their holdings of DRs and Richemont Securities AG may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2009, Richemont Securities AG held 202 787 387 Richemont 'A' shares (2008: 170 753 803 shares), representing some 39 per cent (2008: 33 per cent) of the 'A' shares, in safe custody in respect of DRs in issue.

### Proposal of the Board of Directors for the appropriation of retained earnings at 31 March 2009

	CHF m
Available retained earnings	
Balance at 1 April 2008	1 466.9
Dividend paid	(53.6)
Net transfer to reserve for own shares	(158.2)
Net profit	580.7
	<b>1 835.8</b>

#### Proposed appropriation

The proposed dividend payable to Richemont shareholders will be CHF 0.30 per Richemont share. This is equivalent to CHF 0.30 per 'A' bearer share in the Company and CHF 0.03 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 14 September 2009 in respect of coupon number 12, free of charges but subject to Swiss withholding tax at 35 per cent, at the banks designated as paying agents.

The available retained earnings remaining after deduction of the dividend amount will be carried forward to the following business year.

#### The Board of Directors

Geneva, 13 May 2009

# Compagnie Financière Richemont SA

## Report of the statutory auditors

Report of the statutory auditors to the general meeting of Compagnie Financière Richemont SA, Geneva

### Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet, income statement and notes (pages 108 to 111), for the year ended 31 March 2009.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 March 2009 comply with Swiss law and the Company's articles of incorporation.

### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act ('AOA') and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

David Mason  
Audit expert  
Auditor in charge

Fabienne Mathieu

Geneva, 13 May 2009



# Five year record

## Consolidated income statement

	2005	2006	2007	2008 re-presented	2009
	€ m	€ m	€ m	€ m	€ m
<b>Continuing operations*</b>					
Sales	3 671	4 308	4 827	5 290	<b>5 418</b>
Cost of sales	(1 415)	(1 588)	(1 753)	(1 875)	<b>(1 988)</b>
Gross profit	2 256	2 720	3 074	3 415	<b>3 430</b>
Net operating expenses	(1 771)	(2 007)	(2 174)	(2 297)	<b>(2 448)</b>
Operating profit	485	713	900	1 118	<b>982</b>
Net finance (costs)/income	(48)	5	31	47	<b>(101)</b>
Profit before taxation	437	718	931	1 165	<b>881</b>
Taxation	(97)	(130)	(158)	(194)	<b>(133)</b>
Profit after taxation	340	588	773	971	<b>748</b>
Minority interests	(2)	(2)	(1)	1	<b>(1)</b>
Net profit of the parent and its subsidiaries	338	586	772	972	<b>747</b>
Share of results of associated undertakings	474	526	578	1	<b>3</b>
Tobacco	474	526	577	–	<b>–</b>
Other	–	–	1	1	<b>3</b>
Attributable net profit – underlying basis	812	1 112	1 350	973	<b>750</b>
Gross profit margin	61.5%	63.1%	63.7%	64.6%	<b>63.3%</b>
Operating profit margin	13.2%	16.6%	18.6%	21.1%	<b>18.1%</b>
Effective taxation rate**	22.2%	18.1%	17.0%	16.9%	<b>15.7%</b>

\* Continuing operations: the share of results from Tobacco have been included in continuing operations up to and including 31 March 2007.

\*\* The effective taxation rate is determined on profit from continuing and discontinued subsidiary operations.

### Basis of preparation

The income statement is presented on an underlying basis, which excludes the effect of disposal gains, restructuring charges and similar items identified in the financial review. A reconciliation to the results presented on a reported basis is given on page 114.

## Analysis of sales

	2005	2006	2007	2008 re-presented	2009
	€ m	€ m	€ m	€ m	€ m
<b>Sales by geographic region</b>					
Europe	1 580	1 811	2 042	2 284	<b>2 363</b>
Asia-Pacific	755	899	1 070	1 295	<b>1 474</b>
Americas	697	875	984	1 012	<b>889</b>
Japan	639	723	731	699	<b>692</b>
	3 671	4 308	4 827	5 290	<b>5 418</b>
<b>Sales by distribution channel</b>					
Retail	1 509	1 762	2 009	2 214	<b>2 304</b>
Wholesale	2 162	2 546	2 818	3 076	<b>3 114</b>
	3 671	4 308	4 827	5 290	<b>5 418</b>
<b>Sales by product line</b>					
Watches	1 750	2 053	2 263	2 555	<b>2 569</b>
Jewellery	844	1 011	1 146	1 254	<b>1 374</b>
Leather goods	258	353	463	498	<b>481</b>
Writing instruments	297	326	373	362	<b>307</b>
Clothing and other	522	565	582	621	<b>687</b>
	3 671	4 308	4 827	5 290	<b>5 418</b>

# Five year record continued

## Consolidated income statement reconciliation

	2005	2006	2007	2008 re-presented	2009
	€ m	€ m	€ m	€ m	€ m
Reconciliation of attributable net profit					
Continuing operations*					
As reported	1 212	1 094	1 328	973	<b>750</b>
Share of BAT exceptional items	(324)	40	38	–	–
Gain on partial disposal of share of BAT	(76)	–	–	–	–
Net disposal gains reported in subsidiaries	–	(22)	(16)	–	–
On an underlying basis	812	1 112	1 350	973	<b>750</b>

\* Continuing operations: the share of results from Tobacco have been included in continuing operations up to and including 31 March 2007.

## Per share information

	2005	2006	2007	2008 re-presented	2009
Earnings per share as reported					
– basic	€ 2.212	€ 1.978	€ 2.366	€ 1.734	<b>€ 1.340</b>
– fully diluted	€ 2.185	€ 1.951	€ 2.331	€ 1.710	<b>€ 1.337</b>
Earnings per share on an underlying basis					
– basic	€ 1.482	€ 2.010	€ 2.405	€ 1.734	<b>€ 1.340</b>
– fully diluted	€ 1.464	€ 1.983	€ 2.369	€ 1.710	<b>€ 1.337</b>
Dividend per share	€ 0.500	€ 0.600	€ 0.650	€ 0.780	<b>CHF 0.30</b>
Special dividend per share	€ 0.500	€ 0.500	€ 0.600	–	–
	2005	2006	2007	2008	2009
Closing market price					
Highest price	CHF 38.40	CHF 63.20	CHF 72.60	CHF 82.80	<b>CHF 30.04</b>
Lowest price	CHF 29.95	CHF 35.30	CHF 50.50	CHF 52.75	<b>CHF 14.23</b>

Earnings per share information for periods before 20 October 2008 was previously reported on a per unit basis. Other than closing market prices in 2009, no amounts have been re-presented to reflect the changes in capital structure following the Group restructuring that was effected on 20 October 2008.

## Cash flow from operations

	2005	2006	2007	2008 re-presented	2009
	€ m	€ m	€ m	€ m	€ m
Operating profit	561	741	916	1 101	<b>951</b>
Depreciation and other items	57	159	175	134	<b>229</b>
Increase in working capital	(137)	(126)	(121)	(267)	<b>(361)</b>
Cash inflow from operating activities	481	774	970	968	<b>819</b>
Capital expenditure – net	(127)	(189)	(221)	(295)	<b>(336)</b>
Net cash inflow from operating activities	354	585	749	673	<b>483</b>

## Exchange rates

	2005	2006	2007	2008	2009
Average rates					
€ : US\$	1.2589	1.2176	1.2829	1.4173	<b>1.4216</b>
€ : JPY	135.18	137.70	150.00	161.59	<b>143.07</b>
€ : CHF	1.5392	1.5508	1.5871	1.6390	<b>1.5597</b>
€ : £	0.6821	0.6821	0.6778	0.7061	<b>0.8360</b>

# Statutory information

## COMPAGNIE FINANCIÈRE RICHEMONT SA

**Registered office:** 50 chemin de la Chênaie  
1293 Bellevue  
Geneva  
Switzerland  
Tel: +41 (0) 22 721 3500  
Fax: +41 (0) 22 721 3550

**Auditors:** PricewaterhouseCoopers SA  
50 avenue Giuseppe-Motta  
1202 Geneva  
Switzerland

**Company Secretary:** Matthew Kilgariff

As described in note 1 of the consolidated financial statements, trading of Richemont 'A' units ceased with effect from close of business on 20 October 2008. Accordingly, the following statutory information relates specifically to Compagnie Financière Richemont SA shares.

Richemont 'A' shares issued by the Swiss parent company, Compagnie Financière Richemont SA, are listed and traded on the SIX Swiss Exchange (Reuters 'CFR.VX'/Bloombergs 'CFR:VX'/ISIN CH0045039655) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 4503965.

South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg Stock Exchange operated by JSE Limited (Reuters 'CFRJ.J'/Bloombergs 'CFR:SJ'/ISIN CH0045159024).

**Internet:** [www.richemont.com](http://www.richemont.com)  
[investor.relations@cfrinfo.net](mailto:investor.relations@cfrinfo.net)  
[secretariat@cfrinfo.net](mailto:secretariat@cfrinfo.net)

Further information regarding Reinet Investments S.C.A., the vehicle separated from Richemont in the de-twinning effected on 20 October 2008, can be found on that company's website: [www.reinet.com](http://www.reinet.com)

# Notice of meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 2.00 pm at the Mandarin Oriental Hotel, Quai Turretini 1, 1201 Geneva on Wednesday, 9 September 2009.

## AGENDA

### 1. Business Report

The Board of Directors proposes that the General Meeting, having taken note 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 2009.

### 2. Appropriation of profits

At 31 March 2009, the retained earnings available for distribution amounted to CHF 1 835 712 704. The Board of Directors proposes that a dividend of CHF 0.30 be paid per Richemont share. This is equivalent to CHF 0.30 per 'A' bearer share in the Company and CHF 0.03 per 'B' registered share in the Company. This represents a total dividend payable of CHF 172 260 000, subject to a waiver by Richemont Employee Benefits Limited of its entitlement to receive dividends on an estimated 18 million Richemont 'A' shares held in treasury. The Board of Directors proposes that the remaining available retained earnings of the Company at 31 March 2009 after payment of the dividend be carried forward to the following business year.

### 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 2009.

### 4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected on an individual basis to serve for a further term of one year: Johann Rupert, Jean-Paul Aeschmann, Dr Franco Coligni, Lord Douro, Yves-André Istel, Richard Lepeu, Ruggero Magnoni, Simon Murray, Alain Dominique Perrin, Norbert Platt, Alan Quasha, Lord Renwick of Clifton, Jan Rupert, Prof Jürgen Schrempp and Martha Wikström.

### 5. Election of the Auditors

The Board of Directors proposes that PricewaterhouseCoopers be reappointed 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.

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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 2009 will be available for inspection at the registered office of the Company from 27 July 2009 onwards. A copy of the financial statements, reports of the auditors and the Directors' report, which are contained in the Richemont Annual Report 2009, will be sent to shareholders upon request.

Cards for admission to the Annual General Meeting together with voting forms should be obtained by holders of bearer shares, upon deposit of their share certificates, from any branch of the following banks up to 4 September 2009: UBS AG, Lombard Odier Darier Hentsch & Cie, Bank J Vontobel & Co AG and Pictet & Cie. Admission cards will not be issued by the Company itself.

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 Maître Françoise Demierre Morand, Etude Gampert & Demierre, Notaires, 19 rue Général-Dufour, 1204 Geneva, as independent representative of the shareholders. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors. Proxy voting instructions must be received by the Company or the independent representative by Friday, 4 September 2009.

The meeting will be held in English with a simultaneous translation into French.

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:

**JOHANN RUPERT**  
EXECUTIVE CHAIRMAN

**NORBERT PLATT**  
GROUP CHIEF EXECUTIVE OFFICER