RICHEMONT

Annual Report and Accounts 2012

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

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

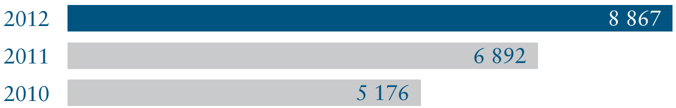
Each of Our Maisons™ represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving.

Cautionary statement regarding forward-looking statements

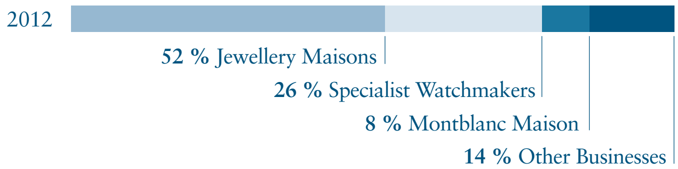
This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', '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

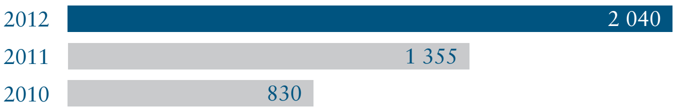
Group sales (€ m)



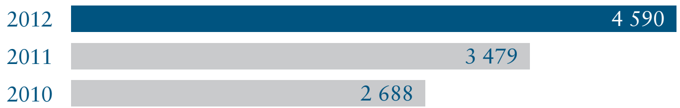
Sales by business area (% of Group)



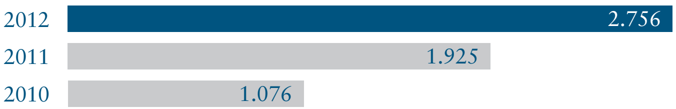
Operating profit (€ m)



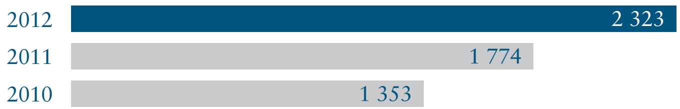
Jewellery Maisons (€ m)



Earnings per share from continuing operations (€)



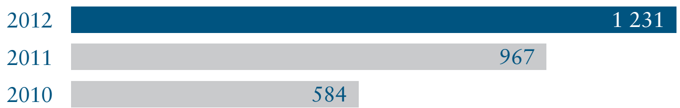
Specialist Watchmakers (€ m)



Dividend per share

Montblanc Maison (€ m)

Other Businesses (€ m)



- Sales increased by 29 % to € 8 867 million at actual exchange rates and by 30 % at constant currency.
- Operating profit rose by 51 % to € 2 040 million.
- Operating margin reached 23 % of sales.
- Healthy cash flow generated from operations: € 1 789 million.
- Proposed dividend: CHF 0.55 per share, representing an increase of 22 %.

Executive Chairman and Chief Executive Officer's review

JOHANN RUPERT, EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

OVERVIEW OF RESULTS

We are pleased to report that Richemont has achieved strong sales growth across all segments and all geographic regions, despite a volatile and diverse economic environment.

The Group's Jewellery Maisons and its Specialist Watchmakers have reported record sales and profits, despite the strength of the Swiss franc and the rising cost of precious materials and input costs. Montblanc continued to grow and reported increased profits. Richemont's Fashion and Accessories Maisons also performed well. Net-a-Porter continues to enjoy sales growth above the Group average, while at the same time investing in structural expansion.

Further to the announcement in January, the Group's operating profit is significantly higher than the prior year: at € 2 040 million it is 51 % above last year's level.

These performances reflect the commitment and efforts of all our colleagues, the strength of our Maisons and the leverage provided by the Group's shared services.

DIVIDEND

Based upon the good results for the year, the Board has proposed an ordinary dividend of CHF 0.55 per share. This represents an increase of 22 % compared to last year.

BUSINESS DEVELOPMENTS

During the year, our Maisons made further, substantial investments in their own watch and jewellery-making facilities. Increasingly, in-house innovation and manufacturing is expected from fine watchmakers and fine jewellers. In-house manufacturing also helps our Maisons react quickly to changes in the economic environment. The hiring and training of skilled craftsmen and women that follow from this internalisation of manufacturing is most notable in Switzerland, where we now employ some 7 700 people.

Around the world, our network of dedicated boutiques increased by 72, primarily in mainland China, while in Europe and the United States, many of our Maisons' existing boutiques were renovated. In parallel, we have continued to strengthen our watch distribution network, with fewer partners but more partnership.

Behind the scenes, the integration of supply chain processes and Group-wide IT systems continued to improve customer service through better product availability and shorter delivery times. In this regard, the Group's distinct businesses – our jewellers and watchmakers, our fashion houses and Net-a-Porter – have specific operating requirements. Accordingly, tailored IT solutions have been developed that suit their respective needs.

PEACE PARKS FOUNDATION

On pages 35 to 37 of this report, you will be able to read more about the commendable work of the Peace Parks Foundation over the past 15 years. Richemont is proud to be associated with the inspiring vision of creating and protecting a network of ecosystems that traverse Southern Africa's artificial political borders. We invite you to join Richemont in supporting the Foundation's work.

OUTLOOK

Although sales in the month of April were 29 % above the comparative period, or 20 % at constant exchange rates, we are mindful of the unstable economic environment, particularly in the euro zone.

The enduring appeal and the development potential of each of our Maisons lead us to focus our investment on the Group's organic growth. Investments are primarily dedicated to the expansion and integration of the Maisons' respective manufacturing facilities, as well as growth in their retail networks. Selective boutique openings will be focused in growth markets and in tourist destinations around the world.

Our Maisons remain entrepreneurial and innovative businesses at heart. More than ever, we are convinced of their resilience and long-term prospects. We therefore look forward to the future with cautious optimism.

JOHANN RUPERT
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 16 MAY 2012

Jewellery Maisons

Key results

Sales (€ m)

2012	4 590
2011	3 479
2010	2 688

Operating profit (€ m)

2012	1 510
2011	1 062
2010	742

Percentage of Group sales

2012

Jewellery Maisons 52 %

Richemont's Maisons

Cartier

Van Cleef & Arpels

Established 1847

13 rue de la Paix
Paris France

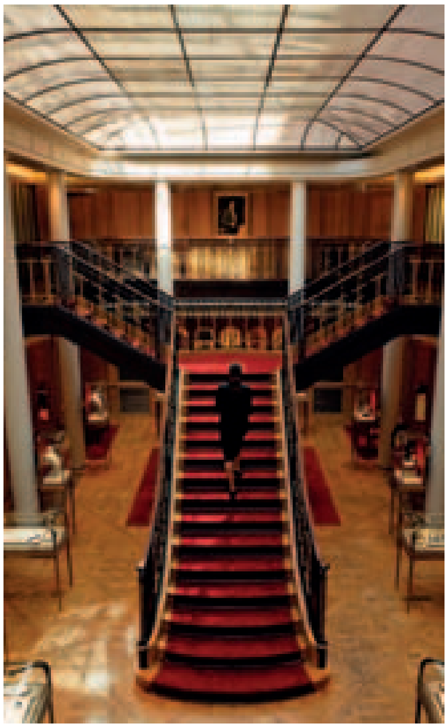
Chief Executive
Bernard Fornas

Finance Director
François Lepercq

www.cartier.com

Cartier

The Maison Cartier, with over 160 years of rich history, stands out as the quintessential Luxury Maison defining the notion of true timeless luxury. Often referred to as 'the King of Jewellers and the Jeweller of Kings', the success of Cartier lies with its ability to strike a delicate balance between being known by many, owned by few and dreamt about by all.



Cartier at 13 rue de la Paix. The boutique's central staircase, leading to the historic salon

- The *Sortilèges* collection, presented in Rome, featured 70 unique pieces
- In fine watchmaking, *métier d'art* techniques were used for the first time
- Larger, better located flagship boutiques were opened

The creativity and distinctive style which have been at the heart of the Maison's on-going leadership in jewellery were once again highlighted during the unveiling of the latest Cartier High Jewellery collection. The *Sortilèges* collection, presented in Rome to a select group of connoisseurs and clients, demonstrated the Maison's great artistic energy as well as the strength of its *manufacture*. With no less than 70 unique pieces inspired by the universe of fragrances with Mediterranean colours and scents, Cartier has caught the imagination of many and generated much desire. The collection presented in the Villa Aurélia was complemented by a selection of over 250 pieces of High Jewellery covering the broad creative repertoire of the Maison's distinctive style.

Other jewellery highlights in the year included the *Cartier Naturellement* collection presented in both Europe and the Middle East, then the Asian region at the beginning of 2012. This striking collection, built around the interpretation of fauna and flora themes inherent to the Maison's rich creative history, was symbolised by the distinctive features of Cartier's eternal icon: the Panther. Colour, subtleness and natural lines were all characteristic features of this unique collection.

Cartier's great creative flair in jewellery was matched by a recognised *tour de force* in fine watchmaking. Launched at the 22nd edition of the Salon International de la Haute Horlogerie, Cartier's latest fine watchmaking collection emphasised the great maturity of the Maison in its watchmaking creative process. Ranging from exclusive High Jewellery timekeeping pieces to innovative watches, using *métier d'art* techniques for the first time, to captivating new feminine aesthetics with the *Delice* watch, this collection confirmed the Maison's distinguishing craftsmanship. Moreover, with twelve new *haute horlogerie* pieces including the revolutionary *Astrotourbillon* and the *Multifuseaux*, Cartier also asserted its prime legitimacy in the extremely selective world of complication movements.

Luxury accessories, including clocks, leather goods, eyewear and bespoke perfumes perfectly complemented Cartier's collections of jewellery and watches. In leather goods, new editions of the *Marcello Bag* supported the timeless offer for women, while new editions of the *Première* collection reinforced the successful masculine eyewear line.

Cartier
continued

The Cartier Manufacture, located at the heart of the Swiss watchmaking industry, in La Chaux-de-Fonds

The Maison's worldwide network of boutiques and specialised retailers was further enhanced to achieve excellence in presentation and service. With a stable network of some 300 Cartier boutiques, the Maison has set its primary focus on increasing its visual presence through striking facades as well as refining comfort inside, with larger spaces, new dedicated areas and great attention to detail. For instance, the new Bridal and Haute Horlogerie areas have largely contributed to the improvement for clients. The upgrading of boutiques continued with selected boutique closures and the opening of larger, better located new retail flagships.

Well into its third decade, the Fondation Cartier reinforced its high international standing in the field of contemporary art at Art Basel and Miami Art Basel. In Paris, the Fondation hosted more ground-breaking exhibitions such as *Vaudou*, presenting exceptional *Art Premier* pieces from the collection of Jacques Kerchache, as well as an exhibition on the links between mathematics and art with contributions from artists such as David Lynch and Raymond Depardon. The Maison continues to benefit from the Fondation's prestigious position in the art world.

The Cartier Collection plays the distinctive role of highlighting the Maison's illustrious heritage. Each year, it tours some of the world's most august museums, displaying vintage pieces from the Maison's 160 years of pioneering creativity. During the year, particular focus was put on Cartier's rich watchmaking history with the Time Art exhibition. The exhibition reached Zurich and Singapore and will tour a series of other venues in America, Asia and the Middle East in the years to come.

In addition to these major public exhibitions and the exclusive client events surrounding the Maison's High Jewellery collections, Cartier hosted or sponsored a wide range of events around the world. These events included polo tournaments in Windsor, Saint Moritz, Dubai and Singapore; the Women's Forum in Deauville; and the Palm Springs International Film Festival. These events were complemented by alluring advertising featuring Cartier's inimitable red box along with its iconic Panther figure.

BERNARD FORNAS
CHIEF EXECUTIVE

Established 1906

22 place Vendôme
Paris France

Chief Executive
Stanislas de Quercize

Finance Director
Burkhart Grund

www.vancleef-arpels.com

Van Cleef & Arpels

For more than a century, Van Cleef & Arpels' creative spirit and savoir-faire has been dedicated to femininity and the magic of exceptional stones. Each new collection of jewellery and timepieces tells a unique story, an original tale.

Van Cleef & Arpels on Place Vendôme, Paris

Bals de Légende, the High Jewellery collection of the year, celebrated the world's most exuberant high society balls of bygone years in the most opulent of contemporary settings. The exquisite new creations were presented for the first time in London before travelling to China and the US for exclusive *Bals* celebrations.

Van Cleef & Arpels draws endless inspiration from nature's infinite forms and colours: the *Oiseaux de Paradis* High Jewellery collection celebrates the bird's majestic and delicate beauty while evoking dreams of far-away lands; the *Papillons* collection expresses renewal, love and the fragility of nature itself. *Les Voyages Extraordinaires* collection plays with the magical, imaginary stories of Jules Verne: fabulous journeys to places filled with wonder.

The Maison's *Bridal* collection celebrates romance with ingenious forms and enchanting diamonds. The *Perlée* bijoux collection displays its heritage of complex forms and techniques, complementing perfectly the acclaimed and ever-young *Alhambra* collection.

The Poetry of Time defines Van Cleef & Arpels' timepieces. With a truly poetic dimension and a story to tell, the Maison's *Extraordinary Dials* collection, the astonishing savoir-faire behind the *Poetic Complications*™, and exclusive High Jewellery timepieces set the Maison apart from other watchmakers and jewellers. At the Salon International de la Haute Horlogerie, the Maison presented timepieces inspired by *Bals de Légende* and other recent High Jewellery collections, as well as *Pierre Arpels* and *Charms Mini* from its historic collections and Poetic Wish watches.

- Exquisite, new High Jewellery creations were successfully launched
- The *Bridal* collection celebrates romance with ingenious forms and enchanting diamonds
- Over ten new boutiques opened, including Jeddah, London and Taiwan

The Maison reopened its Hong Kong Maison during the year and opened another ten boutiques – including Jeddah, London and Taiwan – in keeping with its exclusive distribution policy. The poetic side of the Maison's personality and its affinity to natural forms were epitomised in the Maison's enchanting expression in other medias: the eternal beauty of jewellery resting upon the momentary beauty of a flower or a butterfly.

Van Cleef & Arpels' programme to exhibit its patrimonial collection included 'Set in Style' at New York's Cooper Hewitt Museum. The patrimonial collection's pieces draw on the Maison's golden hands and its *pierres de caractère*. The Maison also opened its own doors on Place Vendôme with an innovative programme – L'Ecole Van Cleef & Arpels – for those fascinated to learn about the jeweller's craft.

The year ahead will see new stories told by Van Cleef & Arpels about poetry, nature and femininity.

STANISLAS DE QUERCIZE
CHIEF EXECUTIVE

Specialist Watchmakers

Key results

Sales (€ m)

2012	2 323
2011	1 774
2010	1 353

Operating profit (€ m)

2012	539
2011	379
2010	231

Percentage of Group sales

2012

Specialist Watchmakers 26 %

Richemont's Maisons

A. Lange & Söhne
Glashütte I/SA

Piaget

Baume & Mercier
Maison d'Horlogerie Geneve 1830

IWC
International Watch Co. Schaffhausen
Switzerland, since 1868

Roger Dubuis
Horloger Genevois

Jaeger-LeCoultre

Vacheron Constantin
Manufacture Horlogère. Genève, depuis 1755.

Officine Panerai
Firenze 1860

Joint venture

Ralph Lauren
Watch and Jewelry Co.

Established 1845

Ferdinand-A.-Lange-Platz 1
Glashütte Germany

Chief Executive
Wilhelm Schmid

Finance Director
Beat Bührer

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 calibre design, the utmost mechanical precision and meticulously hand-finished movements.

Old family home and manufacturing building, built in 1873

The present generation of A. Lange & Söhne elegant watches includes 43 different calibres, each revealing its unmistakable origins in high-precision Lange pocket watches. The latest 2012 collection, presented at the Salon International de la Haute Horlogerie, has proven the Maison's quest for perfection. A. Lange & Söhne's latest masterpiece of haute horlogerie, the *Lange 1 Tourbillon Perpetual Calendar*, unites two classic complications with the expressive *Lange 1* style. The ingenious arrangement of the displays, including the world's first rotating peripheral month ring, allows an unequalled legibility of all calendar information. The patented stop-seconds mechanism makes it possible to instantly block the balance inside the tourbillon cage at any time so the watch can be set to one-second accuracy.

For more than a decade, the Maison's *Datograph* was considered by many to be the quintessential chronograph because of its technical features and the unparalleled harmony of its dial. With a number of enhancements, Lange's engineers are now proving that excellence can be taken a step further with the *Datograph Up/Down*.

Since it premiered in 1994, the *Lange 1* has been the icon of A. Lange & Söhne. With altered dimensions and the totally new, manually-wound calibre L095.1, the *Grand Lange 1* exhibits true grandeur. The *Saxonia* watch family was also enriched with a slender newcomer: measuring just 5.9 mm, the *Saxonia Thin* is the slimmest watch ever crafted by the Maison.

- The 2012 collection has proven the Maison's quest for perfection
- Excellence is taken a step further with the *Lange 1 Tourbillon Perpetual*
- The Maison organised the second F.A. Lange Scholarship & Watchmaking Excellence Award

A. Lange & Söhne's main theme in 2011 was *Pour le Mérite*. It reverently alludes to the highest German order of merit for extraordinary accomplishments in the fields of arts and sciences. Since 1994, only four exceptional complications of A. Lange & Söhne, which incorporate the unique fusée-and-chain transmission, had the honour of bearing this distinction. The four timepieces and Lange's watchmaking artistry were displayed in a touring exhibition around the world. The Maison continued to sponsor the Dresden State Art Collections, including the Mathematical and Physical Salon which hosts early A. Lange & Söhne pocket watches. To promote the watchmakers of tomorrow, the Maison organised the second F. A. Lange Scholarship & Watchmaking Excellence Award, with eight participating students from international watchmaking schools.

The year ahead includes further extensions of the Maison's distribution network in China, the Middle East and the Americas.

WILHELM SCHMID
CHIEF EXECUTIVE

Established 1830

50 chemin de la Chênaie
Bellevue Geneva Switzerland

Chief Executive
Alain Zimmermann

Finance Director
Jean-Baptiste Dembreville

www.baume-et-mercier.com

BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830

Since 1830, Baume & Mercier has been creating watches of the highest quality with classic, timeless aesthetics that leave their mark on time itself. Our timepieces for men and women have emerged over 180 years, unfailingly committed to excellence and with a single purpose: to be indelible embodiments of the most memorable moments of our lives, in line with our claim 'Life is about moments'.

The Maison's first boutique, Dubai Mall

The impetus given in early 2011, with the unveiling of a new brand identity themed *Seaside living in the Hamptons*, has been reinforced throughout the past year and hailed as an undisputed success.

Three new collections were launched during the year: *Linea* and *Capeland* in spring; and *Hampton* in fall. All take inspiration from historic models. The international response from our partners and in the press to these new collections was excellent. The 2012 Salon International de la Haute Horlogerie provided the opportunity to reveal new developments in these product ranges.

For women, *Linea*, with its rounded shape and flowing lines, is now available with an automatic movement. All models in this iconic collection come with an interchangeable strap system for a fast and easy opening.

Capeland for men, immediately recognisable by its sport-chic design with retro accents, is now available in a larger 44 mm size, new two-tone dial colours and with a metal bracelet.

The *Hampton* collection, a watch inspired by the Art Deco style, imposes its rectangular elegance with mechanical movements for men and quartz movements for women.

- The themed *Seaside living in the Hamptons* brand identity was hailed as an undisputed success
- Three new collections were launched in the year, all taking inspiration from historic models
- The Maison's first boutique was opened in the Dubai Mall

Our *Seaside living in the Hamptons* campaign expresses a relaxed lifestyle vision of the Maison: elegance and seaside *art de vivre*. It relies on visuals depicting real-life moments of family happiness, overflowing with genuine feeling; a very emotional illustration of our 'Life is about moments' slogan.

Just two months after the launch of the brand's new chapter in January 2011, the Maison's 1 600 points of sales were equipped to transmit this concept worldwide. In October, the first Baume & Mercier boutique opened in the Dubai Mall, reinforcing the 'Seaside living' world.

In the year ahead Baume & Mercier will develop its communications tools, particularly in the digital sphere, and raise the Maison's visibility in Asia.

ALAIN ZIMMERMANN
CHIEF EXECUTIVE

Established 1868

Baumgartenstrasse 15
Schaffhausen Switzerland

Chief Executive Officer
Georges Kern

Chief Financial Officer
Christian Klever

www.iwc.com

IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

Since 1868, IWC Schaffhausen has been crafting exquisite timepieces, in which innovative ideas are combined with pure, distinctive designs. With the focus on technology, its products appeal to watch enthusiasts with an interest in engineering and an affinity with discreet luxury.

IWC headquarters in Schaffhausen

The new *Portofino* collection, launched at 2011 Salon International de la Haute Horlogerie ('SIHH'), was very well received around the globe, establishing the collection as the third strong pillar in the IWC portfolio. After the glamorous gala event 'A night in Portofino', IWC presented the Italian *dolce vita*, captured by photographer Peter Lindbergh, in a travelling exhibition to the world.

In September, IWC Schaffhausen celebrated an absolute highlight: the launch of the *Portuguese Sidérale Scafusia*, the Maison's most exclusive and complicated timepiece ever. After ten years of intensive research, the Maison's watchmakers had succeeded in combining solar time with sidereal time in a single watch. The result is a fascinating universal work of art which comes with a wealth of surprising complications and new technical features, the new patented constant-force tourbillon being the most conspicuous one.

The Maison's exposure was further driven by strong media and online activities. Innovative campaigns have raised the renown of IWC Schaffhausen in *Haute Horlogerie* with a particularly strong community in social media. IWC Schaffhausen has expanded its sponsoring and partnership activities by taking on the role of Official Timekeeper of the Volvo Ocean Race 2011-2012 and sponsor of the 24-hour Speed Record Challenge. The brand is also sponsor of the Abu Dhabi Ocean Racing Team. The Maison continues to support the Laureus Sports for Good Foundation and thus helps children and adolescents who are confronted with the most trying conditions. The *Portofino Chronograph Laureus Sport for Good Foundation* in characteristic Laureus blue is a symbol of hope for a better future.

- The new *Portofino* collection has been very well received around the world
- The Maison launched its most exclusive and complicated timepiece, the *Portuguese Sidérale Scafusia*
- IWC expanded sponsorship activities, becoming the Official Timekeeper of the Volvo Ocean Race 2011-2012

IWC Schaffhausen got off to a powerful start in 2012 with the launch of the new *Pilot's Watch* collection at the SIHH. The *TOP GUN* collection established itself as an independent line within the *Pilot's Watch* family and features the *TOP GUN Miramar*, a tribute to the airbase in California where the legend of the elite pilots was born. Two new models feature many of fine watchmaking's greatest achievements: the *Big Pilot's Watch Perpetual Calendar TOP GUN* and the *Spitfire Perpetual Calendar Digital Date-Month*. IWC's exhibition stand at the SIHH was another outstanding achievement: a highly detailed aircraft carrier, spanning 900 m² and featuring a flight simulator in a full-scale cockpit section of a modern naval jet. The stand created an authentic atmosphere for the launch of the new *Pilot's Watches*.

In the coming years, IWC will invest in its *manufacture* and office buildings in Schaffhausen. The Maison will also expand its boutique network, primarily in Asia, and open flagship boutiques in New York and Paris.

GEORGES KERN
CHIEF EXECUTIVE

Established 1833

Rue de la Golisse 8
Le Sentier Switzerland

Chief Executive
Jérôme Lambert

Finance Director
Peggy Le Roux

www.jaeger-lecoultre.com

Jaeger-LeCoultre

Since its founding in 1833, Jaeger-LeCoultre has created 1 231 calibres and registered 398 patents, placing the *Manufacture* at the forefront of invention in fine watchmaking. Its leading position stems from its full integration, with over 180 specialist skills gathered under one roof in the heart of the Vallée de Joux.

Manufacture Jaeger-LeCoultre and headquarters, Le Sentier

- The Maison dedicated its year to the 80th anniversary of the *Reverso*, its iconic reversible watch
- Each *Reverso* client now has the possibility of a personalised watch, simply by going on Jaeger-LeCoultre's website
- Notable recent boutique openings included Hong Kong, Beijing, Mexico and London

Jaeger-LeCoultre dedicated its whole year to the 80th anniversary of the *Reverso*, its iconic reversible watch. The *Reverso* was created for British officers who wanted to play polo with an elegant yet solid watch, able to resist the toughness of this sport. A watch that became, over the years, one of the few cult fine watchmaking pieces. In order to pay tribute to the *Reverso*, Jaeger-LeCoultre launched some exceptional new timepieces, including the *Grande Reverso Ultra Thin Tribute to 1931*, inspired by the 1931 *Reverso*, and a *grande complication*, the *Reverso Répétition Minutes à Rideau*. This watch shows, for the first time, a sliding curtain which reveals an animated scene with the superb sound of the minute repeater functions.

The Maison used this anniversary to communicate the *Reverso's* unique attributes: the possibility for all clients to have their watch personalised at the back of the case by the master engravers and enamellers of the *Manufacture*. Each *Reverso* lover now has the possibility of a personalised watch, simply by going on Jaeger-LeCoultre's website.

Jaeger-LeCoultre continued its development in growth markets, notably in Asia and the Middle-East, while strengthening its position in its traditional bastions of Europe and the Americas. The Maison owes this success to its collections, the extension of its *Manufacture*, and to the development of a very exclusive distribution network, including several boutiques in key cities. Notable recent openings took place in Hong Kong, Beijing, Mexico and London.

2012 will further enhance Jaeger-LeCoultre's position of reference in complications, with a year dedicated to technical invention and the development of the Maison's dual-wing collection, the *Duomètre*.

JÉRÔME LAMBERT
CHIEF EXECUTIVE

Established 1860

Piazza San Giovanni 16
Palazzo Arcivescovile
Florence Italy

Chief Executive
Angelo Bonati

Finance Director
Giorgio Ferrazzi

www.panerai.com

OFFICINE PANERAI

FIRENZE 1860

Officine Panerai's exclusive sport watches are a natural blend of Italian design, Swiss technology and maritime heritage.

Officine Panerai boutique, Florence

In 2011, Officine Panerai used bronze for the first time in the *Luminor Submersible 1950 3 days automatic*. A material long associated with the sea, the bronze case slowly changes colour through the natural oxidation of its copper content, rendering each piece unique. Demand for the new piece was very strong. The Maison also enjoyed strong demand for classic editions from the *Luminor Marina* collection and the new hand-wound *Luminor 1950 3 Days 47 mm*, featuring the P.3000, a new *manufacture* movement with a three-day power reserve.

The Maison's travelling exhibition 'Time and Space: a Tribute to Galileo Galilei', marking the 400th anniversary of the celestial observations that changed the world, was presented at the Shanghai Sculpture Space. The exhibition featured the Maison's horological triptych – *Lo Scienziato, L'Astronomo* and the *Jupiterium* – as well as the astronomer's original telescope.

In Italy, Panerai sponsored the popular 'O'Clock – time design, design time' exhibition at the Triennale Design Museum in Milan. The exhibition enabled 80 international designers and artists to present their interpretation of time, a fundamental theme of our culture.

- Demand for the Maison's new and classic editions has been strong
- Maritime heritage is exemplified by sponsorship of regattas around the world
- Distribution remains extremely selective, with dedicated boutiques reaching 36

Sponsorship of the Mediterranean and North American circuit of regattas reserved for vintage and classic sailing boats exemplifies Panerai's maritime heritage. In addition to these circuits, Panerai sponsored regattas around Antigua and the Isle of Wight and offered Eilean, its own yacht, to charities supporting the chronically sick for restorative sailing days.

The Maison reinforced its presence in growing markets during the year, aided by a new advertising campaign featuring the Maison's familiar maritime references and its unending commitment to innovation. The distribution of Panerai watches remains extremely selective, with the total number of dedicated Panerai boutiques reaching 36.

The main project for next year is the construction of the new *manufacture* in Neuchâtel, Switzerland. Panerai will also continue to expand its worldwide, dedicated boutique network.

ANGELO BONATI
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

PIAGET

Piaget enjoys unrivalled credentials as both a watchmaker and a jeweller. The fully integrated *manufactures* enable boundless creativity to be shown in each new breath-taking collection.

Piaget's manufacture and headquarters, Geneva

Breaking two records, Piaget launched the *Piaget Altiplano Skeleton Ultra-thin*, the world's thinnest self-winding skeleton model (5.34 mm) housing the world's thinnest self-winding skeleton movement, the 1200S calibre at just 2.40 mm. Piaget confirms its position as the master of ultra-thin movements. Piaget has enriched its *Black Tie* family – elegant and technical men's watches – with a new line: *Gouverneur*. The *Gouverneur* line already comprises six models, all housing beautiful Piaget movements. Its subtle design, incorporating round and oval shapes, is the unique work of two Piaget designers – the father and the son – bridging tradition with modernity.

Piaget remains inspired by the *Limelight Garden Party* theme and proves its endless creativity with new models inviting you for a walk in the Garden of Eden when evening falls. The *Piaget Rose*, which stands out with its voluptuous shape, is the queen of this enchanting setting.

In honour of the Chinese Year of the Dragon, Piaget has created an exceptional *Dragon and Phoenix* watch collection encompassing 24 models, magnificently reinterpreting the imaginary world of Chinese imperial symbols. The launch of this unique collection was supported by a major event in Beijing with the presence of the actor Chow Yun Fat. In 2011 the *Possession* jewellery line's 'it-girl' was actress Jessica Alba, giving Piaget high visibility in the press and, thanks to a strong digital campaign, on social networks such as Facebook, Twitter and YouTube.

Piaget launched its new ladies campaign featuring Sasha Pivovarova in September. The distinctive campaign featuring the Russian model reveals the Maison's elegance and exclusivity, creating desire and emotion.

- Piaget confirms its position as the master of ultra-thin movements
- The exceptional *Dragon and Phoenix* collection was created in honour of the Chinese Year of the Dragon
- Twelve new dedicated boutiques were opened during the year across Asia, Europe and the Middle East

Piaget's growing presence in the polo world is enhanced not only by the sponsorship of the Pilàra Piaget team and the Palm Beach Polo club, but also by collaborating with three top-ranked polo players: Marcos Heguy, Nic Roldan and Jeff Hall, all charming Piaget ambassadors. For the fifth time, Piaget sponsored the 'Spirit Awards' ceremony, honouring the independent film industry, and for the second time, Piaget sponsored the 'Hong Kong International Film Festival'. Those events enhance Piaget's visibility and desirability and create international awareness across the worlds of film and music.

Piaget continues to strengthen its network of dedicated boutiques with the opening of twelve boutiques during the year, including two in both China and Hong Kong and others across Asia, Europe and the Middle East. A new interior decoration concept was introduced to the new boutiques in London, Zurich and Abu Dhabi.

Piaget is looking forward to participate in the Paris Biennale in 2012, a mythical event where Piaget will present a totally new collection of High Jewellery.

Philippe Léopold-Metzger

PHILIPPE LÉOPOLD-METZGER
CHIEF EXECUTIVE

Established 2007

1 Chemin de la Papeterie
Versoix Geneva Switzerland

Chairman
Callum Barton

Finance Director
Stéphane Boukertaba

www.ralphlaurenwatches.com
www.ralphlaurenjewelry.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*

Ralph Lauren's collection of fine timepieces and jewellery is about designs that transcend the brand's signature sensibilities of luxury, authenticity and timelessness.

Ralph Lauren Watch & Jewelry Salon at the 888 Madison Avenue store in New York

At the Salon International de la Haute Horlogerie in January 2009, Ralph Lauren Watches launched three debut collections of iconic timepieces: the *Ralph Lauren Stirrup Collection*, the *Ralph Lauren Slim Classique Collection* and the *Ralph Lauren Sporting Collection*. Respecting tradition and watchmaking heritage, Ralph Lauren watches are of the finest quality and craftsmanship, combining extraordinary design, noble materials, and the use of Richemont *manufacture* movements.

The following year, Ralph Lauren jewellery was introduced exclusively at the brand's women's flagship store in New York. Featuring brilliance, movement and the iconic glamour from the world of Ralph Lauren, the fine jewellery collections are handcrafted with the most exceptional materials and intricate finishing techniques, capturing the designer's distinguished tradition of masterful craftsmanship.

Today, Ralph Lauren Watch & Jewelry Co. is a recognised participant in the market, well-received by the industry with a marked appreciation for the company's committed, serious approach and a true understanding of the unique partnership between Richemont's high-end expertise and Ralph Lauren's distinctive, timeless design.

- Ralph Lauren's watches and jewellery are of the finest quality, craftsmanship, materials and design
- Watches are available at select brand boutiques and top independent retailers in major metropolitan cities
- Dedicated Salons were opened at boutiques on Avenue Montaigne, Paris and the Peninsula Hotel, Hong Kong

Ralph Lauren watches are available at select brand boutiques and top independent retailers worldwide, in major metropolitan cities including New York, Beverly Hills, Paris, London, Milan, Tokyo and Shanghai. In 2011, the company opened dedicated Watch & Jewellery Salons at the Ralph Lauren boutiques on Avenue Montaigne, Paris and in the Peninsula Hotel, Hong Kong. Ralph Lauren will continue to expand its distribution, including the opening of a Watch Salon in Hong Kong at the prestigious Prince's Building.

For 2012, the company continues to build on its strong foundation with fresh interpretations that feature new finishes, new bracelet and straps styles, and a new size. These novelties demonstrate Ralph Lauren's enduring passion for fine craftsmanship and pay tribute to the designer's iconic art deco, equestrian and automotive inspirations. The result is a comprehensive and unique offering of watches that combine Ralph Lauren's hallmark sensibilities of luxury and timelessness, with the exceptional tradition of Swiss watchmaking.

Ralph Lauren Watch & Jewelry Co. is a joint venture between Richemont and Ralph Lauren Corporation.

Established 1995

2 rue André de Garrini
Meyrin Geneva Switzerland

Chief Executive Officer
Jean-Marc Pontroué

Finance Director
Patrick Addor

www.rogerdubuis.com

ROGER DUBUIS
HORLOGER GENEVOIS

Roger Dubuis has been at the forefront of contemporary Haute Horlogerie since 1995. Its audacious creations, firmly anchored in the 21st century, bear the mark of all the savoir-faire and expertise of the finest watchmaking mechanisms combined with powerful and daring designs.

Roger Dubuis' manufacture and headquarters, Geneva

In 2011 Roger Dubuis successfully entered a new era and proved its strong vitality in terms of new collections, the development of innovative movements and the implementation of state-of-the-art communication strategies. The fully integrated Geneva Maison was again the only watchmaker worldwide to offer all its precious timepieces under the stringent requirements of the *Poinçon de Genève* hallmark.

After the Salon International de la Haute Horlogerie in 2011, the newly introduced *La Monégasque* was celebrated worldwide with exclusive events where people discovered the new 'Incredible World of Roger Dubuis'. The spirit of elegance and gambling transported guests to the atmosphere of Monaco. As a flagship event, Roger Dubuis held an exclusive launch party in the Rock area of Monte Carlo, where international guests embraced the chic and sophisticated universe of the principality.

To support its growth, Roger Dubuis gave a new dimension to its communication strategy. By adopting a new corporate identity including new logo, new advertising campaign, new online platforms and new boutique concept, Roger Dubuis showed its capacity in conceptual creativity.

Roger Dubuis was pleased to announce the return of the master watchmaker himself, Mr Roger Dubuis, to the Maison that bears his name. Having founded the firm in 1995, Mr Dubuis returned to the Geneva *manufacture* to share his wealth of experience.

- The only watchmaker worldwide to offer all its timepieces under the stringent requirements of the *Poinçon de Genève*
- The newly introduced *La Monégasque* was celebrated with exclusive events
- Continued expansion with new boutiques in Singapore, Abu Dhabi and a flagship at Heritage 1881 in Hong Kong

At the SIHH 2012, *Pulsion* and *Velvet*, the two newcomers joined the existing collections, *La Monegasque* and *Excalibur*, to complete the four worlds of Roger Dubuis. *Pulsion*, the outdoor line, stands for an innovative proposal in terms of materials and construction and appeals to men who want to stand out from the crowd. For the ladies, the Geneva Maison has dedicated an entire universe to elegance, glamour and jewellery with the launch of the feminine *Velvet* collection. The *Excalibur* has been enriched by an automatic line, powered by the new RD 620 movement, that remains faithful to the features that have forged the reputation of this iconic collection.

The Maison continued to expand its geographical coverage during the year by opening boutiques in Singapore, Abu Dhabi and a flagship at Heritage 1881 in Hong Kong, all designed to complement the new Roger Dubuis retail world. Additional boutiques will be opened in China and the Middle East during the coming year.

JEAN-MARC PONTROUÉ
CHIEF EXECUTIVE

Richemont has a controlling interest in Manufacture Roger Dubuis and owns all of its manufacturing facilities.

Established 1755

7 Quai de l'Ile
Geneva Switzerland

Chief Executive
Juan-Carlos Torres

Finance Director
Robert Colautti

www.vacheron-constantin.com

VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

Since its foundation in 1755, Vacheron Constantin has maintained an exceptional and unique continuous history thanks to the combination of talents of the finest master craftsmen in Geneva. Representing the very spirit of *Excellence Horlogère*, the Maison continues to design, develop and produce an array of outstanding timepieces that remain faithful to its three fundamentals: fully mastered technique, inspired aesthetics and superlative finishing.

Vacheron Constantin building, Geneva

The *Patrimony* collection remains the most important in the Maison's portfolio and is increasingly sought after by watch connoisseurs. The *Atelier Cabinotiers*, the Maison's special order service, is also in demand among collectors of highly complicated pieces.

Vacheron Constantin's reputation as a master craftsman was further strengthened through its partnership with the National Institute of Artistic Crafts of France. Related events enabled the Maison to demonstrate one of its core values: the need to pass on know-how. Remaining firmly in the forefront of watchmaker training, the company runs a certified training centre, annually mentoring some 16 apprentices – a commitment that has been regularly increased.

The Maison is positioned as a patron of arts and culture by supporting several institutions around the world.

The first large exhibition of the Maison's Heritage Collection, co-curated with the National Museum of Singapore, attracted some 24 000 visitors, and established the Maison as a universal historical reference. This year marked the 125th anniversary of the *Poinçon de Genève* hallmark. Vacheron Constantin is the longest established submitting company and produces the largest number of watches certified by this prestigious, independent quality seal.

- The *Patrimony* collection is increasingly sought after by watch connoisseurs
- 24 000 people visited the first large exhibition of the Maison's Heritage Collection in Singapore
- The Maison enjoys worldwide success, especially in China, enjoying a leading reputation in Haute Horlogerie

The Maison enjoyed worldwide success, most notably in the Asia-Pacific region and especially in China, where it enjoys a leading reputation in Haute Horlogerie. The Maison's 27 dedicated boutiques, including its first opening in the United States, are complemented by a network of smaller distribution partnerships. Two substantial manufacturing projects have been launched: a new plant for the production of components in the Vallée de Joux and the extension of the Geneva *manufacture*.

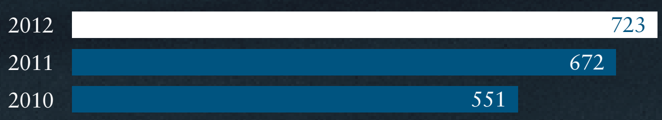
Thanks to its 257-year heritage, the success of its collections and its undisputable reputation as a master craftsman, all three forged in accordance with François Constantin's motto 'do better if possible, and that is always possible', Vacheron Constantin looks to the future with confidence.

JUAN-CARLOS TORRES
CHIEF EXECUTIVE

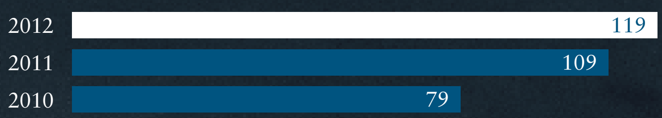
Montblanc Maison

Key results

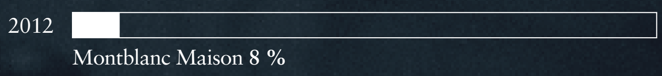
Sales (€ m)



Operating profit (€ m)



Percentage of Group sales



MONT BLANC

Established 1906

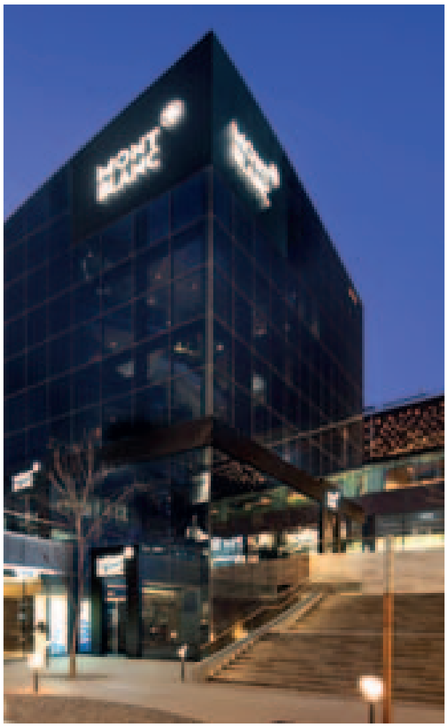
Hellgrundweg 100
Hamburg Germany

Chief Executive
Lutz Bethge

Finance Director
Roland Hoekzema

www.montblanc.com

Montblanc, a Maison embodying the values of European master craftsmanship, has successfully transmitted its values and know-how to watches, jewellery and fine leather goods. Embracing tradition and timeless elegance as well as innovation and creativity, the Maison signifies a successful and cultured lifestyle.



The Sanlitun concept store, Beijing

The year was characterised by a strong development of the watch category, reinforcing Montblanc's reputation as a Luxury Maison. In our writing instrument business, our main focus was on the further refinement of our distribution partnerships to ensure a high quality experience at all of our points of sale. As a consequence, the number of points of sale was reduced.

Highlight of the year was our celebration of the 190th anniversary of the invention of the Chronograph by Nicolas Rieussec. A special anniversary edition of the *Montblanc Nicolas Rieussec* collection was launched and, in cooperation with the Musée International Horlogerie in La Chaux-de-Fonds, the Maison supported a Chronograph Exhibition. The introduction of a new manufacture movement, the LL100 for our *Timewalker* collection added to the Maison's watchmaking reputation.

A further highlight was the creation of a *Princess Grace de Monaco* collection, which includes writing instruments, watches and jewellery. The collection pays tribute to the grace and elegance of an extraordinary woman who dedicated an important part of her life to supporting the arts. With a share of the proceeds from this collection, Montblanc has supported the Princess Grace Foundation as part of its wider commitment to arts and culture.

In writing instruments, the Maison celebrated the 20th anniversary of the Montblanc de la Culture arts patronage awards with award ceremonies in twelve major cities. These ceremonies showcased the Maison's excellence in creative and precious editions, including the new *Gaius Maecenas* edition. Accompanied by travelling exhibitions comprising the complete retrospective of all patron of the arts limited editions, the Maison displayed its enduring image.

- Celebration of the 190th anniversary of the Chronograph by launching the Nicholas Rieussec anniversary edition
- Introduction of a new manufacture movement – LL100 in the *Timewalker* range
- The boutique network was enriched by the first concept store in Beijing

The Maison's boutique network was enriched by the first concept store in Sanlitun, Beijing. This boutique offers an interactive experience and creates a platform for a new type of communication. Every three months, the boutique will highlight a different facet of Montblanc's history, its values and its excellence in its *métiers*. This approach seeks to fulfil the demand in the Asian market for a more intimate relationship with the Maison. In parallel with the refinement of our distribution network, the Maison successfully launched its e-commerce channel in the US.

In 2012, the Maison will continue to strengthen its position in watchmaking, which is seen as the largest growth opportunity for the brand. In jewellery, we will further develop our product offer for both women and men. Continued investments in the boutique network, in particular in Asia and other developing markets, will reinforce the Maison's image, with an emphasis on upgrading the current network.

Lutz Bethge

LUTZ BETHGE
CHIEF EXECUTIVE

Other Businesses

Key results

Sales (€ m)

2012	1 231
2011	967
2010	584

Operating loss (€ m)

2012	(35)
2011	(34)
2010	(36)

Percentage of Group sales

2012

Other Businesses **14 %**

Richemont's Maisons

dunhill LONDON

LANCEL PARIS 1876

THE NET-A-PORTER GROUP

ALAÏA PARIS

Chloé

PURDEY

SHANGHAI TANG 滩 海 上

Established 1893

Bourdon House
2 Davies Street
London England

Chief Executive
Christopher M. Colfer

Finance Director
Mike Woodcock

www.dunhill.com

dunhill
LONDON

Standing for elegance, intelligence, culture, creativity and travel, Alfred Dunhill is the ultimate male luxury destination. A global luxury brand, the Maison has set new standards in retail with its 'Homes' in London, Shanghai, Hong Kong and Tokyo.

The London Home of Alfred Dunhill, Bourdon House

The Maison's exceptional heritage continues to inspire the creation of new essentials for men. The finest in menswear requires the finest materials: Camdeboo mohair; Sea Island cotton; Fox Brothers' flannel. Luxurious accessories, such as the new *Bourdon Leather* range, equally demand the very best leathers and craftsmanship.

As well as offering bespoke tailoring and exclusive accessories, the Homes of Alfred Dunhill provide the perfect setting for special customer events, dining, relaxation, conversation and service. One of the year's highlights was a special performance by violin virtuoso Charlie Siem and Chinese opera singer Zhang Jun hosted in the Shanghai Home.

Alfred Dunhill challenges the notion of luxury and what is expected of an international luxury brand. Through the innovative use of new media and atypical events, it continues to enjoy an unequalled reputation in men's luxury. The first to use augmented reality as a communications platform, Alfred Dunhill now uses social media to convey its values to a worldwide audience.

'The Voice' advertising campaign, which celebrates the achievements of brilliant men, went from strength to strength. This year the campaign featured the explorer Sir Ranulph Fiennes, theatre director Michael Grandage and principal ballet dancer Rupert Pennefather. Ahead of the London-hosted Olympics, the campaign celebrates outstanding British athletes from the worlds of rowing, sailing and gymnastics.

- The Homes of Alfred Dunhill provide the perfect setting for special customer events
- 'The Voice' advertising campaign went from strength to strength
- The year ahead will continue to see investment and improvement in the Maison's network of more than 220 boutiques

Reflecting a commitment to brilliance, Alfred Dunhill continued its sponsorship of the British GQ Men of the Year Awards. Separately, the Alfred Dunhill Links Championship 2011 maintained its position as the world's most sought-after invitation in world golf.

The year ahead will see investments to further improve service in Alfred Dunhill's network of more than 220 boutiques, as well as philanthropic events.

CHRISTOPHER M. COLFER
CHIEF EXECUTIVE

Established 1983

7 rue de Moussy
Paris France

Creative Director
Azzedine Alaïa

ALAÏA PARIS

One of fashion's greatest couturiers, Mr Alaïa continues to create exceptional pieces recognised worldwide for their exquisite design and beauty.

Couture show July 2011. 7 rue de Moussy, Paris

It has been a tremendous year for the Maison – from the extraordinary July couture show to the December opening of an exhibition at the Groninger Museum in the Netherlands – Alaïa is at the forefront of legendary design houses.

The eagerly anticipated July couture show, presented in addition to Mr Alaïa's regular collections, was his first couture presentation in eight years. In addition to the exceptional pieces created for the collection, the extensive press attention generated was unprecedented and ensured that the show made a notable impact on the image of the Maison. To that end, sales for the collections during the year reached record highs.

Opened in December 2011 and on display until May 2012, the 'Azzedine Alaïa in the 21st Century' exhibition at the Groninger Museum presented Mr Alaïa's extraordinary pieces of the past decade. Following on from the 1998 retrospective at the Groninger, this highly curated collection was well received by press and visitors alike.

The *Intemporels* collection of Alaïa signature pieces maintains its strong success with customers across the world, supported by the creative strength of the main collections presented in March and October. Knitwear, fabric, and leather ready-to-wear are complemented by a growing collection of footwear, handbags and accessories for both collections.

- The eagerly anticipated show in July was Alaia's first couture presentation in eight years
- The *Intemporels* collection maintains its strong success with customers across the world
- China is also a key area of growth and more dedicated spaces will be opened in the coming year

Distribution is being developed with wholesale partners around the world, with a focus on quality rather than quantity. Europe remains strong with exceptional performances from the Maison's UK partners. Recent renovations in other European locations have bolstered sales, supporting the strong trend. In the US, with nearly half of the Maison's corners, further expansion has come from partnerships with department stores. China is also a key area of growth and more dedicated spaces will be opened in the coming year.

To support the continuing rapid growth of the Maison, further investments in information technology and logistics are being made to provide the Maison with a solid infrastructure.

In the year ahead the Maison will look at a number of exciting initiatives, including the opening of a Paris flagship building in the city's 'Golden Triangle'.

Established 1952

5-7 Avenue Percier
Paris France

Chief Executive
Geoffroy de La Bourdonnaye

Chief Operating Officer
Markus F.L. Probst

www.chloe.com

Chloé

Chloé is the most naturally feminine fashion house for women with a free-spirited attitude. The Maison was founded 60 years ago by Gaby Aghion who rejected the stiff formality of the 50s and created soft, body-conscious clothes from fine fabrics, calling them 'luxury prêt-à-porter'. Today, Chloé continues to epitomise values of femininity, modernity, effortless grace and a free spirit.

44 Avenue Montaigne, Paris

- The Spring/Summer 2012 show drew wide attention and the collection met with critical acclaim
- Chloé's social media presence grew rapidly to over 500 000 fans on Facebook
- The Maison has established a new organisation to better fuel growth and the quality of its collections

Special events during the year included the Spring/Summer 2012 show, the first collection from Clare Waight Keller. The event drew wide attention and the new designer's collection met with critical acclaim.

For her second runway collection, presented in March, Clare Waight Keller balanced outdoorsy British style with French polish and elegance. This Fall/Winter collection received strong reviews from key international fashion writers and blogs, applauding her success in recapturing Chloé's charm and praising the direction in which she is taking the Maison.

Both Chloé and See by Chloé are benefiting from new creative direction during the year. Chloe's social media presence grew rapidly to over 500 000 fans on Facebook and See by Chloé's first digital fashion show was presented in February.

The Maison's growing presence in China followed from its participation at the Shanghai Fashion Show in February 2011 and the opening of new boutiques in Shanghai and Beijing during the year. In Paris, the preparation of a new flagship boutique on rue St. Honoré has begun and the doors will be opening later in 2012. The combination of boutique investments in both fast-growing markets and the French home market reinforces the Maison's international appeal and stature, driving demand for ready-to-wear collections and accessories.

The bag launches for *Jade* and *Angie* in October further enhanced the Maison's reputation in leather goods. The continuing success of Chloé fragrances contributes to the Maison's worldwide exposure. *Eau de Chloé*, a fresh and summery composition, was launched in February.

Behind the scenes, the Maison has established a new organisation to better fuel the growth and the quality of its collections. Leadership is focused on developing a retail-oriented culture within the Maison and enhancing Chloé's digital presence in social networks and new media.

The year ahead will see new collections, further boutique investments and celebrations of Chloé's heritage.

GEOFFROY DE LA BOURDONNAYE
CHIEF EXECUTIVE

Established 1876

261 boulevard Raspail
Paris France

www.lancel.com

LANCEL
PARIS 1876

Lancel has been the creator and retailer of timeless, innovative and colourful *maroquinerie de luxe* since 1876.

Lancel's boutique on the Champs Élysées, Paris

In recent years, the Maison has redefined its icons and codes, established diversified sourcing and implemented a dynamic marketing strategy. Combined, this multi-faceted strategy has resulted in strong growth and the cultivation of a loyal clientele.

This year saw the successful opening of major international flagships in Moscow and Shanghai as the company focuses on its worldwide expansion. Reinforcing its global reputation, Lancel undertook a complete renovation of its Champs-Elysées flagship, one of the most sought-after retail locations in the world.

Lancel achieved great success with this year's launch of the iconic *Daligramme* collection. Drawn from the Maison's archives, the company worked in collaboration with the Dali Foundation to share this strong story. The fruit of this collaboration is a unique and sought-after collection with a prestigious positioning, representing Lancel's introduction to the monogram market. In order to share the deep, rich history of the line and its concept, the Maison applied a 360° marketing strategy creating strong visibility and brand recognition. Alongside the continued success of the Maison's main collections – *Premier Flirt*, *Adjani* and *Brigitte Bardot* – the successful launch of the *Angèle* collection, in honour of the Maison's founder, has generated strong demand.

- The Maison's multi-faceted strategy has resulted in strong growth and the cultivation of a loyal clientele
- This year saw the successful opening of major international flagships in Moscow and Shanghai
- The deployment of new information technology has been critical in supporting its growth potential

The year saw a number of steps to enhance and differentiate the customer journey. The deployment of new information technology systems has been critical in stabilising the company and supporting its growth potential.

In the year ahead, Lancel will further invest in its boutiques and develop its collections. The Maison expects to attract considerable attention when it inaugurates a boutique within the Louvre and, in response to an ever-increasing demand, expands its precious skins programme in its global flagship boutiques.

Established 2000

1 The Village Offices
Westfield London
England

Founder and Chairman
Natalie Massenet

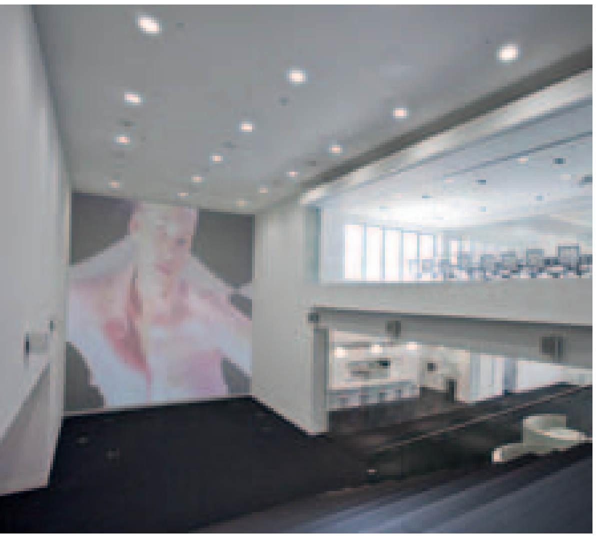
Chief Executive
Mark Sebba

Finance Director
Richard Mills

www.net-a-porter.com
www.mrporter.com
www.theoutnet.com

THE NET-A-PORTER GROUP

The NET-A-PORTER GROUP, founded in 2000 with the launch of NET-A-PORTER.COM, the world's premier women's luxury fashion online retailer, is now a group of e-commerce brands including THEOUTNET.COM, the most fashionable fashion outlet, and MRPORTER.COM, the men's style destination.



NET-A-PORTER headquarters, London

With over 2 000 employees operating from three continents, the NET-A-PORTER GROUP of brands currently reaches over 7 million unique users in the global luxury fashion space, serves over 500 000 active shoppers and is gaining on average over 30 000 new customers worldwide each month.

Acclaimed editorially, featuring leading designers, iconic packaging, and unrivalled service, NET-A-PORTER enables visitors to shop over 350 designer collections 365 days a year, and delivers to 170 countries with same day delivery in London and Manhattan. The award-winning website continuously seeks original ways to improve user experience through new technology including ground-breaking interactive events, shopping via all mobile devices and a much-lauded weekly magazine app for the iPad now downloaded by over 500 000 users. The Window Shop concept, an augmented reality shopping application, first unveiled for Vogue's Fashion's Night Out in September in London and New York, was further developed for the exclusive launch of new line *KARL* by Karl Lagerfeld in January 2012. Brand collaborations are a vital part of the NET-A-PORTER business. Further initiatives included the launch of NET-A-PORTER Live, an exciting interactive shopping experience that offers a global snapshot of real-time consumer activity.

Following its launch in February 2011, MR PORTER has established itself as the online style destination for men. The site is active across seven social media platforms including Facebook, Twitter, YouTube and Tumblr and utilises all to create exclusive content. The contents of the magazine section of the site, *The Journal*, are reproduced in a bi-monthly newspaper: The MR PORTER Post.

- The group's brands currently reach over 6.5 million unique users globally
- MR PORTER has established itself as the online style destination for men
- THEOUTNET.CN was launched in China, the start of a phased development plan in Asia for the group

Virtual gift cards were launched and *Gift Finder* is promoted through email and *The Journal*. The *Inheriting Style* campaign has run globally across key media partners both offline and online.

THE OUTNET, the most fashionable fashion outlet, is the first brand in the group with a translated site. In March 2012, THEOUTNET.CN was launched in China marking the start of a phased development plan in Asia for the NET-A-PORTER GROUP. Key events for the year included a second *Birthday Promotion* and *Dress Up with THE OUTNET*, a unique blogger event creating user-generated content. THE OUTNET's new homepage has increased channels to stock and editorial content with improved cumulative click through.

Constantly seeking to improve global customer experience and business efficiencies across the three brands, the group upgraded operations through state-of-the-art, automated distribution. A high density storage and retrieval system was successfully implemented in London and a further system is in progress in the New Jersey distribution centre.

NATALIE MASSENET
FOUNDER AND CHAIRMAN

Established 1814

Audley House
57-58 South Audley Street
London England

Chairman
Nigel Beaumont

Finance Director
Matthew Clarke

www.purdey.com

PURDEY

James Purdey & Sons, one of the world's oldest sporting brands, is renowned for making the finest shotguns and rifles. The precision craftsmanship and exquisite finish of a Purdey gun appeals as no other to sports enthusiasts the world over.

Audley House – the home of James Purdey & Sons since 1882

Sales of guns and rifles remained stable, and the business saw a significant increase in the number of new customers. In addition, Purdey designs and creates exclusive product for the shooting world, much of it hand-crafted in the United Kingdom. Clothing and accessories are designed to combine the best technical materials with beautiful fabrics and handcrafted details suitable for the shooting weekends both on and off the shoot.

The Purdey Awards are well established as a driving force in promoting greater awareness of the synergy between shooting and conservation and give recognition to the UK's best game conservation projects. The most recent Purdey Gold Award was jointly awarded to the owners of a once derelict industrial site in Essex and a wild grey partridge restoration project within a family farm shoot in Bedfordshire. The environmental benefits arising from game conservation work continue to reach a wider audience both within and outside the shooting world.

With the 200-year anniversary only two years away, plans are underway to celebrate the founding of the company. In anticipation, Purdey have begun making a unique trio, two shotguns and one double rifle, to celebrate their long tradition of craftsmanship.

- The business saw a significant increase in the number of new customers
- The Purdey Awards give greater awareness and recognition to the synergy between shooting and conservation
- Purdey continues to maintain its leading position in gunmaking craftsmanship

The trio will take 18 months to make and each gun represents a significant milestone in the company's 200-year history. The models chosen are: a .470 double express rifle, first produced in 1865; a 12-bore side by side hammerless ejector game gun, the classic Purdey shotgun launched in 1880; and a 20-bore over and under built in 21st Century Damasteel. All typify Purdey's innovative designs and world-class gunmaking skills, honed over two centuries.

Each gun in the *Purdey Bicentenary Trio* will have the engraving characteristic of the era in which it was created. All will bear the bicentenary motif and each gun will be given a special serial number. The *Purdey Bicentenary Trio* will be presented with a commemorative display case and a travel case based on the original made in the early 1930s for King George VI. Profits from the trio sale will be donated to charitable causes.

To maintain its leading position, Purdey will continue to invest in its core strength of gunmaking craftsmanship and in its manufacturing facility in West London.

Nigel Beaumont

NIGEL BEAUMONT
CHAIRMAN

Established 1994

1 Duddell 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, the pioneering Chinese luxury brand, excites with creative, contemporary Chinese chic.

The Shanghai Tang Mansion, Hong Kong

As the global ambassador of contemporary Chinese chic, Shanghai Tang continues to bring exciting new experiences with its distinctive style and vibrant creativity. With a global network of 40 boutiques, the Maison offers a unique, multi-sensory shopping experience: an alluring fusion of contemporary design and authentic Chinese characteristics.

The Maison has worked with some of China's most creative talents. It appointed Chinese celebrities Lin Chiling and Hu Bing as brand ambassadors for campaigns shot by renowned Chinese photographer Chen Man. Other creative collaborations included the *Shanghai Tang for Nespresso Dragon* collection and the *Shanghai Tang for Moleskine Feng Shui Diary* for the Year of the Dragon.

Faced with the closure of its Pedder Building flagship in Central, Hong Kong the Maison took a creative approach. It became the 'Nomad of Central', with a series of innovative pop-up boutiques, including the Shanghai Tang Mongolian Village featuring authentic Mongolian ger tents perched upon the rooftop of Central Pier 4, Hong Kong.

- The Maison offers an alluring fusion of contemporary design and authentic Chinese characteristics
- Shanghai Tang has worked with some of China's most creative talents
- Digital development included a revamped website and an enhanced e-commerce interface

Shanghai Tang continues to evolve its retail offer with streamlined, modern boutique designs and more versatile lifestyle products, as seen in the new boutiques in Ngee Ann City, Singapore and Hong Kong's Times Square. It has also strengthened its distribution in China, a strategic priority market, with expansion to the second tier cities of Kunming, Xiamen and Shenyang. Developments on the digital front included a revamped website, an enhanced e-commerce interface and active social media engagements.

In the year ahead, the Maison will enhance its customers' shopping experience with a new loyalty programme. It will secure its expansion plan in Asia through the opening of its largest worldwide flagship in Central, Hong Kong – the Shanghai Tang Mansion at 1 Duddell Street.

RAPHAEL LE MASNE DE CHERMONT
EXECUTIVE CHAIRMAN

Financial review

RICHARD LEPEU,
DEPUTY CHIEF EXECUTIVE OFFICER

GARY SAAGE,
CHIEF FINANCIAL OFFICER

in € millions	March 2012	March 2011	% change
Sales	**8 867**	6 892	+29 %
Cost of sales	**(3 216)**	(2 498)	
Gross profit	**5 651**	4 394	+29 %
Net operating expenses	**(3 611)**	(3 039)	+19 %
Operating profit	**2 040**	1 355	+51 %
Net financial costs	**(235)**	(181)	+29 %
Share of post-tax results of associated undertakings	**(1)**	101	
Profit before taxation	**1 804**	1 275	+42 %
Taxation	**(264)**	(196)	+35 %
Profit for the year	**1 540**	1 079	+43 %
Attributable to owners of the parent company	**1 544**	1 090	
Attributable to non-controlling interests	**(4)**	(11)	
Profit for the year	**1 540**	1 079	+43 %
Earnings per share – diluted basis	**€ 2.756**	€ 1.925	+43 %

SALES

Sales for the year increased by 29 % at actual exchange rates and by 30 % at constant exchange rates. The growth in sales reflected the continuing demand for established product lines, the successful introduction of new products and the impact of boutique openings. The Asia-Pacific region saw the highest level of demand and, following several years of very strong growth, sales in that region now represent 42 % of Group sales. Further details of sales by region, distribution channel and business area are given in the Review of Operations on pages 30 to 33.

GROSS PROFIT

Gross profit also increased by 29 %. The gross margin percentage was in line with the prior year at 63.7 % of sales. The negative impact on the gross margin percentage of adverse exchange rate movements, in particular the strengthening of the Swiss franc, and higher precious material and input costs, were offset by a number of specific factors. These included foreign exchange hedging gains of € 108 million (2011: € 13 million) and the impact of price increases, as well as the growing importance of the Group's own retail activities in the overall sales mix. The stronger Swiss franc is of particular importance to the cost of sales as the majority of the Group's manufacturing facilities are located in Switzerland.

OPERATING PROFIT

Operating profit increased by 51 %, reflecting the significant increase in gross profit and continuing cost discipline. This is evidenced by the limited year-on-year increase in net operating expenses of 19 %, which was well below the percentage growth in sales.

Selling and distribution expenses were 19 % higher, reflecting sales growth in general and the opening of new boutiques by the Maisons. Communication expenses increased by 23 %, representing 10 % of sales. Administration costs rose by 14 % overall, including the impact of structural developments to support Richemont's Fashion and Accessories businesses, Net-a-Porter, and information technology projects across the Group.

As a consequence, the operating margin increased by 330 basis points to 23.0 % in the year under review.

PROFIT FOR THE YEAR

Profit for the year increased by 43 % to € 1 540 million. The increase included the following significant items:

- within net finance costs, € 169 million related to non-cash, mark-to-market currency losses on euro-denominated liquid bond funds held by a Swiss franc entity. Upon translation back into euros, there was no effect on the Group's overall equity position; and
- the non-recurrence of a € 102 million non-cash accounting gain recorded in the comparative year within the Group's share of the post-tax results of associated companies. The gain related to the revaluation of the Group's former interest in Net-a-Porter in April 2010 when Richemont acquired control of that business.

The effective taxation rate was 14.6 %. The decrease in the rate compared to the prior year was primarily due to timing differences associated with deferred tax assets relating to inventory. Excluding these timing differences, the effective taxation rate was consistent with the prior year.

Earnings per share increased by 43 % to € 2.756 on a diluted basis. To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the year ended 31 March 2012 would be € 1 553 million (2011: € 1 002 million). Basic HEPS for the year was € 2.832 (2011: € 1.818). Diluted HEPS for the year was € 2.772 (2011: € 1.770). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 30 of the Group's consolidated financial statements.

CASH FLOW

Cash flow generated from operations was € 1 789 million, € 93 million above the prior year. The additional cash generated from operating profit was partly offset by working capital increases, in particular inventories. The increase in inventories was broadly in line with the increase in sales.

The net acquisition of tangible fixed assets amounted to € 398 million, reflecting selected investments in the Group's worldwide network of boutiques as well as jewellery and watch manufacturing facilities, primarily in Switzerland.

The 2011 dividend, at CHF 0.45 per share, was paid to shareholders net of Swiss withholding tax in September. The cash outflow in the period amounted to € 204 million.

During the year, the Group acquired some 8 million 'A' shares to hedge executive share options. The cost of these purchases was partly offset by proceeds from the exercise of share options by executives and other activities linked to the hedging programme, leading to a net cash outflow of € 179 million.

FINANCIAL STRUCTURE AND BALANCE SHEET

Tangible and intangible assets increased by € 302 million during the year. The increase largely reflects the expansion of the Maisons' boutique networks, particularly in the Asia-Pacific region, and investments in their European manufacturing facilities.

Inventories at the year-end amounted to € 3 666 million. This figure represents 15.8 months of gross inventories and compares with 16.5 months at March 2011. The reduction in the rate of stock turn reflects favourable trading conditions. In absolute terms, the increase in the value of inventories results from the strengthening of the Swiss franc, the expansion of the boutique network and the necessity to rebuild inventories.

At 31 March 2012, the Group's net cash position amounted to € 3 184 million, an increase of € 595 million during the year. The Group's net cash position includes short-term liquid bond funds as well as cash, cash equivalents and all borrowings. Liquid bond funds and cash balances were primarily denominated in euros and Swiss francs, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned. Total borrowings, including bank borrowings and short-term loans, amounted to € 88 million.

Richemont's financial structure remains very strong, with shareholders' equity representing 73 % of total equity and liabilities.

PROPOSED DIVIDEND

The Board has proposed an ordinary cash dividend of CHF 0.55 per share, an increase of CHF 0.10 per share compared to last year.

The dividend will be paid as follows:

	Gross dividend per share	Swiss withholding tax @ 35 %	Net payable per share
Ordinary dividend	CHF 0.5500	CHF 0.1925	CHF 0.3575

The dividend will be payable following the Annual General Meeting, which is scheduled to take place in Geneva on Wednesday 5 September 2012.

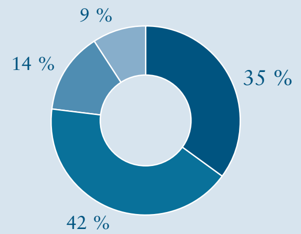
The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Friday 7 September 2012. Richemont 'A' shares and South African Depository Receipts will trade ex-dividend from Monday 10 September 2012.

The dividend on the Compagnie Financière Richemont 'A' shares will be paid on Thursday 13 September 2012. The dividend in respect of the 'A' shares is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Friday 21 September 2012. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in Swiss francs to non-CMA residents. Further details regarding the dividend payable to South African Depository Receipt holders was made in a separate announcement on SENS, the Johannesburg stock exchange news service, on 16 May 2012.

Review of operations

Sales by region



			Movement at	
in € millions	31 March 2012	31 March 2011	Constant exchange rates*	Actual exchange rates
Europe	**3 097**	2 588	+20 %	+20 %
Asia-Pacific	**3 684**	2 569	+46 %	+43 %
Americas	**1 253**	998	+30 %	+26 %
Japan	**833**	737	+9 %	+13 %
	8 867	6 892	+30 %	+29 %

* Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2011.

EUROPE

Solid double-digit organic growth was registered across the region. Sales in the region were boosted by the growing number of travellers from other parts of the world and Net-a-Porter's performance. The Middle East and Africa, which accounted for 16 % of sales in the region, reported strong double-digit growth.

ASIA-PACIFIC

Now representing 42 % of Group sales, the Asia-Pacific region reported another year of sustained broad-based growth, particularly in Hong Kong and mainland China. The Group's selective expansion of its retail network in recent years contributed to the strong year-on-year growth.

AMERICAS

The Americas region reported robust double-digit growth reflecting the growing demand for jewellery and watches as well as Net-a-Porter's performance.

JAPAN

Sales in Japan grew, notwithstanding the continuing challenges the country faces following the dramatic events of March 2011.

Sales by distribution channel

in € millions	31 March 2012	31 March 2011	Movement at Constant exchange rates*	Movement at Actual exchange rates
Retail	**4 656**	3 469	+36 %	+34 %
Wholesale	**4 211**	3 423	+24 %	+23 %
	8 867	6 892	+30 %	+29 %

* Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2011.

RETAIL

Retail sales comprise sales made through the Group's directly operated boutiques and Net-a-Porter. Together, retail sales accounted for 53 % of Group sales during the year compared with 50 % in the prior year. The growing proportion of retail sales reflects the above-average performance in most directly operated boutiques, the impact of new boutiques and Net-a-Porter.

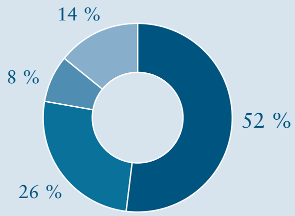
Boutique openings during the year were primarily in high-growth markets, such as mainland China. The worldwide network of directly operated boutiques amounted to 948 at the end of March compared to 876 one year earlier.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported strong growth above last year's level. This growth reflected the performance of our trade partners following the optimisation of the Maisons' respective partner networks. The Maisons carried out planned reductions in the number of points of sale in Western Europe and North America.

Sales and operating results by segment

Sales



- **Jewellery Maisons € 4 590 million**
- **Specialist Watchmakers € 2 323 million**
- **Montblanc Maison € 723 million**
- **Other Businesses € 1 231 million**

JEWELLERY MAISONS

in € millions	31 March 2012	31 March 2011	Change
Sales	**4 590**	3 479	+32 %
Operating results	**1 510**	1 062	+42 %
Operating margin	**32.9 %**	30.5 %	+240 bps

The Jewellery Maisons' sales grew by 32 %. Both Cartier and Van Cleef & Arpels performed exceptionally well.

Both Maisons reported high growth across products and channels. Demand for High Jewellery pieces was solid and more accessible jewellery ranges enjoyed very strong demand. Cartier's watch collections, including premium and technical pieces, were equally successful.

The significant increase in sales and continuing cost discipline generated an operating margin of 33 %.

SPECIALIST WATCHMAKERS

in € millions	31 March 2012	31 March 2011	Change
Sales	**2 323**	1 774	+31 %
Operating results	**539**	379	+42 %
Operating margin	**23.2 %**	21.4 %	+180 bps

The Specialist Watchmakers' sales increased by 31 %. All Maisons improved their performance. Last year's sales and results were negatively impacted by the reorganisation of Baume & Mercier.

Overcoming higher input costs and the strength of the Swiss franc, the operating margin increased to 23 %, reflecting the solid demand for premium watches and strong pricing power.

MONTBLANC MAISON

in € millions	31 March 2012	31 March 2011	Change
Sales	**723**	672	+8 %
Operating result	**119**	109	+9 %
Operating margin	**16.4 %**	16.2 %	+20 bps

Driven by demand for watches and accessories, Montblanc's sales increased by 8 %.

The Maison maintained an operating margin of 16 %.

Sales and operating results by segment continued

OTHER BUSINESSES

in € millions	31 March 2012	31 March 2011	Change
Sales	**1 231**	967	+27 %
Operating results	**(35)**	(34)	-3 %
Operating margin	**(2.8) %**	(3.5) %	+70 bps

The 'Other' segment includes the Group's Fashion and Accessories businesses, Net-a-Porter and the Group's watch component manufacturing activities.

Richemont's Fashion & Accessories Maisons reported sales growth of 18 % and generated improved profits of € 50 million (2011: profits of € 29 million). The performance of Alfred Dunhill and Chloé were particularly noteworthy.

Sales at Net-a-Porter continued to rise above the Group's average rate, including the first full year of Mr Porter. The amortisation of intangibles and the costs associated with the continued expansion of Net-a-Porter's platforms contributed to its overall increase in losses. On a cash basis, Net-a-Porter generated positive results.

The Group's watch component manufacturing activities incurred losses, which were broadly in line with the comparative year.

CORPORATE COSTS

in € millions	31 March 2012	31 March 2011	Change
Corporate costs	**(93)**	(161)	-42 %
Central support services	**(170)**	(159)	+7 %
Other operating income/(expense), net	**77**	(2)	n/a

Corporate costs represent the costs of central management, marketing support and other central functions, known as central support services, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. Central support service expenses increased, largely due to the negative impact of a stronger Swiss franc.

Other operating income/(expense) included gains of € 108 million (2011: gains of € 13 million) relating to the Group's exchange rate hedging programme, which are reported within gross profit.

RICHARD LEPEU
DEPUTY CHIEF EXECUTIVE OFFICER

GARY SAAGE
CHIEF FINANCIAL OFFICER

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 16 MAY 2012

Corporate responsibility

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

The Group's activities are guided by a common framework which helps Richemont managers, employees, suppliers and associates to understand our expectations. 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.

RICHEMONT PEOPLE

Richemont directly employs some 25 000 people engaged in manufacturing, retail, distribution, after sales service and administrative functions. Two-thirds of the employees are based in Europe, primarily in Switzerland, France and Germany, where manufacturing is concentrated.

Training

Training is a key component of our Maisons' success and is fully integrated in the performance and development appraisal process for all staff. The quality and longevity of our goods relies on highly skilled craftspeople, and our customer satisfaction on passionate retail staff.

Richemont supports The Creative Academy in Milan, which offers students a Masters programme in Arts in Design. The Academy's mission is to promote the integration of young talents within the Group.

The Group collaborates with the Watchmakers of Switzerland Training and Educational Programme ('WOSTEP'), and has established dedicated watchmaking schools in Dallas, Hong Kong and Shanghai.

The Richemont Retail Academy in Shanghai was inaugurated in November 2011. It provides a platform for recruiting and training personnel for our Maisons' boutiques across China.

SUPPLY CHAIN

The Group's full supply chain often lies beyond our direct control. We therefore seek to influence the behaviour of our suppliers through our model Supplier Code of Conduct and by collaborating with peers such as the Responsible Jewellery Council. Each year, some 50 suppliers are audited as part of the regular relationship with the Maisons.

Responsible Jewellery Council

The Responsible Jewellery Council ('RJC') promotes responsible ethical, human rights, social and environmental practices in the gold and diamond supply chains. The RJC's members span from mining houses to retailers. Under the RJC's certification system, members must be audited by accredited, third-party auditors to verify compliance with the RJC's own Code of Practices. Further information can be obtained at www.responsiblejewellery.com

Richemont is a long-term supporter of the RJC and seven of its Maisons are now certified members: Cartier, Van Cleef & Arpels, Baume & Mercier, Jaeger-LeCoultre, Piaget, Vacheron Constantin and Montblanc. Together, these Maisons account for some 75 % of the Group's total sales.

ENVIRONMENT

Our Environmental Code of Conduct is built on internationally recognised standards for environmental management and includes industry-specific issues. Our direct impact upon biodiversity is low and we decrease it further by reducing our impact on climate change and the careful disposal of waste products.

The Group seeks to minimise its carbon emissions through energy-efficient building design and energy saving measures in our activities, together with a programme of carbon offset purchases. The costs of offset purchases are re-invoiced to the Maisons to increase awareness and to encourage energy efficiency.

COMMUNITY

Our Maisons support art and cultural programmes that reflect their historical background and the nature of their products, together with global and local community programmes. Art and cultural programmes include Cartier Fondation pour l'Art Contemporain, Montblanc de la Culture Arts Patronage Award, Fondazione Cologni dei Mestieri d'Arte and the Fondation de la Haute Horlogerie. Globally, Richemont supports Laureus Sport for Good.

2012 Corporate Responsibility Report

Richemont's full annual corporate responsibility report is on the Group's website at www.richemont.com/corporate-social-responsibility.html

Peace Parks Foundation

"Raising the money we need to fund Peace Parks Foundation's work into the future is tough in recessionary times. Even so, I am constantly astounded by how willing people are to help good causes. If they know it's honest and transparent, that you aren't using the donations to fund high salaries and administration costs, and that you deliver what you promised them, the money is there. Overall I am optimistic." *Johann Rupert, Chairman of Peace Parks Foundation*

A BIG DREAM OF A BETTER REALITY

Over the last two decades, a dream magnificent in its regional extent and momentous in its global importance has been turning steadily into an African reality. In this time, the visionary architects of this dream have passed the mantle to a new generation of public and private sector leaders. With the patronage of international public funders and financial institutions, listed companies, family foundations and individuals, they have created the partnerships, policies and protocols to bring the big dream of transfrontier conservation areas, or peace parks, to life.

Pivotal in this great undertaking is Peace Parks Foundation, which this year marks 15 years of dedication to facilitating the establishment of Southern Africa's vast and vital peace parks and developing the human resources to support sustainable local economic development, the conservation of biodiversity, and regional peace and stability. The milestones of this period, which were achieved side by side with a diverse array of stakeholders, particularly the governments of the region, have been many. This, even while the world has been buffeted by historic turbulence and volatility.

And so, it is with deep appreciation and humble honour that we consider the progress made in conserving our natural heritage and wildlife resources, in sharing new science and best practices, and in pushing back the ravages of poverty and the indignity of unemployment. For this is a dream of a better reality for Africa and her people that has much meaning to convey in a world grappling with issues of sustainability.

1997

On 1 February, visionary leaders President Nelson Mandela, Prince Bernhard of the Netherlands and Dr Anton Rupert establish Peace Parks Foundation. The intent is to facilitate the linking of Southern Africa's protected areas, thereby restoring the integrity of ancient ecosystems and providing for the free movement of wildlife, with benefits flowing to local communities and the region.

2000

On 12 May, presidents Festus Mogae and Thabo Mbeki open the first transfrontier conservation area ('TFCA'), the Kgalagadi Transfrontier Park, spanning Botswana and South Africa. On 22 June, five protocols are signed for the Lubombo TFCA, linking protected areas in Mozambique, South Africa and Swaziland.

2001

In June, Lesotho and South Africa sign a memorandum of understanding ('MoU') to work towards creating the Maloti-Drakensberg TFCA.

On 2 November, Lesotho's Sehlabathebe National Park is proclaimed. The Foundation supports management and tourism planning and infrastructural development in the park.

Later that month, Mozambique proclaims the million-hectare Limpopo National Park ahead of its inclusion in the Great Limpopo Transfrontier Park. The country asks the Foundation to assist in overseeing this Southern African Development Community ('SADC')-approved project with investment from the German Government through KfW. Twenty-five elephants are translocated from Kruger National Park.

2002

As the year draws to a close, the heads of state of Mozambique, South Africa and Zimbabwe sign a treaty establishing the Great Limpopo Transfrontier Park.

2003

In July, the Mapungubwe Cultural Landscape is proclaimed a World Heritage Site. August sees the presidents of Namibia and South Africa sign a treaty to establish the /Ai/Ais-Richtersveld Transfrontier Park. Further east, the Ministers for the Environment of Lesotho and South Africa, and representatives of the World Bank, launch the Maloti–Drakensberg TFCA.

Founding patrons: President Nelson Mandela; Prince Bernhard of the Netherlands; and Dr Anton Rupert

Over 4 600 animals have been translocated to Limpopo National Park from Kruger

2004
The Ministers for the Environment of Malawi and Zambia provide a framework for the development of the Malawi/Zambia TFCAs.

Peace Parks Foundation and its partners assist South African National Parks to consolidate Mapungubwe National Park, the core area of the country's contribution to the proposed Greater Mapungubwe TFCA linking Botswana, South Africa and Zimbabwe.

2005
In September the first tourism facilities are opened in Mozambique's Limpopo National Park. The World Bank approves USD 34 million to develop Mozambique's transfrontier conservation areas.

2006
On 22 June, Ministers for the Environment of Botswana, South Africa and Zimbabwe sign an MoU to form the Greater Mapungubwe TFCA.

On 16 August, the Giriyondo Access Facility between Kruger and Limpopo national parks, part of the Great Limpopo Transfrontier Park, is opened.

At the end of the year, an MoU is signed to develop the world's largest TFCA, Kavango–Zambezi ('KAZA'), uniting Angola, Botswana, Namibia, Zambia and Zimbabwe.

2007
In the Kgalagadi Transfrontier Park, the heads of state of Botswana, Namibia and South Africa open the Mata-Mata Tourist Access Facility between Namibia and South Africa. Later, !Xaus Lodge, owned by the ‡Khomani San and Mier communities, welcomes its first visitors. In the /Ai/Ais-Richtersveld, the pontoon and customs buildings on the banks of the Orange River are refurbished and the Sendelingsdrift access facility on the Orange River between Namibia and South Africa opens.

In KAZA, an integrated development planning process is initiated to ensure the sustainable and equitable development, utilisation and management of all components of the TFCA. The process will eventually be implemented in most of the TFCAs.

Further north, a wildlife restocking programme of Nyika National Park and Vwaza Marsh Wildlife Reserve in Malawi gets underway following the success of the joint law enforcement project to combat poaching in the Malawi/Zambia TFCAs.

2008
Management plans are completed for the Maloti–Drakensberg TFCA.

In Namibia, the Sperrgebiet National Park is proclaimed. With the subsequent proclamation of Dorob National Park, the country's entire coastline is protected. By the end of the year, over 4 600 animals have been translocated to Limpopo National Park from Kruger.

2009
With South Africa's National Lottery Distribution Trust Fund's support, work starts on developing the !Ae!Hai Kalahari Heritage Park in the Kgalagadi Transfrontier Park. The project aims to preserve the cultural and traditional knowledge of the ‡Khomani San and Mier communities while improving their livelihood.

In Mozambique, the government declares the 678-square-kilometre Ponta do Ouro Partial Marine Reserve, linking with iSimangaliso Wetland Park in South Africa to establish Africa's first transfrontier marine protected area.

2010
In June, the German Federal Ministry for Economic Cooperation and Development announces funding of € 20 million through KfW towards the development of KAZA TFCA.

In September, the first wildlife translocation from game reserves in South Africa to Maputo Special Reserve in the Lubombo TFCA takes place. Joint activities between the Namibian and South African components of the /Ai/Ais-Richtersveld TFCA are marked by the launch, in October, of the Orange River Festival. With events such as cycling, canoeing and running, the festival is set to become an annual event, dubbed The Desert Knights.

With the support of the Foundation, the SA College for Tourism Tracker Academy is established to help preserve the traditional skill of tracking. In August, the Hans Hoheisen Research Station reopens near Kruger's Orpen Gate. Here the Foundation facilitates research into wildlife diseases, training and various veterinary projects.

2011
In March, Ahi Zameni Chemucane, an association representing three rural Mozambican communities, signs a 25-year partnership agreement to develop a luxury eco-tourist lodge in Maputo Special Reserve in the Lubombo TFCA. It is the first time that a Mozambican community has received long-term concession rights to a prime tourism site in a major nature reserve.

In May, the headquarters of the Ponta do Ouro Partial Marine Reserve are officially opened. Here, on the shoreline, the turtle monitoring programme has successfully standardised data-capture techniques for the endangered loggerhead and leatherback turtles that nest in the region. The sites are monitored by 46 guards from the local community.

A unique elephant-restraining fence is erected along the Futi River to link Maputo Special Reserve with Tembe Elephant Park in South Africa, allowing for a significant reduction in human-wildlife conflict. A month later, the Futi Corridor is proclaimed a protected area.

In August, at the SADC Summit in Angola, the leaders of Angola, Botswana, Namibia, Zambia and Zimbabwe sign a treaty to establish the 444 000 km² KAZA TFCA, a conservation area that rivals Sweden in its breath-taking scale.

DEVELOPING MUCH-NEEDED SKILLS

The SA College for Tourism was established in 2001 by the late Dr Anton Rupert, then Chairman of Peace Parks Foundation. Every year, the College trains 90 young women from disadvantaged backgrounds on a year-long course that focuses exclusively on developing hospitality service skills. Thus equipped, they are able to return home and find employment within the tourism infrastructure supported by TFCAs. To date, 612 young women have graduated, all sponsored by the Foundation and the College's donors. Since 2010, the College also trains 16 trackers annually.

Since its inception in 1997, the Southern African Wildlife College has trained more than 6 000 students from across Africa in the essential skills of managing parks and conservation areas. Supported by the Foundation, which sponsors bursaries and contributes to operating costs, the college programme covers Geographical Information Systems, community-based natural resource management, biodiversity management, resource economics and practical skills such as 4x4 vehicle maintenance, managing fires and anti-poaching training. Many of its graduates have gone on to occupy senior positions in some of the region's most prominent wildlife areas.

2012 and beyond

The dream lives on. Peace Parks Foundation remains steadfast in its commitment to act as a catalyst in regional conservation development initiatives. Of course, this is not possible without the continued generosity of the friends and supporters of the peace parks concept.

"Our job is to keep on doing what we do – giving the tools to the right people – so they can do what they really need and want to do, which is to improve the lives of their communities in a sustainable way. At a local level, and indeed at a global level, this means finding practical, mutually beneficial ways for man and nature to thrive together. If we can keep on demonstrating that this is in fact possible then I'm very hopeful about the future." – Johann Rupert, Chairman of Peace Parks Foundation

Contact

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Email: parks@ppf.org.za

Website: www.peaceparks.org

TRANSFRONTIER CONSERVATION AREA – STATUS

Treaty signed

1. /Ais/Ais-Richtersveld TP
   Namibia/South Africa
2. Kgalagadi TP
   Botswana/ South Africa
4. Great Limpopo TP
   Mozambique/South Africa/Zimbabwe
9. Kavango Zambezi TFCA
   Angola/Botswana/Namibia/Zambia/Zimbabwe

MoU signed

3. Great Mapungubwe TFCA
   Botswana/South Africa/Zimbabwe
5. Lubombo TFCA
   Mozambique/South Africa/Swaziland
6. Maloti – Drakensberg TFCA
   Lesotho/South Africa)
7. Iona – Skeleton Coast TFCA
   Angola/Namibia
11. Malawi – Zambia TFCA
   Malawi/Zambia
14. Chimanimani TFCA
   Mozambique/Zimbabwe

MoU Pending

8. Liuwa Plains – Mussuma TFCA
   Angola/Zambia
10. Lower Zambezi – Mana Pools TFCA
   Zambia/Zimbabwe

Conceptual phase

12. Niassa – Selous TFCA
   Mozambique/Tanzania
13. Mnazi Bay – Quirimbas TFCMA
   Mozambique/Tanzania

GLOSSARY

MoU	Memorandum of Understanding
TP	Transfrontier Park
TFCA	Transfrontier Conservation Area
TFCMA	Transfrontier Conservation Marine Area

Corporate governance

GENERAL PRINCIPLES

Richemont (the 'Group') 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 Rules of 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 and Nominations Committees of the Compagnie Financière Richemont SA Board. The Corporate Governance Regulations are available on the Group's website: www.richemont.com

This section of the annual report follows the recommendations of SIX Swiss Exchange 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 (the 'Company') is a Swiss company with its registered office at 50, chemin de la Chênaie, CH 1293 Bellevue, Geneva. The Company's Board of Directors (the 'Board') is the Group's supervisory board, composed of a majority of non-executive directors.

The Group's luxury goods businesses are separated into four segments for presentation purposes: (i) Jewellery Maisons; (ii) Specialist Watchmakers; (iii) Montblanc Maison; and (iv) 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 40 to the Group's consolidated financial statements. The market capitalisation and ISIN number of the Richemont 'A' shares are given in section 2 of this 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 % of the equity of the Company and controlling 50 % of the Company's voting rights. Mr Johann Rupert, the Executive Chairman and Chief Executive Officer of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Jürgen Schrempp and Mr Ruggero Magnoni, both non-executive directors of the Company, and Mr Jan Rupert, an executive director of the Company, are partners of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2012.

Other significant shareholders

During the year under review, the Company received notifications from two shareholders that they no longer held significant shareholdings representing in excess of 3 % of the voting rights. These notifications, which are detailed below, were promptly notified to SIX Swiss Exchange, which simultaneously publishes such notifications on its website.

Public Investment Corporation Limited ('PIC'), Pretoria, South Africa notified the Company on 13 July 2011 that accounts under its management held Richemont South African Depository Receipts equivalent to less than 3 % of the Company's voting rights. PIC's previous notification, on 22 February 2008, stated that its holding was equivalent to 3.13 % of the Company's voting rights.

On 9 September 2011 Richemont Employee Benefits Limited ('REBL'), an indirectly held subsidiary, notified the Company that its shareholdings and rights to acquire further shares were less than 3 % of the Company's voting rights. The shares and rights had previously been acquired by REBL to hedge liabilities arising from the Group's stock option plan. On 19 January 2012, REBL notified the Company that its holding of disposal positions arising from the Group's long-term stock option plan represented less than 3 % of the voting rights of the Company.

As at 31 March 2012, Compagnie Financière Rupert is the only significant shareholder in the Company.

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. 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 19 to the Group's consolidated financial statements.

During the three years ended 31 March 2012, there were no changes to the Company's capital structure.

At 31 March 2012, Richemont's market capitalisation, based on a closing price of CHF 56.60 per share and a total of 522 000 000 'A' shares in issue, was CHF 29 545 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 32 500 million.

Over the preceding year, the highest closing price of the 'A' share was CHF 59.55 on 14 March 2012, and the lowest closing price of the 'A' share was CHF 38.51 on 10 August 2011.

The ISIN of Richemont 'A' shares is CH0045039655 and the Swiss 'Valorennummer' is 4503965.

Dividend

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.

In respect of the financial year ended 31 March 2012, a dividend of CHF 0.550 per 'A' share and CHF 0.055 per 'B' share has been proposed.

Share buy-back programmes

Over the course of the preceding twelve-year period ended 31 March 2011, the Group had repurchased a total of 34 552 934 former 'A' units and 18 283 585 'A' shares through the market to meet obligations under stock option plans for executives.

During the year under review, the Group acquired 6 454 664 'A' shares through the exercise of over-the-counter call options and repurchased a further 1 577 027 'A' shares through the market.

Taking into account the exercise of options by executives during the course of the year and other activities linked to the hedging programme, the balance held in treasury at 31 March 2012 was 24 289 173 'A' shares. At that date, the Group also held over-the-counter call options to acquire a further 4 204 057 'A' shares.

On 27 May 2010, Richemont announced a programme envisaging the buy-back of 10 000 000 of its own 'A' bearer shares over a two year period. On 18 May 2011, the Board of Directors decided to extend the buy-back programme by an additional 5 000 000 'A' bearer shares. The extended buy-back programme thus amounted to 15 000 000 'A' bearer shares. At a meeting held on 22 March 2012, the Board of Directors considered the progress made to date and the requirements of the executive stock option plan. At that meeting, it was decided that the current programme should be terminated with immediate effect. 12 690 200 'A' bearer shares had been repurchased within the scope of the extended programme.

On 16 May 2012, Richemont announced a new programme envisaging the buy-back of 10 000 000 of its own 'A' bearer shares over a two year period, linked to the requirements of the executive stock option plan.

Details of the Group's stock option plan are set out in section 5 of this report and in note 36 to the Group's consolidated financial statements. The operating expense charged to the consolidated statement of comprehensive income in respect of the fair value of options granted to executives is set out on page 103 of this report.

When 'A' shares or former 'A' units are bought back, a reserve for treasury shares, equal to the cost value of the shares purchased in the market, is established as an element of shareholders' equity in the Group's consolidated statement of financial position. The cost of acquiring over-the-counter call options is also charged to this reserve. As shares 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 increased by a net € 190 million as a consequence of the repurchase of 'A' shares, as described above, partly offset by the exercise of options by executives and the consequent delivery of 'A' shares from the Group to those executives. Further details are given in note 19 to the Group's consolidated financial statements.

Voting rights

Holders of Richemont shares may attend and vote at meetings of shareholders of the Company. 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 % of the dividend per share paid to 'A' shareholders and 9.1 % of the Company's capital. However, despite the differing nominal values of the 'A' and 'B' shares, each 'B' share conveys the same voting rights as each 'A' share, in normal circumstances, at shareholder meetings. Richemont 'B' shareholders therefore control 50 % 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, notably those 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 is the Company's ultimate decision-making forum. 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 2012 will be held on 5 September 2012 at the Four Seasons Hotel des Bergues, 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 in the Company 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 SA, previously owned in equal part by the Company and Reinet Investments S.C.A. and now a wholly-owned subsidiary of the Company, 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 SA, as Depository, and the Company, as Issuer.

In its capacity as Depository, Richemont Securities SA holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA's interest in the 'A' shares that it holds is therefore non-beneficial. At 31 March 2012, Richemont Securities SA held 110 176 739 'A' shares in safe custody in respect of the DRs in issue. This amount represents some 21 % of the 'A' shares.

Dividends received by Richemont Securities SA are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities SA 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 SA 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 SA, which then represents the holders as their proxy at shareholder meetings.

Transferability of shares

Richemont's '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 SIX SIS 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 the Company, which are held solely by Compagnie Financière Rupert, must be approved by the Board.

3. BOARD OF DIRECTORS

Responsibilities and membership

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 20 members at 31 March 2012. Board members are proposed for election on an individual basis at each year's Annual General Meeting ('AGM') 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 AGM published on page 116. 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. During the year under review, the Board of Directors held five meetings. These included a two-day meeting with senior management of certain Maisons at which strategy, marketing plans and new products were presented. The Executive Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer establish the agendas for the meetings of the Board. Directors may ask that an item be placed on the agenda for any meeting. Financial reports and supporting information in respect of agenda items are circulated to members of the Board in advance of each meeting.

Two members of the Group Management Committee – the Corporate Finance Director and the Director of Corporate Affairs – attend meetings of the Board. Other members of senior management may be invited to attend periodically to address specific subjects. The Board may invite external advisors to attend meetings.

Board Committees

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

Each Board 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 Board Committees 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 five members of the Audit Committee are non-executive directors: Josua Malherbe (Chairman from September 2011); Yves-Andre Istel (Chairman to August 2011); Ruggero Magnoni; Lord Renwick of Clifton; and Dominique Rochat. The Chief Financial Officer attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditors.

Meetings of the Committee are held at least three times per annum and have a typical duration of half a day. During the year under review, three meetings took place. The Committee meets in camera with the external auditors during the course of each meeting.

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, re-appointment 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 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 Group Investment 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 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 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.

Compensation Committee
The Compensation Committee is composed of three non-executive directors: Lord Renwick of Clifton (Chairman); Lord Douro; and Yves-Andre Istel. To assist it in its deliberations, the Committee 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. During the year under review, the Committee met on two occasions.

The purpose of the Committee is to advise the Board in all aspects of compensation policy insofar as it relates to members of the Board, the Group 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 Chairman, for approving the compensation of the members of the Board 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 executive members of the Board and, inter alia, approves the awards granted to executive directors, taking into account the recommendations of the Executive Chairman; 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 those serving on the Board. 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 14 non-executive directors meeting under the chairmanship of the Executive Chairman and Chief Executive Officer. During the year under review, five meetings took place.

The principal functions of the Committee are to advise the Board 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 Board Committees.

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

Section 3 of the corporate governance report continues on page 46

Board of Directors of Compagnie Financière Richemont SA

Johann Rupert
Executive Chairman and Chief Executive Officer
South African, born 1950

Mr Rupert was appointed to the Board in 1988. He has served as Executive Chairman since 2002 and as Chief Executive Officer since 2010. He is Chairman of the Nominations Committee, the Chairman's Committee and the Group Management Committee. He is the Managing Partner of Compagnie Financière Rupert.

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa. After working for the Chase Manhattan Bank and Lazard Frères in New York he founded Rand Merchant Bank in 1979. In 1985 he joined Rembrandt. He founded Richemont in 1988 and became Group Chief Executive. Appointed as Executive Chairman in 2002, he also served as Chief Executive Officer from October 2003 to September 2004. He is Non-Executive Chairman of Remgro Limited, Chairman of Reinet Investments Manager SA, the management company of Reinet Investments S.C.A. and a Director of Renshaw Bay (UK) Limited.

Mr Rupert holds honorary doctorates in Law, Economics and Commerce, is the Chancellor of the University of Stellenbosch and is Chairman of the Peace Parks Foundation.

Yves-André Istel
Deputy Chairman
American, born 1936

Mr Istel was appointed to the Board in 1990 and became its Deputy Chairman in 2010. A Non-Executive Director, he is a member of the Audit, Compensation and Nominations Committees. He served as Chairman of the Audit Committee from September 2010 to September 2011.

Mr Istel graduated from Princeton University and has had an extensive career in investment banking. He was Managing Director, and member of the Board, 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.

Mr Istel is currently Senior Advisor to Rothschild Global Financial Advisory; a Non-Executive Director of Analog Devices, Inc., and member of its Audit Committee; Tiedemann Wealth Board of Management, and member of its Investment Committee; Chair of HealthpointCapital Business Advisory Board; and Member of HealthpointCapital Board of Managers.

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 of 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.

Richard Lepeu
Deputy Chief Executive Officer
French, born 1952

Mr Lepeu was appointed to the Board in 2004. He is a member of the Chairman's Committee and the Group Management Committee.

Mr Lepeu 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. He was nominated as Chief Executive Officer of Cartier in 1995 and held the post until March 2001. He served as Chief Operating Officer of Richemont from April 2001 until April 2004 and was nominated as Group Finance Director in May 2004, a post he held until March 2010.

Gary Saage
Chief Financial Officer
American, born 1960

Mr Saage was appointed to the Board in 2010. He is a member of the Chairman's Committee and the Group Management Committee.

Mr Saage is a graduate of Fairleigh Dickinson University, USA and is a Certified Public Accountant.

Following an early career in public accounting with Coopers & Lybrand, he joined Cartier's US business in 1988. Between 1988 and 2006, he served as Chief Operating Officer of Richemont North America and of Alfred Dunhill in London. From 2006 to March 2010, he served as Group Deputy Finance Director. He continues to serve as Chairman of Richemont North America and as a Director of The Net-a-Porter Group Limited.

Mr Saage also serves as a Director of TASIS England, an unrelated educational body.

Franco Cologni
Italian, born 1934

Dr Cologni was appointed to the Board in 2002 and now serves as a Non-Executive Director and member of the Nominations 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. 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: he served as Chairman of the Fondation de la Haute Horlogerie from 2005 to 2010 and continues to serve as Chairman of its Cultural Committee.

Dr Cologni is founder of the Richemont Creative Academy, which offers Master's degrees in design and creative management. He is also founder and Chairman of the non-profit institution 'Fondazione Cologni dei Mestieri d'Arte'. Under the patronage of this Foundation, Milan University has established a Chair dedicated to the 'Métiers d'Arts'.

Lord Douro
British, born 1945
Lord Douro has served as a Non-Executive Director since 2000. He is a member of the Compensation and Nominations Committees.

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 and RIT Capital Partners, and is a member of the International Advisory Board of Abengoa. He is 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.

Ruggero Magnoni
Italian, born 1951
Mr Magnoni was elected as a Non-Executive Director in 2006 and is a member of the Audit and Nominations Committees. In 2006 he 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. 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 2008, Mr Magnoni has been Chairman of Nomura International plc's Investment Banking division for Europe, Middle East and Africa. He was a member of the Board of Overseers of Reinet Investments S.C.A. ('Reinet') up to September 2009 and has indirect interests in certain investments held by Reinet.

Mr Magnoni is a member of the boards of Omniainvest SpA, IMMSI SpA and 422 BV. He is a founding investor in Sopaf SpA and Hanseatic Americas Limited and is involved with various philanthropic activities, including Fondazione Laureus Italia. He is a member of the Advisory Committee of the Bocconi Foundation.

Josua Malherbe
South African, 1955
Mr Malherbe was appointed to the Board in 2010 and serves as a Non-Executive Director. He was nominated as Chairman of the Audit Committee in September 2011 and is a member of the Nominations Committee.

Mr Malherbe qualified as a Chartered Accountant in South Africa and worked with the predecessor firm of PricewaterhouseCoopers before joining Rand Merchant Bank in 1985. In 1990 he joined Rembrandt Group Limited and was involved with Richemont at that time. Since its formation in 2000, he served first as Chief Executive Officer and then as Deputy Chairman of VenFin Limited.

Mr Malherbe continues to serve as a director of Richemont Securities S.A., Remgro Limited, Reinet Investments Manager S.A. and Reinet Fund Manager S.A.

Frederick Mostert
Chief Legal Counsel
South African, born 1959
Dr Mostert was appointed to the Board in 2010. He is a member of the Chairman's Committee and the Group Management Committee.

Dr Mostert holds a Master's 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 and was appointed to the Group Management Committee in 1994.

Dr Mostert is a past President of the International Trademark Association, serves on the Advisory Council of the McCarthy Institute for Intellectual Property and Technology Law, is a guest professor at Peking University and a Visiting Professor of University College London. He is a Director of Reinet Investments Manager S.A., Reinet Fund Manager S.A., The Net-a-Porter Group Limited, The Walpole Committee Limited, Laureus World Sports Awards Limited, and Freedom Under Law.

Simon Murray
British, born 1940
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. In 1980, he formed his own advisory company for 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. In 1998 he founded Simon Murray & Associates.

Mr Murray is currently: Executive Chairman of General Enterprise Management Services (International) Limited; Non-Executive Chairman of Glencore International plc; and a Non-Executive Director of Essar Energy plc, Cheung Kong (Holdings) Limited, Sino Forest Corporation, Greenheart Group, IRC Group, Orient Overseas (International) Limited, and Wing Tai Properties Limited.

Alain Dominique Perrin
French, born 1942
Mr Perrin was appointed to the Board in 2003. A Non-Executive director, he is a member of the Nominations Committee.

Mr Perrin 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. Overseeing the Group's luxury goods businesses from 1999 to 2003, he was Chief Executive of Richemont SA (Luxembourg) from 2001 to 2003 and served as an Executive Director of Compagnie Financière Richemont until March 2010. He created the Fondation Cartier pour l'Art Contemporain in Paris and launched 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. He is also President of the Fondation Cartier pour l'Art Contemporain and the Jeu de Paume Museum, Paris.

Board of Directors of Compagnie Financière Richemont SA continued

Guillaume Pictet
Swiss, born 1950
Mr Pictet was appointed to the Board in 2010. A Non-Executive director, he is a member of the Nominations Committee.

Mr Pictet is a graduate of HEC, Lausanne University. His career in private banking has included membership of Darier Hentsch & Cie's senior management. He has also served as an international economist in Switzerland's Federal Department of Economic Affairs.

Since 1996, Mr Pictet has been Founding Partner and Vice-Chairman of de Pury Pictet Turrettini & Cie SA. He also serves as Chairman of EIC Partner AG; as a director of Zurmont Madison Management AG; and is a member of the Conseil communal de Chêne-Bougeries.

Norbert Platt
German, born 1947
Mr Platt was appointed to the Board in 2005. A Non-Executive director, he is a member of the Nominations Committee.

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 Fototechnic in Germany.

He joined Montblanc in 1987 and was President and CEO of Montblanc International. Mr Platt served on the Group Management Committee from 2000 and served as Group Chief Executive Officer from October 2004 until March 2010. He remains Non-Executive President of Montblanc International.

Alan Quasha
American, born 1949
Mr Quasha was elected as a 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. He was Chief Executive Officer of North American Resources Limited, between 1988 and 1998. He was a member of the Board of Overseers of Reinet Investments S.C.A. ('Reinet') up to September 2009; he has indirect interests in certain investments held by Reinet and is involved as a manager of a fund in which Reinet has invested. He was a director of American Express Funds, a former Governor of the American Stock Exchange, and a former Chairman of the Visiting Committee of the Weatherhead Centre for International Affairs.

Mr Quasha is currently Managing Partner of Vanterra Capital, Chairman of Brean Murray, Carret & Co; Carret Asset Management Group LLC; and HKN Inc. He is also Chairman of the American Brain Trauma Foundation.

Maria Ramos
South African, born 1959
Ms Ramos was appointed to the Board in September 2011. A Non-Executive Director, she is a member of the Nominations Committee.

Ms Ramos holds degrees from the University of the Witwatersrand and the University of London and is a member of the Institute of Bankers. She also holds honorary doctorates from the University of Stellenbosch and Free State University.

Previous positions held by Ms Ramos include Director-General of the National Treasury of South Africa and Group Chief Executive of Transnet Limited. She has also served as a Non-Executive Director of Sanlam Limited, SABMiller plc and Remgro Limited.

She is currently Group Chief Executive of Absa Group Limited, Chief Executive of Barclays Africa and is a member of the Executive Committee of Barclays plc. In addition, she serves on the Executive Committee of the World Economic Forum's International Business Council.

Lord Renwick of Clifton
British, born 1937
Lord Renwick was appointed to the Board in 1995. A Non-Executive Director, he serves as Independent Lead Director of the Board, Chairman of the Compensation Committee and is a member of the Audit and Nominations Committees.

He 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.

Lord Renwick is currently Vice Chairman, Investment Banking of JPMorgan Europe and of JPMorgan Cazenove. He is also Deputy Chairman of Fleming Family & Partners and a Non-Executive Director of Kazakhmys plc and Bumi plc.

Dominique Rochat
Swiss, born 1949
Maître Rochat was appointed to the Board in 2010. A Non-Executive Director, he is a member of the Audit and Nominations Committees.

He graduated in law from the University of Geneva and obtained a Diploma in Comparative Legal Studies in Cambridge (UK). He is a member of the Geneva Bar.

Since 1975 Maître Rochat has been a practising lawyer and since 1982 a partner at the Geneva office of Lenz & Staehelin, specialising in banking and corporate law. He is Vice Chairman of RBS Coutts Bank Limited in Zurich, Vice Chairman of the Boards and Chairman of the Audit Committees of Banque Audi (Suisse) SA and NBAD Private Bank (Suisse) SA. He serves on the Board of several Swiss subsidiaries of foreign groups and unlisted Swiss companies, and of several foundations.

Jan Rupert
Manufacturing Director
South African, born 1955

Mr Jan Rupert was appointed to the Board in 2006 and became a partner of Compagnie Financière Rupert in the same year. He is a member of the Chairman's Committee and the Group Management Committee.

From 1999, when he joined the Group, until March 2012, he was Manufacturing Director with overall responsibility for the Group's manufacturing strategy. He was appointed to the Group Management Committee in 2000.

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, born 1944

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 and honorary Doctorates from the University of Graz and the University of Stellenbosch.

Mr Schrempp is former Chairman of the Board of Management of DaimlerChrysler AG and of Daimler Benz Aerospace AG. He is also a former director of Allianz AG, the New York Stock Exchange, Vodafone Group plc and South African Airways Limited. He continues to be Non-Executive Chairman of Mercedes-Benz of South Africa.

He is the Executive Chairman of Katleho Capital GmbH, Chairman of Iron Mineral Beneficiation Services Limited, Independent Lead Director of SASOL and a Non-Executive Director of Jonah Capital. He is also a member of the International Investment Council of the President of the Republic of Togo.

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
Chief Executive Officer, Richemont Fashion and Accessories
American, born 1956

Ms Wikstrom was appointed to the Board in 2005 and served as a Non-Executive Director until June 2009. Since then, she has served as an Executive Director and is a member of the Chairman's Committee and the Group's Management 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, 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.

Ms Wikstrom sits as Chairman of the Board of Harrys of London Limited and is a Director of Space NK Limited.

Continued from page 41

Management is responsible for implementing the strategic policies determined by the Board. Members of management are empowered to conduct the day-to-day strategic and operational administration of the Group including, inter alia, financial management. 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 Investment Procedures and such other policies and procedures as may from time to time be laid down by the Board. In addition, management provides the Board with appropriate support to consider and evaluate strategic alternatives.

Chairman's Committee

During the year under review, the Chairman's Committee comprised all of the executive directors of the Board. Other executives were 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. During the year under review the Committee met five times.

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

4. SENIOR MANAGEMENT

The 13 members of the Group Management Committee participate in various operational committees, as well as interacting with one another and with the Maisons and regional platforms as necessary. Six of the 13 members also served on the Board during the year under review. The Management Committee did not meet formally during the year. Appointments to the Group Management Committee are made by the Board upon the recommendation of the Nominations Committee.

The executive management is charged by the Board with implementing the strategic policies determined by the Board. 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 Board meeting, members of the Board receive a financial report, summarising recent Group, segmental and Maison financial performance as well as operational developments.
- The Executive Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Executive Officer of Richemont's Fashion and Accessories Maisons and the Chief Financial Officer report to the Board at each meeting. Supplementary reports are provided, as required, by the Chief Legal Counsel, the Director of Corporate Affairs, the Director of Corporate Finance and 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 Group 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.
- 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 implementation of corrective actions is monitored by senior management and the Audit Committee on a regular basis.

Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

Compensation-setting philosophy

The Group's compensation policies are designed to ensure that Group companies attract and retain management of the highest calibre and motivate them to perform to the highest standards, 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 Chairman and Chief Executive Officer, for approving the compensation of the other executive members of the Board and for reviewing the compensation of all other members of senior management. The Compensation Committee considers the recommendations of the Executive Chairman and Chief Executive Officer regarding compensation awards for the Executive Directors. For the Group Management Committee the recommendations of the Deputy Chief Executive Officer and the Group Human Resources Director are also considered. The Compensation Committee may amend or reject these recommendations. Executive Directors and members of the Group Management Committee do not have the right to attend any meeting where decisions are taken regarding their compensation. The Chairman of the Compensation Committee reports to the full Board on the discussions and decisions taken at each meeting of the Compensation Committee.

Section 5 of the corporate governance report continues on page 48

Group Management Committee

Johann Rupert
Executive Chairman and
Chief Executive Officer
(For biographical details see page 42)

Richard Lepeu
Deputy Chief Executive Officer
(For biographical details see page 42)

Gary Saage
Chief Financial Officer
(For biographical details see page 42)

Frederick Mostert
Chief Legal Counsel
(For biographical details see page 43)

Jan Rupert
Manufacturing Director
(For biographical details see page 45)

Martha Wikstrom
Chief Executive Officer,
Richemont Fashion and Accessories
(For biographical details see page 45)

Giampiero Bodino
Group Art Director
Italian, born 1960
Mr Bodino was appointed to the Group Management Committee in 2004.

A graduate of the Institute of Applied Arts and Design of Turin, where he specialised in car 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 and accessories. Since 2002 he has served as Group Art Director.

Pilar Boxford
Group Public Relations Director
British, born 1951
Ms Boxford was appointed to the Group Management Committee in 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, born 1947
Mr Fornas was appointed to the Group Management Committee in 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 and the International Gold Corporation, where he was Jewellery Division Manager. He then moved to Guerlain, 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 is Vice President of the Comité Colbert and a member of the board of the Fondation de la Haute Horlogerie.

Alan Grieve
Director of Corporate Affairs
British, born 1952
Mr Grieve was appointed to the Group Management Committee in 2004.

Mr Grieve holds a degree in business administration from Heriot-Watt University 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 and Arthur Young. He served as Company Secretary of Richemont from its formation in 1988 until 2004.

He is a Director of Richemont Securities S.A. and, in addition to his role at Richemont, is Chief Executive Officer of the management companies of both Reinet Investments S.C.A. and its subsidiary Reinet Fund S.C.A. F.I.S. He is also a director of Klinik Hirslanden AG, the Swiss subsidiary of the Medi-Clinic organisation. Mr Grieve is a founding member of the Laureus Sport for Good Global Foundation.

Albert Kaufmann
General Counsel
Swiss, born 1947
Mr Kaufmann was appointed to the Group Management Committee in 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 in 1999. He is a Director of Richemont Securities S.A.

Mr Kaufmann is a member of the board of the Federation of the Swiss Watch Industry, the Fondation de la Haute Horlogerie and the Committee of 'economiesuisse'.

Thomas Lindemann
Group Human Resources Director
German, born 1963
Mr Lindemann was appointed to the Group Management Committee in 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 2005.

Eloy Michotte
Corporate Finance Director
Belgian, born 1948
Mr Michotte was appointed to the Group Management Committee in 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.

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.

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From time to time the Group may use external consultants for advice on remuneration matters. During the year, external advice on specific compensation-related matters was received from Towers Watson and PricewaterhouseCoopers on share option related matters. Neither firm received any additional mandates from this consultation. PricewaterhouseCoopers is the Company's and the Group's external auditor, as described in section 8 of this report.

To ensure that the Group remains competitive in its compensation arrangements, two separate benchmarking surveys, providing details on all elements of total compensation and the mix thereof, for a wide range of executive roles including Chairman, Chief Executive Officer and other executives, are regularly considered. One survey focuses on the worldwide compensation of competitor organisations in the luxury goods sector, including LVMH and Hermès International and the other is a comprehensive study of compensation relating to executive positions of leading multinational organisations with their corporate or regional headquarters based in Switzerland.

Elements of compensation for Executive Directors and members of the Group Management Committee

Executives are rewarded in line with the level of their authority and responsibility within the organisation. In general, an executive's total compensation will comprise both fixed and variable elements. In addition to a fixed base salary and post-employment benefits, an executive may receive a variable short-term cash incentive and an award in one of the three long-term benefit plans described below. The split of fixed and variable compensation varies by individual, reflecting their role and local market conditions. In the year under review variable compensation represented 52 % of total compensation.

With the exception of share options, all incentives are cash-settled on their due date.

The total compensation of the Executive Chairman and Chief Executive Officer is set by and is regularly reviewed by the Compensation Committee to ensure that it is commensurate with the demands of the role.

Fixed components

Base salary

The components of base salary are consistent with local practices and may include certain benefits in kind such as car or travel allowance; housing; and medical insurance. The level of all awards is reviewed annually in accordance with the Group's salary review process, which takes place in May. In determining the level of any increase to base salary, consideration is given to the Group's performance; the role and responsibilities of the individual; and market benchmarking information provided by external compensation consultants.

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

Variable components

The Group operates a short-term cash incentive and three distinct long-term benefit plans for executives. The Compensation Committee considers these components in total to ensure there is an appropriate balance between reward for short-term success and long-term retention. An executive's retention ratio is determined by comparing total compensation for the year to the long-term variable awards already granted in the form of the Group's three distinct plans. For share options the gains achievable on unvested options by reference to the current market share price are included. A target executive retention of at least one year is sought. Awards granted for each of the short and long-term incentives reflect both the individual's performance and their contribution to the Group's overall results.

An annual target is set for each of the Group's short-term and long-term incentive plans. In general, actual awards are not determined by any pre-defined formulae and are subject to adjustment at the discretion of the Executive Chairman and Chief Executive Officer and the Compensation Committee.

Short-term variable components

The level of short-term cash incentive is dependent on the performance of the individual executive against individual targets, evaluated for the year as a whole by the Executive Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, as well as the Group's actual achievement compared to budget in terms of measurable indicators including sales, operating profit and cash flows. There is no prescribed ratio or weighting of individual performance versus Group. Certain executives have a target incentive level of 40 % of salary. The final award may be more or less than the target.

In the year under review an expense of € 11 million (2011: € 10 million) was recognised for short-term cash incentives in respect of Executive Directors and members of the Group Management Committee. This accrued amount relates to the performance during the year under review and will be finalised and paid only when the annual results are available. The accrued amount represents 66 % of the total salary and other short-term benefits of those individuals entitled to receive a short-term cash incentive (2011: 70 %).

Long-term variable components

Share options

Executives may be eligible to participate in the Group's stock option plan, details of which are set out on page 51 of this report. The Compensation Committee approves both the maximum aggregate number of options to be awarded and the award to each Executive Director and member of the Group Management Committee. The Committee's approval is given after considering the forecast expense to the Group; the ratio of unexercised options to issued share capital; the cost of hedging the award; and the long-term benefit to the executives. As a general rule, no options are awarded should the number of unexercised options exceed 5 % of the issued share capital of the Company. The Group does not operate any schemes to issue shares to executives as part of their compensation package.

Options granted from 2008 onwards include a vesting condition linked to the performance of the Company's share price, between the grant date and relevant vesting dates, relative to the share price movements of a comparative group of luxury goods businesses over the same period. At each vesting date, the first being 1 July 2012, the Directors, or a duly appointed committee of the Board, have the discretion to lapse some, or all, of the options vesting and subject to this performance condition. The comparative group currently includes Swatch Group Ltd, LVMH, Hermès International and Tiffany & Co. The comparative group at each relevant vesting date will reflect a selection of the Group's luxury good competitors at that date and may therefore differ from the current group.

In the event that an option holder retires, all outstanding share options vest immediately. In the event that an option holder terminates employment with the Group for another reason, unvested share options are forfeited. In certain exceptional circumstances, the Board may grant accelerated vesting for some or all unvested options on termination. The consequences of a change of control are described in section 7 of this report.

During the year under review 806 000 share options were awarded to Executive Directors and members of the Group Management Committee at an exercise price of CHF 54.95, being the market price on the grant date.

As a general rule, share options are not awarded to directors and members of the Group Management Committee working principally for a Maison as more appropriate long-term incentives exist, specifically the long-term incentive plan described below.

Long-term Retention Plan
As an alternative long-term benefit to the share options plan described above, the Group introduced a Long-term Retention Plan ('LRP') in June 2010. The LRP is a cash incentive plan. For each eligible participant, the awards are set at the grant date at between 50 % and 150 % of the short-term cash incentive awarded for the previous year and only become payable after three further years of service. The cash settlement will be subject to a comparison of the performance of the Company's share price relative to a comparative group of luxury goods businesses, similar to the vesting conditions that apply to the Group's share option plan. One award was made to a member of the Group Management Committee in June 2011, which becomes payable in 2014. The total LRP award was CHF 1.75 million representing 88 % of the short-term incentive award paid for 2011.

As a general rule the LRP is used to reward directors and members of the Group Management Committee when neither share options, for example due to their dilutive effect, nor an award under the long-term incentive plan are appropriate.

Long-term Incentive Plan
The Group also operates a cash-settled 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. The valuation of each Maison is consistently determined in accordance with rules approved by the Compensation Committee, taking into consideration sales, operating profit and cash flows. No awards under this plan were made in the year to any member of the Board or Group Management Committee.

An executive will receive an award in only one of the three long-term benefit plans described above on an annual basis.

Severance
There are no arrangements in place to provide for any severance benefit or other special departure payments for any director or any member of the Group Management Committee, other than their contractual notice period. In general, contractual notice periods are for six months; for certain exceptions the employing entity is required to provide no less than twelve-months notice.

There were no changes in Executive Directors or members of the Group Management Committee in the year under review.

Non-executive directors' fees
The level of fees paid to non-executive directors was reviewed and revised in the year under review by reference to the fees paid by other companies included in the Swiss Market Index. The following amounts may be paid in local currency equivalents.

In addition to an annual base fee of CHF 100 000, all non-executive directors receive a fee of CHF 20 000 for each Board meeting attended.

Non-executive directors who are also members of the Audit Committee or the Compensation Committee are entitled to receive a further fee for each Committee meeting attended. For the Audit Committee, its Chairman receives a fee of CHF 20 000 and the other members a fee of CHF 15 000 per meeting. For the Compensation Committee, its Chairman receives a fee of CHF 15 000 and the other members a fee of CHF 10 000 per meeting.

Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's share option plan. There is no scheme to issue shares to non-executive directors.

Directors' compensation
The total level of compensation paid to members of the Board and the Group Management Committee, including pension contributions, benefits in kind and all other aspects of compensation, amounted to € 46 378 315 during the year under review. In determining the value of each component of compensation, the Group has followed the valuation and measurement principles of International Financial Reporting Standards ('IFRS') and therefore the amounts presented include accruals. The amounts are in agreement with other IFRS information provided elsewhere in this Annual Report. All amounts are stated gross before the deduction of any related tax or amounts due by the employee.

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits* €	Share option cost** €	Total €
Board of Directors						
Johann Rupert	1 567 243	1 509 941	–	–	491 266	**3 568 450**
Yves-André Istel	222 570	–	–	–	–	**222 570**
Richard Lepeu	3 527 766	93 644	2 524 292	357 211	1 726 634	**8 229 547**
Gary Saage	1 808 228	111 202	987 206	137 389	632 790	**3 676 815**
Franco Cologni***	265 374	–	–	–	–	**265 374**
Lord Douro	271 497	–	–	–	–	**271 497**
Ruggero Magnoni***	–	–	–	–	–	**–**
Josua Malherbe	210 205	–	–	–	–	**210 205**
Frederick Mostert	1 333 209	136 490	710 460	231 793	897 897	**3 309 849**
Simon Murray	131 893	–	–	–	–	**131 893**
Alain Dominique Perrin***	1 710 396	–	–	–	–	**1 710 396**
Guillaume Pictet	164 867	–	–	–	–	**164 867**
Norbert Platt	284 793	–	–	–	–	**284 793**
Alan Quasha	164 867	–	–	–	–	**164 867**
Maria Ramos****	90 677	–	–	–	–	**90 677**
Lord Renwick	226 692	–	–	–	–	**226 692**
Dominique Rochat	185 475	–	–	–	–	**185 475**
Jan Rupert	828 577	77 826	770 886	247 300	821 732	**2 746 321**
Jürgen Schrempp	164 867	–	–	–	–	**164 867**
Martha Wikstrom	1 481 595	58 423	647 114	158 393	304 527	**2 650 052**
Total	14 640 791	1 987 526	5 639 958	1 132 086	4 874 846	**28 275 207**
Group Management Committee	6 850 466	668 226	5 910 613	1 508 079	3 165 724	**18 103 108**
Total key management compensation	21 491 257	2 655 752	11 550 571	2 640 165	8 040 570	**46 378 315**

* Long-term benefits relate to the Group's Long-term Retention Plan and Long-term Incentive Plan.

** The cost for share 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 36 to the consolidated financial statements.

*** Dr Franco Cologni, Mr Ruggero Magnoni and Mr Alain Dominique Perrin have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

**** Compensation for the period from 7 September 2011, being the date of appointment to the Board, to 31 March 2012.

Significant changes in the level of compensation awarded to members of the Board and the Group Management Committee reflect, inter alia, increases in base salaries resulting from changes in roles and responsibilities; exchange rate effects; the significant improvement in the Group's financial performance during the year under review; and the level of fees paid to non-executive directors.

The compensation of the executive directors of the Board who are also members of the Group Management Committee is excluded from the total compensation of the Group Management Committee. The members of the Group Management Committee are presented on page 47.

The comparative analysis of the table above is presented in note 35(f) of the Group's consolidated financial statements.

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

Maître Dominique Rochat, a non-executive director, is a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.7 million from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of € 0.8 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 is the President of the Foundation.

The Group also made donations of € 0.2 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is Vice-Chairman of the Foundation.

In addition to his non-executive director's fees, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 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.

Details of options held by executive directors and members of the Group Management Committee under the Group's share option plan at 31 March 2012 are as follows:

	Number of options						
	1 April 2011	Granted in year	Exercised in year	31 March 2012	Weighted average grant price CHF	Earliest vesting period	Latest expiry date
Board of Directors							
Johann Rupert	5 626 841	–	–	5 626 841	12.41	Apr 2012-Jul 2013	June 2015
Richard Lepeu	1 509 313	250 000	(239 701)	1 519 612	27.93	Apr 2012-Jul 2017	June 2020
Gary Saage	131 659	150 000	(26 722)	254 937	42.60	Jul 2012-Jul 2017	June 2020
Frederick Mostert	622 201	75 000	–	697 201	28.35	Apr 2012-Jul 2017	June 2020
Jan Rupert	1 236 343	–	–	1 236 343	20.71	Apr 2012-Jul 2014	June 2017
Martha Wikstrom	–	100 000	–	100 000	54.95	Jul 2015-Jul 2017	June 2020
Group Management Committee							
Giampiero Bodino	351 187	30 000	(145 058)	236 129	29.13	Jul 2012-Jul 2017	June 2020
Pilar Boxford	78 251	15 000	(26 720)	66 531	33.14	Apr 2012-Jul 2017	June 2020
Bernard Fornas	466 678	–	(144 522)	322 156	26.54	Apr 2012-Jul 2014	June 2017
Alan Grieve	265 297	12 000	(102 598)	174 699	28.56	Apr 2012-Jul 2017	June 2020
Albert Kaufmann	1 086 420	75 000	(123 016)	1 038 404	25.61	Apr 2012-Jul 2017	June 2020
Thomas Lindemann	276 744	75 000	(99 249)	252 495	34.27	Jul 2012-Jul 2017	June 2020
Eloy Michotte	461 981	24 000	(35 000)	450 981	22.96	Apr 2012-Jul 2017	June 2020
	12 112 915	806 000	(942 586)	11 976 329			

In addition to their duties as non-executive directors, Dr Franco Cologni and Mr Alain Dominique Perrin provided consultancy services to the Group during the year. Fees for those services, amounting to € 0.3 million and € 1.7 million respectively, are included in the compensation disclosures above.

In accordance with the terms of the modification to the Group's executive share option plan in October 2008, executive directors and members of the Group Management Committee received vested options over shares in British American Tobacco PLC ('BAT') and Reinet Investments S.C.A. ('Reinet'). At 31 March 2012, the Group recognised a liability of € 31 million in respect of its obligation to deliver shares in these two entities on exercise of the options which remained outstanding at that date. The Group holds shares in BAT and Reinet which fully hedge the liability.

Highest compensation paid to a member of the Group Management Committee

The total level of compensation of the highest paid director of the Group Management Committee was € 8 229 547, which was paid in respect of Mr Lepeu, Deputy Chief Executive Officer. Mr Lepeu's compensation is disclosed as a member of the Board. It is therefore excluded from the total compensation of the Group Management Committee.

Compensation of advisory committees

The Board has established a number of advisory committees, comprising executive and non-executive directors of the Board. The compensation of the individual members of these committees is included in the disclosures above.

Compensation for former members of governing bodies

During the year under review, a former member of senior management received a fee of € 0.1 million from the Group for services provided to an entity in which the Group is a joint venture partner.

Allotment of shares

No shares were allotted to directors or members of senior management during the year under review.

Share ownership

The share ownership of members of the Board, the Group Management Committee and parties closely linked to them are disclosed in note 35(f) of the consolidated financial statements.

Hedging of the Group's stock option plan obligations

Richemont agrees with the principle that share 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 former 'A' units and 'A' shares to meet the obligations arising under its share-based compensation plans. By using its own capital to acquire these shares, Richemont has reflected the financing cost of the stock option plans in the consolidated statement of comprehensive income. In addition, since 2004, Richemont has purchased 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.

Option holders are not entitled to receive any dividends on unexercised options.

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

Loans to members of governing bodies
As at 31 March 2012, there were no loans or other credits outstanding to any current or former executive, non-executive director or member of the Group Management Committee. 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, non-executive director or member of the Group Management Committee.

6. SHAREHOLDER PARTICIPATION RIGHTS
Details of shareholder voting rights and the right to attend shareholder meetings are given in section 2 of this corporate governance report.

7. CHANGE OF CONTROL AND DEFENCE MECHANISMS
In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), the Company 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 % 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 % 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 % of the voting rights of the Company.

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 senior 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. These provisions 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 were re-appointed by the Company's shareholders at the 2011 AGM as the auditors of the Company's financial statements and the Group's consolidated financial statements. 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 AGM. 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.

PricewaterhouseCoopers were initially appointed as auditors of the Company and the Group in 1993 (as Coopers & Lybrand). Mr Michael Foley, the lead auditor, assumed that role in September 2011. The Company's policy is to rotate the lead auditor at least once every seven years.

In the year under review, total fees and expenses paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company, the Group, its subsidiaries and related services were € 6.7 million. Total fees and expenses paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 1.7 million, primarily relating to tax compliance services and advice. 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 PricewaterhouseCoopers attended all meetings of the Audit Committee held during the year as well as the meeting of the Committee held on 14 May 2012 at which the financial statements were reviewed.

9. INFORMATION POLICY
The Group reports to shareholders in accordance with the requirements of Swiss law and the guidance provided by SIX Swiss Exchange. The annual report is the principal source of financial and business information for shareholders. The Group's announcement of the results for the financial year is issued in May each year. In addition to the regulatory annual and interim reports, Richemont publishes trading statements in September, at the time of its AGM, and in January covering the Group's performance during the third quarter of the financial year, being the important pre-Christmas trading period. 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 interim 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 interim financial reports are distributed by email. 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 email (secretariat@cfrinfo.net) or by registering on the Group's website www.richemont.com/press-centre/company-announcements.html

Copies of the annual and interim reports, the preliminary announcement, trading statements, ad hoc announcements and the corporate social 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.

The Group presents its annual and interim results to analysts and major investors each year. The presentations to invited participants take place in Geneva and are simultaneously 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.

Consolidated financial statements
Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('Richemont' or '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 2012. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2012 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 5 September 2012, is set out on page 116.

Further information on the Group's activities during the year under review is given in the financial review on pages 28 to 33.

Consolidated financial statements

Company financial statements

Consolidated statement of financial position
at 31 March

	Notes	2012 €m	2011 €m
Assets			
Non-current assets			
Property, plant and equipment	*7*	**1 529**	1 267
Goodwill	*8*	**479**	441
Other intangible assets	*9*	**316**	314
Investment property	*10*	**64**	–
Investments in associated undertakings	*11*	**10**	7
Deferred income tax assets	*12*	**443**	349
Financial assets held at fair value through profit or loss	*13*	**69**	70
Other non-current assets	*14*	**248**	211
		3 158	2 659
Current assets			
Inventories	*15*	**3 666**	2 789
Trade and other receivables	*16*	**750**	597
Derivative financial instruments	*17*	**27**	148
Prepayments		**116**	119
Financial assets held at fair value through profit or loss	*13*	**2 400**	2 154
Cash at bank and on hand	*18*	**1 636**	1 227
		8 595	7 034
Total assets		**11 753**	9 693
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*19*	**334**	334
Treasury shares	*19*	**(515)**	(325)
Hedge and share option reserves	*19*	**255**	305
Cumulative translation adjustment reserve		**1 412**	892
Retained earnings		**7 123**	5 774
		8 609	6 980
Non-controlling interest		**9**	12
Total equity		**8 618**	6 992
Liabilities			
Non-current liabilities			
Borrowings	*20*	**22**	120
Deferred income tax liabilities	*12*	**24**	35
Retirement benefit obligations	*22*	**33**	38
Provisions	*23*	**158**	137
Other long-term financial liabilities	*24*	**176**	158
		413	488
Current liabilities			
Trade and other payables	*25*	**948**	825
Current income tax liabilities		**299**	260
Borrowings	*20*	**4**	1
Derivative financial instruments	*17*	**124**	36
Provisions	*23*	**163**	126
Accruals and deferred income		**358**	294
Short-term loans	*20*	**62**	101
Bank overdrafts	*18*	**764**	570
		2 722	2 213
Total liabilities		**3 135**	2 701
Total equity and liabilities		**11 753**	9 693

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2012 € m	2011 € m
Sales	6	**8 867**	6 892
Cost of sales		**(3 216)**	(2 498)
Gross profit		**5 651**	4 394
Selling and distribution expenses		**(1 962)**	(1 654)
Communication expenses		**(859)**	(699)
Administrative expenses		**(747)**	(656)
Other operating (expense)/income	26	**(43)**	(30)
Operating profit		**2 040**	1 355
Finance costs	29	**(314)**	(292)
Finance income	29	**79**	111
Share of post-tax results of associated undertakings	11	**(1)**	101
Profit before taxation		**1 804**	1 275
Taxation	12	**(264)**	(196)
Profit for the year		**1 540**	1 079
Other comprehensive income:			
Currency translation adjustments			
– movement in the year		**520**	459
– reclassification to profit or loss		**1**	11
Cash flow hedges			
– net gains		**25**	81
– reclassification to profit or loss		**(108)**	(13)
Tax on cash flow hedges		**14**	(11)
Other comprehensive income, net of tax		**452**	527
Total comprehensive income		**1 992**	1 606
Profit attributable to:			
Owners of the parent company		**1 544**	1 090
Non-controlling interest		**(4)**	(11)
		1 540	1 079
Total comprehensive income attributable to:			
Owners of the parent company		**1 995**	1 616
Non-controlling interest		**(3)**	(10)
		1 992	1 606
Earnings per share attributable to owners of the parent company during the year (expressed in € per share)			
Basic	30	**2.816**	1.977
Diluted	30	**2.756**	1.925

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 March

	Notes	Share capital €m	Treasury shares €m	Hedge and share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	Non-controlling interest €m	Total equity €m
		Equity attributable to owners of the parent company							
Balance at 1 April 2010		334	(248)	194	423	4 956	5 659	2	5 661
Comprehensive income									
Profit for the year		–	–	–	–	1 090	1 090	(11)	1 079
Other comprehensive income		–	–	57	469	–	526	1	527
		–	–	57	469	1 090	1 616	(10)	1 606
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*19*	–	(77)	–	–	(2)	(79)	–	(79)
Employee share option plan	*19*	–	–	30	–	–	30	–	30
Tax on share option plan	*19*	–	–	24	–	–	24	–	24
Dividends paid	*31*	–	–	–	–	(141)	(141)	–	(141)
Initial recognition of put options over non-controlling interests		–	–	–	–	(129)	(129)	–	(129)
		–	(77)	54	–	(272)	(295)	–	(295)
Non-controlling interest in business combinations		–	–	–	–	–	–	20	20
Balance at 31 March 2011		334	(325)	305	892	5 774	6 980	12	6 992
Comprehensive income									
Profit for the year		–	–	–	–	1 544	1 544	(4)	1 540
Other comprehensive income		–	–	(69)	520	–	451	1	452
		–	–	(69)	520	1 544	1 995	(3)	1 992
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*19*	–	(190)	–	–	9	(181)	–	(181)
Employee share option plan	*19*	–	–	24	–	–	24	–	24
Tax on share option plan	*19*	–	–	(5)	–	–	(5)	–	(5)
Dividends paid	*31*	–	–	–	–	(204)	(204)	–	(204)
		–	(190)	19	–	(195)	(366)	–	(366)
Balance at 31 March 2012		334	(515)	255	1 412	7 123	8 609	9	8 618

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 March

	Notes	2012 € m	2011 € m
Cash flows from operating activities			
Cash flow generated from operations	*32*	**1 789**	1 696
Interest received		**30**	17
Interest paid		**(23)**	(22)
Other investment income		**3**	4
Taxation paid		**(317)**	(202)
Net cash generated from operating activities		**1 482**	1 493
Cash flows from investing activities			
Proceeds from disposal of subsidiary undertakings and other businesses, net of cash disposed		**–**	(3)
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*34*	**(3)**	(246)
Acquisition of associated undertakings		**(1)**	–
Acquisition of property, plant and equipment		**(421)**	(285)
Proceeds from disposal of property, plant and equipment		**23**	3
Acquisition of intangible assets		**(61)**	(41)
Proceeds from disposal of intangible assets		**1**	–
Acquisition of investment property		**(53)**	–
Investment in money market and government bond funds		**(694)**	(2 284)
Proceeds from disposal of money market and government bond funds		**448**	1 489
Acquisition of other non-current assets		**(42)**	(22)
Proceeds from disposal of other non-current assets		**24**	32
Net cash used in investing activities		**(779)**	(1 357)
Cash flows from financing activities			
Proceeds from borrowings		**26**	81
Repayment of borrowings		**(172)**	(270)
Dividends paid		**(204)**	(141)
Payment for treasury shares		**(268)**	(112)
Proceeds from sale of treasury shares		**89**	28
Capital element of finance lease payments		**(1)**	(2)
Net cash used in financing activities		**(530)**	(416)
Net change in cash and cash equivalents		**173**	(280)
Cash and cash equivalents at the beginning of the year		**657**	940
Exchange gains/(losses) on cash and cash equivalents		**42**	(3)
Cash and cash equivalents at the end of the year	*18*	**872**	657

The notes on pages 58 to 106 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2012

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, Azzedine Alaïa and Net-a-Porter.

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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company ('the Board') on 15 May 2012 and are subject to approval at the shareholders' general meeting on 5 September 2012.

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').

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.

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

There are no new accounting standards or interpretations that are effective for the first time for this financial year that would be expected to have a material impact on the Group.

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 are included in the consolidated financial statements from the date control commences until the date control ceases. The Group's share of profit or loss and other comprehensive income of associated undertakings and joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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 % 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 Group is a limited partner in a property fund. The Group is also the general partner and property manager of the fund. As a general partner, the Group has full power and authority to carry on all activities which it considers necessary or desirable to the operation of the partnership. It is considered that the Group controls the property fund.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred at the date of exchange, plus the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree 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 profit or loss for the period.

Any contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Acquisition related costs are expensed in the period in which they are incurred.

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Significant influence is presumed to exist where the Group holds between 20 % and 50 % of the voting rights of another entity. 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's share of its associated undertakings' movements in other comprehensive income is recognised in other comprehensive income.

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.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3. Segment reporting

Details on the Group's operating segments can be found under note 6. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Operating segments are aggregated into reportable segments only if they have similar economic characteristics, and are similar in each of the following: nature of products; distribution method; and long-term margin.

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'). The functional currency of the Company is Swiss francs. 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 profit or loss.

(c) Subsidiary and associated undertakings

The assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated to euro at the closing exchange rates at the reporting date.

The income and expenses of foreign operations are translated to euro at the average exchange rates.

All resulting foreign exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss 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.

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 owned land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items, together with the estimated cost of the Group's obligation to remove an asset or restore a site, when such costs can be reliably estimated and the likelihood of having to satisfy the obligation is probable.

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 profit or loss 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 following limits:

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

Assets under construction are not depreciated. Land acquired under finance lease arrangements is depreciated to its residual value over the lease term. All other land is not depreciated.

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

Gains and losses on disposals, calculated as the difference between the net proceeds from disposals and the carrying amounts, are included in profit or loss. 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. Goodwill and other 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 recognised separately. 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.

Notes to the consolidated financial statements continued

Goodwill is allocated to cash-generating units for the purpose of impairment testing. An allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, subject to an operating segment ceiling.

(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 other intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of 5 years. Licences are amortised over their contractual lives to a maximum period of 15 years. 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 other 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 not exceeding 10 years.

Separately acquired patents and trademarks are recognised at cost. Those acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method to allocate the cost of each asset over its estimated useful life up to the limit of 50 years.

(d) Leasehold rights and distribution rights
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. Useful lives do not exceed 20 years.

Distribution rights are shown at cost less subsequent amortisation and impairment. Those acquired in a business combination are initially recognised at fair value at the acquisition date. Amortisation is calculated on a straight-line basis over the estimated useful life to the limit of 5 years.

2.7. Investment property

Investment property consists of land and buildings held to earn rental income or for capital appreciation, or both, and not for use in the production or supply of goods or services or for administrative purposes. Where an insignificant portion of the whole property is for own use the entire property is recognised as an investment property, otherwise the property is recognised within Property, plant and equipment.

Investment property is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Subsequent measurement is in accordance with the Group policy for Property, plant and equipment; see note 2.5 above.

The investment property acquired in the year is undergoing renovation at 31 March 2012 and is not ready for its intended use. As such no depreciation has yet been provided for.

It is considered that the residual value after renovation will exceed the book value so that depreciation will not be required.

Income from investment property and related operating costs are included within administrative expenses.

2.8. Impairment of non-financial assets

Intangible 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 intangible asset with an indefinite life. All other non-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.

2.9. Other financial asset investments

The Group classifies its investments in the following categories: financial assets held at fair value through profit or loss and loans and receivables. 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 profit or loss 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.

(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.

2.10. 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 depreciated cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

2.11. Inventories
Inventories are stated at the lower of cost and 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.

2.12. 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 profit or loss for the period.

2.13. 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.

2.14. 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 reporting 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.

2.15. 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 profit or loss 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 reporting date.

2.16. Current and deferred income tax
The tax expense comprises current and deferred tax.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In such cases the tax is also recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 substantively enacted by the reporting 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.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different tax entities where there is an intention to settle the balances on a net basis.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Notes to the consolidated financial statements continued

2.17. 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.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair values of plan assets, together with adjustments for unrecognised actuarial gains or losses, past service costs and limits on the assets recognisable. 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 reporting dates on high-quality corporate or government bonds (in countries with no deep corporate bond market) 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 profit or loss, 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 % of the value of plan assets or 10 % of the defined benefit obligations are charged or credited to profit or loss 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) Incentive plans

The Group recognises a liability and an expense for incentive plans 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 reporting 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 profit or loss over the remaining vesting period and a corresponding adjustment to equity.

The Group also operates a cash-settled share-based compensation plan based on options granted over the shares of subsidiary entities. The fair value of the estimated amount payable is determined using a pricing model, taking into account the terms and conditions of the issued instrument, and is expensed on a straight-line basis over the vesting period. The fair value is re-measured at each reporting date with changes being recognised in profit or loss.

2.18. 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 include 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 reporting 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.

2.19. Revenue recognition

(a) Goods

Sales revenue comprises the fair value of the sale of goods, 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.

2.20. Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received) are charged to profit or loss using the straight-line method over the lease term. Sub-lease income (net of any incentives given) is credited to profit or loss using 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 and fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

2.21. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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 statement of comprehensive income is re-presented as if the discontinued operation had been discontinued from the start of the comparative period.

2.22. Dividend distributions

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

2.23. New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards issued by the IASB and interpretations issued by IFRIC are not yet effective for the year ended 31 March 2012.

IAS 19, *Employee benefits* was amended in June 2011. The significant changes are: to eliminate the corridor approach and require all actuarial gains and losses to be recognised through other comprehensive income as incurred; to replace the estimated return on plan asset with a net interest amount determined by applying the discount rate to the net benefit asset / liability; and to recognise all past service costs immediately. The Group has yet to assess the full impact of the amendments, however it is estimated these would include an increase in the recognised pension liability of an amount similar to the unrecognised actuarial losses.

IFRS 9, *Financial instruments* is mandatory for the Group's 2016 reporting and could change the classification and measurement of financial assets and financial liabilities.

IFRS 10, *Consolidated financial statements*, builds on the existing principles of identifying the 'control' in determining whether an entity is included in the consolidated financial statements of the parent. The new requirements will be adopted no later than the period beginning 1 April 2013.

IFRS 11, *Joint Arrangements* was introduced in May 2011, replacing IAS 31, *Interests in joint ventures*. The Group has yet to assess the full impact of the new standard, which prohibits the Group's current policy of proportional consolidation and requires the application of the equity accounting method for joint ventures. The Group will comply with the new requirements when the standard is first adopted which will be no later than the period beginning 1 April 2013.

IFRS 12, *Disclosure of interests in other entities*, requires disclosure of quantitative and qualitative information on the Group's investments in other entities, including: subsidiaries; joint arrangements; associates; or unconsolidated structured entities. The Group will comply with the new disclosure requirements when the standard is first adopted which will be no later than the period beginning 1 April 2013.

IFRS 13, *Fair value measurement* provides a single source definition and a framework for measuring fair value. The Group will consider the guidance on measuring fair value for the accounting period beginning 1 April 2013.

There are no other new or amended standards or interpretations that would be expected to have a material impact for the Group.

Notes to the consolidated financial statements continued

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)(i) Market risk: 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, Chinese yuan and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury undertakes the management of the net position in each foreign currency by using external currency derivatives.

The Group's financial risk management policy is to hedge up to 70 % of anticipated net cash flow exposure arising in US dollars, HK dollars, Chinese yuan and Japanese yen for the subsequent twelve months.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from these 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 other comprehensive income 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 and the re-translation impact of euro-denominated investments in money market and government bond funds held in an entity with a Swiss franc functional currency. The analysis is performed on the same basis as for 2011.

	Change in rate		Other comprehensive income		Profit or loss	
	2012 %	2011 %	2012 € m	2011 € m	2012 € m	2011 € m
USD strengthening vs CHF	**17 %**	12 %	**–**	(18)	**(83)**	(35)
JPY strengthening vs CHF	**16 %**	14 %	**–**	(16)	**(44)**	(11)
HKD strengthening vs CHF	**17 %**	12 %	**–**	(42)	**(203)**	(20)
HKD strengthening vs EUR	**11 %**	12 %	**–**	–	**(20)**	(25)
JPY strengthening vs EUR	**13 %**	16 %	**–**	–	**(15)**	(21)
USD strengthening vs EUR	**12 %**	12 %	**–**	–	**(21)**	(44)
CHF strengthening vs EUR	**15 %**	10 %	**–**	–	**(348)**	(260)
CNY* strengthening vs CHF	**17 %**	12 %	**–**	–	**(72)**	–

* Chinese yuan/renminbi

	Change in rate		Other comprehensive income		Profit or loss	
	2012 %	2011 %	2012 € m	2011 € m	2012 € m	2011 € m
USD weakening vs CHF	**17 %**	12 %	**–**	14	**63**	33
JPY weakening vs CHF	**16 %**	14 %	**–**	12	**31**	8
HKD weakening vs CHF	**17 %**	12 %	**–**	33	**145**	16
HKD weakening vs EUR	**11 %**	12 %	**–**	–	**13**	13
JPY weakening vs EUR	**13 %**	16 %	**–**	–	**9**	10
USD weakening vs EUR	**12 %**	12 %	**–**	–	**15**	35
CHF weakening vs EUR	**15 %**	10 %	**–**	–	**347**	260
CNY* weakening vs CHF	**17 %**	12 %	**–**	–	**51**	–

* Chinese yuan/renminbi

(a)(ii) Market risk: Price risk

The Group is exposed to commodity price risk, marketable securities' price risk and other 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.

• Marketable securities' price risk

The Group is exposed to marketable securities' price risk relating to: its investments in listed equities and related obligations to executives in respect of options granted over shares in listed equities; unlisted equities; and investments in AAA rated money market and government bond funds. These are classified in the consolidated statement of financial position as financial assets and liabilities held at fair value through profit or loss.

At 31 March 2012 the Group held a number of listed investments with a total market value of € 65 million (2011: € 66 million). These investments are primarily listed in the UK and Luxembourg. Movements of plus/(minus) 18 % and 40 % based on the one-year 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) € 14 million (2011: movement plus/(minus) 19 % and 35 % based on the one-year UK and Luxembourg listed equities volatilities; profit before tax impact plus/(minus) € 14 million).

The Group has recognised liabilities in respect of options granted to executives over shares in equities listed in the UK and Luxembourg. Movements of plus/(minus) 18 % and 40 % based on the one-year historic 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 minus € 13 million, plus € 12 million (2011: movements plus/(minus) 19 % and 35 % based on the one-year UK and Luxembourg equities volatilities; profit before tax impact minus € 14 million, plus € 13 million).

At 31 March 2012 and 2011 the Group held a number of investments in AAA rated money market and government bond funds. The price risk associated with these investments is considered to be minimal, due to the high credit quality of the underlying investments.

The Group also holds a portfolio of unlisted equities primarily 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.

- Other price risk

The Group is exposed to price risk related to put options written over the equity shares of subsidiary entities held by non-controlling interests. The value of the put options initially recognised through equity with subsequent changes being recognised through profit or loss, is determined using accepted company valuation techniques.

After consideration of all relevant factors available, management's valuations of the put option liabilities have been updated where differences in actual results to original forecasts have required a change in certain accounting estimates, resulting in a decrease in the put option liabilities of € 43 million with a corresponding credit to finance income.

A movement of plus/(minus) 25 % in the projected EBITDA of the subsidiary entities would have a pre-tax profit impact of (minus)/plus € 40 million. A movement of plus/(minus) 100 basis points on the weighted average cost of capital would have had a pre-tax impact of plus € 12 million and minus € 14 million, all other variables kept constant.

(a)(iii) Market risk: Interest rate risk

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

The cash flow risk associated with net cash is such that an increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted profit for the year by plus/(minus) € 32 million (2011: plus/(minus) € 26 million), all other variables remaining constant. The analysis is performed on the same basis as for 2011.

(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 derivative counterparties are a long-term credit rating of A2/A- and the minimum credit rating requirements of deposit counterparties are a short-term credit rating of P-1/A-1. At 31 March 2012 the Group had € 2 400 million invested in AAA rated euro-denominated money market and government bond funds (2011: € 2 154 million) and € 1 636 million held as cash at bank (2011: € 1 227 million).

(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.

See note 21 for further disclosure on liquidity risk.

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.

A significant portion of projected sales in each major currency qualifies as 'highly probable' forecast transactions for hedge accounting purposes. Certain derivative financial instruments with a trade date prior to 1 April 2011 were designated as hedge instruments of highly probable forecast transactions.

The application of hedge accounting results in the effective portion of changes in the fair value of derivatives, that are designated and qualify as cash flow hedges, being deferred in equity and recycled to profit or loss in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). The recycle is recognised in cost of sales.

Management has decided to cease the application of hedge accounting from 1 April 2011. The accounting requirement to recycle from equity when the hedged item impacts profit or loss results, on average, in a five-month time delay between the derivative instrument closing and the recycle, which results in an accounting timing mismatch.

All designated hedging instruments outstanding at 31 March 2011 were fully effective and de-designated during the year when the hedged forecast transaction occurred.

Notes to the consolidated financial statements continued

From 1 April 2011 all new derivative instruments are accounted for at fair value with changes in value being recognised immediately as finance costs and income. These trading derivatives are classified as current assets or liabilities.

In the period to date, € 98 million of mark-to-market losses in respect of hedging activities have been recognised in net finance costs. Had hedge accounting continued, € 26 million of this amount would have been deferred in equity.

The fair values of various derivative instruments are disclosed in note 17.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price 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 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 reporting date.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar 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 reporting date; and
- other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

The table below analyses financial instruments carried at fair value by valuation method.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2012	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Listed investments	65	–	–	65
Unlisted investments	–	–	4	4
Investment in money market and government bond funds	–	2 400	–	2 400
Derivative financial assets	–	27	–	27
	65	2 427	4	2 496
Derivative financial liabilities	–	(124)	–	(124)
	–	(124)	–	(124)

31 March 2011	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Listed investments	66	–	–	66
Unlisted investments	–	–	4	4
Investment in money market and government bond funds	–	2 154	–	2 154
Derivative financial assets	–	148	–	148
	66	2 302	4	2 372
Derivative financial liabilities	–	(36)	–	(36)
	–	(36)	–	(36)

The following table presents the changes in Level 3 instruments.

	Unlisted investments € m	Total € m
Balance 1 April 2010	5	5
Losses recognised in profit or loss	(1)	(1)
Balance at 31 March 2011	4	4
Losses recognised in profit or loss	–	–
Balance at 31 March 2012	4	4

The amounts recognised in net finance costs for assets held at 31 March 2012 were insignificant (2011: € 1 million).

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 non-controlling 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 share buy-backs, in excess of 15 %.

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

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

4. Risk assessment

The Company has a 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 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 the reported amount of certain asset, liability, income and expense 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, judgement and estimates are made relate in particular to:

(a) Inventory

The Group records a provision against its inventory for damaged and non-sellable items. This provision is based on estimates made by management taking into consideration various factors including historical experience, estimated future demand, discontinuations and development of products.

The provision is assessed at each reporting date by the respective Maison and is adjusted accordingly. Details of the movement in the provision are provided in note 15.

(b) Uncertain tax provision

The Group is subject to income taxes in a number of jurisdictions due to its wide geographical expansion. There are a number of transactions and calculations on which the ultimate tax determination is uncertain. Management exercises judgement in determining the provision needed with respect to these uncertain tax positions. The amounts accrued are based on management's interpretation of the specific tax law. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Details of the Group's tax liabilities are given in note 12.

(c) Recoverable amount of cash generating units for goodwill impairment testing

Goodwill is tested annually for impairment. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates for sales growth and EBITDA %.

Details of the impairment testing done in the year are given in note 8.

(d) Valuation of put option liabilities over non-controlling interests

The Group has written put options over the equity shares of subsidiary entities held by non-controlling interests. The value of the put options initially recognised through equity with subsequent changes being recognised through profit or loss, is determined using accepted Company valuation techniques. These calculations require the use of estimates for sales growth and EBITDA %.

For details of movements in the year, see note 3.1 Other price risk.

6. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each Maison. These operating segments have been aggregated into four reportable segments 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;
- Montblanc Maison – a business whose primary activity includes the design, manufacture and distribution of writing instruments; and
- Other – other operations mainly comprise Alfred Dunhill, Lancel, Chloé, Net-a-Porter, Purdey, textile brands and other manufacturing entities.

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.

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated.

Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

Performance measurement is based on segment contribution before corporate costs, interest and tax, as management believes that such information is most relevant in evaluating the results of segments relative to other entities that operate within similar markets.

Inter-segment transactions between different fiscal entities are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions. Inter-segment transactions within the same fiscal entity are transacted at cost. All such transactions are eliminated in the reports reviewed by the CODM.

6. Segment information continued

(a) Information on reportable segments continued

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

	2012 € m	2011 € m
External sales		
Jewellery Maisons	**4 590**	3 479
Specialist Watchmakers	**2 323**	1 774
Montblanc Maison	**723**	672
Other	**1 231**	967
	8 867	6 892

	2012 € m	2011 € m
Operating result		
Jewellery Maisons	**1 510**	1 062
Specialist Watchmakers	**539**	379
Montblanc Maison	**119**	109
Other	**(35)**	(34)
Operating profit from reportable segments	**2 133**	1 516
Unallocated corporate costs	**(93)**	(161)
Consolidated operating profit before finance and tax	**2 040**	1 355
Finance costs	**(314)**	(292)
Finance income	**79**	111
Share of post-tax results of associated undertakings	**(1)**	101
Profit before taxation	**1 804**	1 275
Taxation	**(264)**	(196)
Profit for the year	**1 540**	1 079

An impairment charge of € 2 million is included within the Other reportable segment for 2012 (2011: € 1 million included within each of the Jewellery Maisons and the Other reportable segment).

6. Segment information continued

(a) Information on reportable segments continued

The segment assets which are reviewed by the CODM comprise inventories and trade debtors.

	2012 € m	2011 € m
Segment assets		
Jewellery Maisons	**2 149**	1 590
Specialist Watchmakers	**1 219**	956
Montblanc Maison	**357**	307
Other	**417**	328
	4 142	3 181

	2012 € m	2011 € m
Total assets for reportable segments	**4 142**	3 181
Property, plant and equipment	**1 529**	1 267
Goodwill	**479**	441
Other intangible assets	**316**	314
Investment property	**64**	–
Investments in associated undertakings	**10**	7
Deferred income tax assets	**443**	349
Financial assets at fair value through profit or loss	**2 469**	2 224
Other non-current assets	**248**	211
Other receivables	**274**	205
Derivative financial instruments	**27**	148
Prepayments	**116**	119
Cash at bank and on hand	**1 636**	1 227
Total assets	**11 753**	9 693

The CODM also reviews additions to property, plant and equipment, and other intangible assets as follows:

	2012 € m	2011 € m
Additions to non-current assets:		
Property, plant and equipment, and other intangible assets		
Jewellery Maisons	**185**	125
Specialist Watchmakers	**119**	65
Montblanc Maison	**31**	24
Other	**101**	60
Unallocated	**81**	34
	517	308

Notes to the consolidated financial statements continued

6. Segment information continued

(b) Information about geographical areas

Each reporting segment operates on a worldwide basis. External sales presented in the three main geographical areas where the Group's reportable segments operate are as follows:

	2012 € m	2011 € m
Europe	3 097	2 588
France	669	551
Switzerland	347	303
Germany, Italy and Spain	670	606
Other Europe	1 411	1 128
Asia	4 517	3 306
China/Hong Kong	2 412	1 645
Japan	833	737
Other Asia	1 272	924
Americas	1 253	998
USA	973	758
Other Americas	280	240
	8 867	6 892

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for on-line transactions.

The total non-current assets other than financial instruments and deferred tax assets located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	2012 € m	2011 € m
Switzerland	1 217	1 056
Rest of the world	1 331	1 104
	2 548	2 160

Segment assets are allocated based on where the assets are located.

(c) Information about products

External sales by product are as follows:

	2012 € m	2011 € m
Watches	4 404	3 320
Jewellery	2 248	1 685
Leather goods	721	602
Writing instruments	357	359
Clothing and other	1 137	926
	8 867	6 892

(d) Major customers

Sales to no single customer represented more than 10 % of total revenue. Given the local nature of the luxury goods wholesale and retail businesses, there are no major customer relationships.

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
1 April 2010					
Cost	622	423	1 169	42	2 256
Depreciation	(157)	(282)	(657)	–	(1 096)
Net book value at 1 April 2010	465	141	512	42	1 160
Exchange adjustments	33	12	3	–	48
Acquisition through business combinations	–	–	8	–	8
Additions	14	32	161	58	265
Disposals	–	(1)	(7)	–	(8)
Depreciation charge	(24)	(32)	(155)	–	(211)
Impairments	–	–	(2)	–	(2)
Transfers and reclassifications	6	19	34	(52)	7
31 March 2011					
Cost	685	483	1 323	48	2 539
Depreciation	(191)	(312)	(769)	–	(1 272)
Net book value at 31 March 2011	494	171	554	48	1 267

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2011					
Cost	**685**	**483**	**1 323**	**48**	**2 539**
Depreciation	**(191)**	**(312)**	**(769)**	**–**	**(1 272)**
Net book value at 1 April 2011	**494**	**171**	**554**	**48**	**1 267**
Exchange adjustments	**33**	**12**	**35**	**4**	**84**
Additions	**25**	**73**	**263**	**94**	**455**
Disposals	**(6)**	**(1)**	**(20)**	**(1)**	**(28)**
Depreciation charge	**(34)**	**(39)**	**(174)**	**–**	**(247)**
Impairments	**–**	**(1)**	**(1)**	**–**	**(2)**
Transfers and reclassifications	**1**	**3**	**46**	**(50)**	**–**
31 March 2012					
Cost	**747**	**571**	**1 590**	**95**	**3 003**
Depreciation	**(234)**	**(353)**	**(887)**	**–**	**(1 474)**
Net book value at 31 March 2012	**513**	**218**	**703**	**95**	**1 529**

Included above is property, plant and equipment held under finance leases with a net book value of € 27 million (2011: € 26 million) comprising: land and building € 25 million (2011: € 24 million); plant and machinery € 1 million (2011: € 2 million); and fixtures, fittings, tools and equipment € 1 million (2011: nil).

Borrowing costs capitalised during the current and prior years were immaterial.

Committed capital expenditure not reflected in these financial statements amounted to € 44 million at 31 March 2012 (2011: € 14 million).

The impairment charges in respect of boutique assets and manufacturing machinery were determined with reference to the value-in-use of the assets which was less than their book value. The impairment losses are recognised in other operating expenses.

Notes to the consolidated financial statements continued

8. Goodwill

Goodwill is the only intangible asset with an indefinite life.

	€ m
Cost at 1 April 2010	164
Exchange adjustments	16
Goodwill arising on business combinations	261
Cost at 31 March 2011	**441**
Exchange adjustments	**30**
Goodwill arising on business combinations (note 34)	**8**
Cost at 31 March 2012	**479**

Impairment testing for goodwill

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

A summary of goodwill by reporting segment is presented below.

	2012 € m	2011 € m
Jewellery Maisons	**46**	42
Specialist Watchmakers	**133**	123
Other	**300**	276
Total	**479**	441

Only one Maison, Net-a-Porter, has a goodwill allocation that is significant in comparison to the total goodwill of the Group. For this Maison, within the reportable segment Other, the goodwill allocation is € 287 million (2011: € 263 million).

The recoverable amount of goodwill is determined based on the value-in-use of the Maison determined by discounting the future cash flows generated from the continuing operations based on an estimated or approved five-year business plan and applying a pre-tax discount rate of 11.4 % (2011: 11.4 %) and a terminal growth rate of 2 % (2011: 2 %) The key assumptions applied in determining future cash flows include sales growth and EBITDA %. 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. The discount rate applied at March 2012 represents the risk specific to Net-a-Porter.

The value-in-use significantly exceeds the carrying value of goodwill by such a magnitude that no reasonably possible change in any of the key assumptions would eliminate the headroom. Therefore no impairment losses were recognised.

9. Other intangible assets

	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2010					
Cost	189	127	77	75	468
Amortisation	(74)	(90)	(50)	(29)	(243)
Net book value at 1 April 2010	115	37	27	46	225
Exchange adjustments	9	2	2	4	17
Acquisition through business combinations	–	113	–	2	115
Additions:					
– internally developed	–	–	–	25	25
– other	3	3	12	–	18
Disposals	–	–	–	(1)	(1)
Amortisation charge	(19)	(32)	(10)	(17)	(78)
Transfers	(7)	–	–	–	(7)
31 March 2011					
Cost	178	223	91	98	590
Amortisation	(77)	(100)	(60)	(39)	(276)
Net book value at 31 March 2011	101	123	31	59	314

	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2011					
Cost	**178**	**223**	**91**	**98**	**590**
Amortisation	**(77)**	**(100)**	**(60)**	**(39)**	**(276)**
Net book value at 1 April 2011	**101**	**123**	**31**	**59**	**314**
Exchange adjustments	**7**	**6**	**2**	**4**	**19**
Acquisition through business combinations	**–**	**8**	**–**	**–**	**8**
Additions:					
– internally developed	**–**	**–**	**–**	**30**	**30**
– other	**5**	**17**	**10**	**–**	**32**
Disposals	**–**	**–**	**–**	**(2)**	**(2)**
Amortisation charge	**(17)**	**(35)**	**(9)**	**(24)**	**(85)**
31 March 2012					
Cost	**192**	**255**	**106**	**127**	**680**
Amortisation	**(96)**	**(136)**	**(72)**	**(60)**	**(364)**
Net book value at 31 March 2012	**96**	**119**	**34**	**67**	**316**

Amortisation of: € 24 million (2011: € 19 million) is included in cost of sales; € 9 million (2011: € 12 million) is included in selling and distribution expenses; € 11 million (2011: € 10 million) is included in administration expenses; and € 41 million (2011: € 37 million) is included in other expenses.

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

10. Investment property

During the year Richemont became a limited partner in a property fund. The objective of the fund is to invest in and develop value-added luxury estate properties.

In the period from formation the fund has invested in one property which is undergoing renovation at 31 March 2012.

	€ m
Net book value at 1 April 2011	–
Additions	**64**
31 March 2012	
Cost	**64**
Depreciation	–
Net book value at 31 March 2012	**64**

The investment property was acquired at a fair market value. Given the recent date of acquisition management does not consider that there have been any material changes in the relevant property market that would result in the current fair value being significantly different from the acquisition value. Therefore no independent valuation has been undertaken at 31 March 2012. This will be undertaken in future years.

An insignificant amount of operating income and expenses is included in administrative expenses.

11. Investments in associated undertakings

	€ m
At 1 April 2010	24
Exchange adjustments	2
Share of post-tax profit (including fair value gain on deemed disposal)	101
Deemed disposal	(120)
At 31 March 2011	**7**
Exchange adjustments	**2**
Acquisition of associated undertaking	**2**
Share of post-tax results	**(1)**
At 31 March 2012	**10**

Investments in associated undertakings at 31 March 2012 include goodwill of € 6 million (2011: € 6 million).

The Group's principal associated undertakings are as follows:

	% interest held	Country of incorporation
Lancel Japan Limited	30.0	Japan
Greubel Forsey SA	20.0	Switzerland
Rouages SA	34.7	Switzerland
Les Cadraniers de Genève SA	50.0	Switzerland

Summary financial information for equity-accounted associates not adjusted for the percentage ownership held by the Group:

	2012 € m	2011 € m
Revenue	**36**	25
Loss for the year	**(2)**	(3)
Total assets	**44**	28
Total liabilities	**(35)**	(21)
	9	7

12. Taxation

12.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2010 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfers € m	31 March 2011 € m
Depreciation	36	–	6	–	–	42
Provision on inventories	24	2	4	–	–	30
Bad debt reserves	3	–	(1)	–	–	2
Retirement benefits	12	–	1	–	–	13
Unrealised gross margin elimination	183	(3)	4	–	–	184
Tax losses carried forward	13	1	5	–	(1)	18
Deferred tax on option plan	47	5	(1)	24	–	75
Other	34	5	9	(11)	2	39
	352	10	27	13	1	403
Offset against deferred tax liabilities for entities settling on a net basis	(37)					(54)
	315					349

	1 April 2011 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfers € m	31 March 2012 € m
Depreciation	42	1	(18)	–	1	26
Provision on inventories	30	2	(3)	–	–	29
Bad debt reserves	2	–	–	–	–	2
Retirement benefits	13	–	–	–	–	13
Unrealised gross margin elimination	184	–	74	–	–	258
Tax losses carried forward	18	–	7	–	–	25
Deferred tax on option plan	75	6	(2)	(5)	–	74
Other	39	4	11	14	–	68
	403	13	69	9	1	495
Offset against deferred tax liabilities for entities settling on a net basis	(54)					(52)
	349					443

€ 208 million of deferred tax assets are expected to be recovered after more than twelve months (2011: € 189 million).

12. Taxation continued

12.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2010 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfers € m	31 March 2011 € m
Depreciation	(18)	(3)	6	–	(30)	(45)
Provision on inventories	(8)	(2)	(3)	–	–	(13)
Unremitted earnings	(10)	–	1	–	–	(9)
Other	(28)	(3)	1	–	8	(22)
	(64)	(8)	5	–	(22)	(89)
Offset against deferred tax assets for entities settling on a net basis	37					54
	(27)					(35)

	1 April 2011 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity € m	Acquisition in business combinations and transfers € m	31 March 2012 € m
Depreciation	(45)	(1)	14	–	(2)	(34)
Provision on inventories	(13)	(3)	10	–	–	(6)
Unremitted earnings	(9)	–	(5)	–	–	(14)
Other	(22)	–	–	–	–	(22)
	(89)	(4)	19	–	(2)	(76)
Offset against deferred tax assets for entities settling on a net basis	54					52
	(35)					(24)

€ 69 million of deferred tax liabilities are expected to be settled after more than twelve months (2011: € 76 million).

(c) Unrecognised deferred tax assets

	2012 € m	2011 € m
Tax losses – gross value	536	443
Deductible temporary differences	(1)	–
	535	443

€ 242 million of the tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2011: € 199 million).

12.2. Taxation charge

Taxation charge for the year:

	2012 € m	2011 € m
Current tax	352	228
Deferred tax credit	(88)	(32)
	264	196

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax results of associated undertakings. The rates for the years ended 31 March 2012 and 2011 were 14.6 % and 16.7 % respectively.

12. Taxation continued

12.2. Taxation charge 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:

	2012 € m	2011 € m
Profit before taxation	**1 804**	1 275
Share of post-tax results of associated undertakings	**1**	(101)
Adjusted profit before taxation	**1 805**	1 174
Tax on adjusted profit calculated at statutory tax rate	**379**	246
Difference in tax rates	**(117)**	(52)
Non-taxable income	**(12)**	(12)
Non-deductible expenses net of other tax return – only adjustments	**(3)**	7
Utilisation and recognition of prior year tax losses	**(4)**	(13)
Non-recognition of current year tax losses	**9**	9
Withholding and other taxes	**17**	16
Prior year adjustments	**(5)**	(5)
Taxation charge	**264**	196

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

13. Financial assets held at fair value through profit or loss

	2012 € m	2011 € m
Non-current:		
Investments in listed undertakings	**65**	66
Investments in unlisted undertakings	**4**	4
Total non-current	**69**	70
Current:		
Investments in money market and government bond funds	**2 400**	2 154
Total current	**2 400**	2 154
Total financial assets held at fair value through profit or loss	**2 469**	2 224

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets 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.

14. Other non-current assets

	2012 € m	2011 € m
Maisons' collections	**141**	120
Lease deposits	**92**	74
Loans and receivables	**6**	6
Other assets	**9**	11
	248	211

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.

Notes to the consolidated financial statements continued

15. Inventories

	2012 € m	2011 € m
Raw materials and work in progress	**1 395**	1 067
Finished goods	**2 271**	1 722
	3 666	2 789

The cost of inventories recognised as an expense and included in cost of sales amounted to € 3 081 million (2011: € 2 307 million).

The Group reversed € 41 million (2011: € 58 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 € 115 million (2011: € 122 million) in the write-down of inventory as a charge to cost of sales.

16. Trade and other receivables

	2012 € m	2011 € m
Trade receivables	**497**	413
Less: provision for impairment	**(21)**	(21)
Trade receivables – net	**476**	392
Loans and receivables	**225**	174
Other receivables	**49**	31
	750	597

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 € 98 million (2011: € 80 million) and cash balances as disclosed in note 18 which are considered to be loans and receivables.

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

	2012 € m	2011 € m
Europe	**241**	224
France	**68**	55
Switzerland	**48**	43
Germany, Italy and Spain	**64**	79
Other Europe	**61**	47
Asia	**165**	114
China/Hong Kong	**75**	45
Japan	**57**	46
Other Asia	**33**	23
Americas	**70**	54
USA	**53**	40
Other Americas	**17**	14
	476	392

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

	2012 € m	2011 € m
Wholesale customers	**372**	322
Retail customers	**104**	70
	476	392

The Group's most significant wholesale customer in Hong Kong accounts for € 9 million of the total trade receivables carrying amount at March 2012 (2011: € 8 million for a Hong Kong wholesaler).

16. Trade and other receivables continued

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:

	2012 € m	2011 € m
Balance at 1 April of prior year	(21)	(26)
Exchange adjustment	(1)	–
Provision charged to profit or loss	(10)	(8)
Utilisation of provision	2	5
Reversal of unutilised provision	9	8
Balance at 31 March	(21)	(21)

At 31 March 2012, trade receivables of € 28 million (2011: € 36 million) were impaired.

Receivables past due but not impaired:

	2012 € m	2011 € m
Up to three months past due	58	59
Three to six months past due	8	10
Over six months past due	9	13
	75	82

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.

Trade receivables are denominated in the functional currency of the selling entity.

17. Derivative financial instruments

The Group uses the following derivative instruments:

(a) Currency forwards: representing commitments to purchase or sell foreign and domestic currencies;

(b) 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) or both, 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;

(c) 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;

(d) 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; and

(e) Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at pre-determined prices.

Notes to the consolidated financial statements continued

17. Derivative financial instruments continued

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the reporting 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 reporting 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 reporting date.

The nominal amounts and fair values of derivative instruments held are as follows:

	Nominal amount		Fair value assets		Fair value liabilities	
	2012 € m	2011 € m	2012 € m	2011 € m	2012 € m	2011 € m
Derivatives designated as cash flow hedges						
Qualifying cash flow hedges						
Currency forwards	–	693	–	80	–	–
Non-hedge derivatives						
Currency forwards	**2 629**	772	**24**	54	**(82)**	(1)
Currency options	**53**	33	**1**	3	**(1)**	–
Accrual style option forwards	**101**	85	**2**	11	**(1)**	–
Interest rate swap derivatives	–	35	–	–	–	–
Derivative share options	**65**	66	–	–	**(40)**	(35)
	2 848	1 684	**27**	148	**(124)**	(36)

Other than the non-hedge derivatives detailed above, the Group has no other financial assets classified as held for trading.

The contractual maturity of the nominal value of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months	
	2012 € m	2011 € m	2012 € m	2011 € m
Derivatives designated as cash flow hedges				
Qualifying cash flow hedges				
Currency forwards	–	364	–	329
Non-hedge derivatives				
Currency forwards	**1 444**	391	**1 185**	381
Currency options	**39**	–	**14**	33
Accrual style option forwards	**83**	66	**18**	19
Interest rate swap derivatives	–	35	–	–
Derivative share options	**65**	66	–	–
	1 631	922	**1 217**	762

17. Derivative financial instruments continued

Nominal amount

Nominal amounts represent the following:

- Currency forwards: the sum of all contract volumes 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 € 101 million and € 256 million.
- 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 stock option plan.

Foreign currency amounts have been translated to euros using the exchange rates prevailing at the reporting date.

18. Cash and cash equivalents

	2012 € m	2011 € m
Cash at bank and on hand	1 636	1 227
Bank overdrafts	(764)	(570)
	872	657

The effective interest rate on bank overdrafts was 1.6 % (2011: 1.1 %). The effective interest rate on cash at bank was 0.8 % (2011: 0.6 %).

19. Equity

19.1. Share capital

	2012 € m	2011 € 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

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.

19. Equity continued

19.2. Treasury shares

In order to hedge partially its potential obligations arising under the stock 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:

	Shares millions	€ m
Balance at 1 April 2010	20.3	248
Purchased	4.7	103
Sold	(2.5)	(26)
Balance at 31 March 2011	**22.5**	**325**
Purchased	**8.0**	**268**
Sold	**(6.2)**	**(78)**
Balance at 31 March 2012	**24.3**	**515**

The Company has given a pledge over 9 734 689 Richemont 'A' shares as security for vested warrants granted under the Group's stock option plan.

The cost value of the 6.2 million shares (2011: 2.5 million shares) sold during the year to plan participants who exercised their options was € 78 million (2011: € 26 million).

During the year under review the Group acquired 1.6 million treasury shares in the open market, and a further 6.4 million treasury shares through the exercise of over-the-counter purchased call options ('OTC options') with a third party, at a total cost of € 268 million. These treasury shares together with outstanding OTC options provide a comprehensive hedge of the Group's potential obligations arising under the stock option plan. In the same period the Group delivered 6.2 million treasury shares for proceeds of € 89 million, in settlement of options exercised in the period and traded options exercised in previous periods.

The costs of the call options together with the gain realised on shares sold during the year to plan participants amounted to a net gain of € 9 million (2011: a net loss of € 2 million) and were recognised directly in retained earnings.

The market value of the 24.3 million shares (2011: 22.5 million shares) held by the Group at the year end, based on the closing price at 31 March 2012 of CHF 56.60 (2011: CHF 53.05), amounted to € 1 142 million (2011: € 915 million).

19.3. Hedge and share option reserves

	Hedge reserve € m	Share option reserve € m	Total € m
Balance at 1 April 2010	11	183	194
Movements in hedge reserve			
– fair value gains	81	–	81
– recycle to profit or loss	(13)	–	(13)
Movement in employee share option reserve			
– expense recognised in the year	–	30	30
Tax on items recognised directly in equity	(11)	24	13
Balance at 31 March 2011	**68**	**237**	**305**
Movements in hedge reserve			
– fair value gains	**25**	**–**	**25**
– recycle to profit or loss	**(108)**	**–**	**(108)**
Movement in employee share option reserve			
– equity-settled share option expense	**–**	**24**	**24**
Tax on items recognised directly in equity	**14**	**(5)**	**9**
Balance at 31 March 2012	**(1)**	**256**	**255**

The hedge reserve balance at 31 March 2012 is in respect of hedging instruments completed during the year but not yet recycled to profit or loss as the forecast transaction being hedged will impact profit only in the next 12 months.

19.4. Legal reserves

Legal reserves amounting to € 95 million (2011: € 95 million) are included in the reserves of Group companies but are not available for distribution.

20. Borrowings

	2012 € m	2011 € m
Non-current		
Bank borrowings	**4**	103
Finance lease obligations	**18**	17
	22	120
Current		
Short-term loans	**62**	101
Bank borrowings	**3**	–
Finance lease obligations	**1**	1
	66	102
Total borrowings	**88**	222

	Short-term loans		Bank borrowings		Finance lease obligations		Total	
	2012 € m	2011 € m	2012 € m	2011 € m	2012 € m	2011 € m	2012 € m	2011 € m
Amounts repayable within the financial year ended/ending 31 March								
2012	**–**	101	**–**	–	**–**	1	**–**	102
2013	**62**	–	**3**	95	**2**	1	**67**	96
2014	**–**	–	**–**	3	**1**	1	**1**	4
2015	**–**	–	**4**	5	**1**	1	**5**	6
2016	**–**	–	**–**	–	**1**	1	**1**	1
2017	**–**	–	**–**	–	**1**	1	**1**	1
after more than 5 years	**–**	–	**–**	–	**83**	78	**83**	78
	62	101	**7**	103	**89**	84	**158**	288
Interest	**–**	–	**–**	–	**(70)**	(66)	**(70)**	(66)
	62	101	**7**	103	**19**	18	**88**	222

Bank and other borrowings are subject to market-linked rates of interest ranging from 0.4 % to 12.3 %.

None of the Group's borrowings are secured.

The Group's borrowings are denominated in the following currencies:

	2012 € m	2011 € m
Japanese yen	**2**	35
Swiss franc	**15**	15
US dollar	**15**	14
Chinese yuan	**27**	101
Taiwan dollar	**17**	17
Other	**12**	40
	88	222

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

21. 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.

All outstanding derivative share options are fully vested and have expiry dates from June 2012 to June 2015. The Group holds equity investments which fully hedge the obligations under the stock option plans.

31 March 2012

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	62	62	62
Trade and other payables	948	948	948
Bank overdrafts	764	764	764
	1 774	1 774	1 774

	Within 1 year € m	Between 1-2 years € m	Between 2-3 years € m	After more than 3 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities						
Long-term borrowings (including current portion)	5	2	6	85	98	26
Other long-term liabilities	–	10	9	170	189	176
	5	12	15	255	287	202

	6 months or less € m	Between 6-12 months € m	Contractual cash flow € m	Carrying amount € m
Current derivative financial liabilities				
Currency forwards	1 250	447	1 697	82
Accrual style option forwards	71	–	71	1
Derivative share options	65	–	65	40
Currency options	39	–	39	1
	1 425	447	1 872	124

	Contractual cash flow € m	Carrying amount € m
Total financial liabilities	3 933	2 100

21. Liquidity risk continued

31 March 2011

Non-derivative financial liabilities

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current financial liabilities			
Other short-term loans	101	101	101
Trade and other payables	825	825	825
Bank overdrafts	570	570	570
	1 496	1 496	1 496

	Within 1 year € m	Between 1-2 years € m	Between 2-3 years € m	After more than 3 years € m	Contractual cash flow € m	Carrying amount € m
Non-current financial liabilities						
Long-term borrowings (including current portion)	7	98	4	86	195	121
Other long-term liabilities	–	–	–	175	175	158
	7	98	4	261	370	279

	6 months or less € m	Contractual cash flow € m	Carrying amount € m
Current derivative financial liabilities			
Currency forwards	23	23	1
Accrual style option forwards	11	11	–
Derivative share options	66	66	35
	100	100	36

	Contractual cash flow € m	Carrying amount € m
Total financial liabilities	1 966	1 811

22. Retirement benefit obligations

The net liabilities reflected in non-current liabilities in the statement of financial position in respect of post-employment benefit plans are determined as follows:

	2012 € m	2011 € m
Present value of funded obligations	(1 129)	(950)
Fair value of plan assets	1 067	947
Net funded obligations	(62)	(3)
Present value of unfunded obligations	(48)	(47)
Unrecognised actuarial loss	77	27
Amount not recognised due to asset limit	–	(15)
Net liabilities	(33)	(38)

Notes to the consolidated financial statements continued

22. Retirement benefit obligations continued

The movement in the present value of the defined benefit obligations was as follows:

	2012 € m	2011 € m
Balance at 1 April of prior year	**(997)**	(881)
Exchange adjustments	**(67)**	(57)
Current service cost	**(58)**	(48)
Contributions by plan participants	**(29)**	(23)
Interest cost	**(36)**	(34)
Actuarial (losses)/gains	**(20)**	4
Past service costs	**–**	(1)
Liabilities extinguished on settlements	**1**	2
Benefits paid	**29**	41
Balance at 31 March	**(1 177)**	(997)
Present value of funded obligations	**(1 129)**	(950)
Present value of unfunded obligations	**(48)**	(47)
	(1 177)	(997)

The movement in the fair value of plan assets was as follows:

	2012 € m	2011 € m
Balance at 1 April of prior year	**947**	807
Exchange adjustments	**66**	56
Expected return on plan assets	**45**	42
Actuarial (losses)/gains	**(54)**	8
Assets distributed on settlements	**(1)**	(1)
Contributions paid by employer	**64**	53
Contributions paid by plan participants	**29**	23
Benefits paid	**(29)**	(41)
Balance at 31 March	**1 067**	947

The major categories of plan assets at the reporting date are as follows:

	2012 € m	2011 € m
Equities	**309**	314
Bonds	**437**	380
Property	**131**	119
Other assets, including insurance policies	**190**	134
Fair value of plan assets	**1 067**	947

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 3.7 % (2011: 4.5 %). 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 reporting 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 € 9 million (2011: gain of € 50 million).

22. Retirement benefit obligations continued

The amounts recognised in profit or loss in respect of such plans are as follows:

	2012 € m	2011 € m
Current service cost	**58**	48
Interest cost	**36**	34
Expected return on plan assets	**(45)**	(42)
Net actuarial losses recognised in the year	**26**	–
Adjustment to recognise the effect of asset limit	**(16)**	13
Gains on curtailment and/or settlement	**–**	(1)
	59	52

	2012 € m	2011 € m
Expense charged in:		
Cost of sales	**28**	24
Net operating expenses	**31**	28
	59	52

Total pension costs are included in employee benefits expense (note 28).

Changes in the net liabilities recognised are as follows:

	2012 € m	2011 € m
Balance at 1 April of prior year	**(38)**	(39)
Total expense	**(59)**	(52)
Contributions paid	**64**	53
Balance at 31 March	**(33)**	(38)

The Group expects to contribute € 64 million (actual paid in 2012: € 64 million) to such plans in the coming twelve months.

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:

	2012 Range	Weighted average	2011 Range	Weighted average
Discount rate	**1.4 % to 4.9 %**	**2.8 %**	1.8 % to 5.5 %	3.4 %
Expected return on plan assets	**1.7 % to 4.8 %**	**3.7 %**	2.7 % to 5.5 %	4.5 %
Future salary increases	**1.8 % to 4.8 %**	**2.7 %**	1.9 % to 5.0 %	2.8 %
Future pension increases	**2.1 % to 3.2 %**	**2.9 %**	2.2 % 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. However, under IAS 19, *Employee Benefits*, the foundation is accounted for as a defined benefit plan on account of underlying benefit guarantees. For 2012, the expense recognised in the Group's consolidated profit 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 profit or loss.

22. Retirement benefit obligations continued

In Germany, although the 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 statement of financial position.

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:

	2012 € m	2011 € m	2010 € m	2009 € m	2008 € m
Present value of defined benefit obligation	**(1 177)**	(997)	(881)	(673)	(673)
Fair value of plan assets	**1 067**	947	807	618	723
(Deficit)/surplus in plan	**(110)**	(50)	(74)	(55)	50
Experience adjustments on plan liabilities	**(21)**	4	(109)	53	44
Experience adjustments on plan assets	**(54)**	8	74	(178)	(45)

23. Provisions

	Warranties and sales related € m	Property related and restructuring € m	Employee benefits € m	Other € m	Total € m
At 1 April 2011	**96**	**44**	**112**	**11**	**263**
Charged/(credited) to profit or loss:					
– additional provisions	**94**	**29**	**93**	**7**	**223**
– unused amounts reversed	**(11)**	**(3)**	**(2)**	**(2)**	**(18)**
Net charge	**83**	**26**	**91**	**5**	**205**
Utilised during the year	**(69)**	**(14)**	**(20)**	**(4)**	**(107)**
Transfers and reclassifications	**–**	**(52)**	**2**	**(1)**	**(51)**
Exchange adjustments	**5**	**1**	**5**	**–**	**11**
At 31 March 2012	**115**	**5**	**190**	**11**	**321**

	2012 € m	2011 € m
Total provisions at 31 March:		
– non-current	**158**	137
– current	**163**	126
	321	263

23. Provisions continued

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 € 115 million (2011: € 96 million) has been recognised for expected sales returns and warranty claims. It is expected that € 106 million (2011: € 88 million) of this provision will be used within the following twelve months and that the remaining € 9 million (2011: € 8 million) which relates solely to potential warranty claims will be utilised over the remainder of the expected warranty period of the products.

Property related and restructuring provisions

At 31 March 2012 these provisions represent the Group's obligations arising from committed restructuring activities. It is anticipated that most of the restructuring provision will be utilised in the coming year. In the current year € 52 million of property related provisions have been reclassified to other payables and other long-term liabilities to better reflect the nature of the underlying liabilities.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social costs on the Group's stock option plan. An amount of € 45 million (2011: € 21 million) is expected to be utilised in the coming twelve months. The remainder will be utilised in the next two to eight 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 2012.

24. Other long-term financial liabilities

	2012 € m	2011 € m
Put option over shares of subsidiary undertakings	**97**	133
Other long-term financial liabilities	**79**	25
	176	158

The Group has entered into put and call option arrangements with the holders of shares of certain subsidiary undertakings giving Richemont the right to acquire and the holders the right to sell all, but not part, of their interest between 1 April and 30 September 2015 at a value equal to the higher of the fair value at the date of exercise and £ 10.1 million (less any share of capital distributions). The redemption value of the options is determined using a discounted cash flow model based on management forecasts and projections beyond the forecast period.

25. Trade and other payables

	2012 € m	2011 € m
Trade creditors	**508**	441
Other creditors	**440**	384
	948	825

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

26. Other operating (expense)/income

	2012 € m	2011 € m
Royalty income – net	**25**	20
Amortisation of other intangible assets acquired on business combinations	**(41)**	(36)
Other expenses	**(27)**	(14)
	(43)	(30)

27. Net profit

Net profit is stated after the following items of expense/(income):

	2012 € m	2011 € m
Depreciation of property, plant and equipment (note 7)	**247**	211
Impairment of property, plant and equipment (note 7)	**2**	2
Amortisation of other intangible assets (note 9)	**85**	78
Operating lease rentals:		
– minimum lease rental	**329**	285
– contingent rental	**252**	193
Sub-lease rental income	**(3)**	(2)
Cash flow hedge – transfer from other comprehensive income	**(108)**	(13)
Research and development costs	**53**	33
Loss on disposal of property, plant and equipment	**4**	5
Loss on disposal of other intangible assets	**2**	1
Restructuring charges	**1**	1

28. Employee benefits expense

	2012 € m	2011 € m
Wages and salaries including termination benefits € 4 million (2011: € 3 million)	**1 308**	1 120
Social security costs	**225**	201
Share option expense (note 36)	**48**	75
Long-term employee benefits	**48**	29
Pension costs – defined contribution plans	**24**	17
Pension costs – defined benefit plans (note 22)	**59**	52
	1 712	1 494

	2012 number	2011 number
Average number of employees:		
Switzerland	**7 460**	6 823
Rest of the world	**17 149**	14 564
	24 609	21 387

29. Finance costs and income

	2012 € m	2011 € m
Finance costs:		
Interest expense:		
– bank borrowings	**(23)**	(21)
– other financial expenses	**(7)**	(6)
Net loss in fair value of financial instruments at fair value through profit or loss	**–**	(14)
Net foreign exchange losses on monetary items	**(186)**	(251)
Mark-to-market adjustment in respect of hedging activities	**(98)**	–
Finance costs	**(314)**	(292)
Finance income:		
Interest income:		
– bank, other deposits, and money market and government bond funds	**30**	17
– other financial income	**1**	–
Dividend income on financial assets at fair value through profit or loss	**3**	4
Net gain in fair value of financial instruments at fair value through profit or loss	**2**	–
Net gain on re-measurement of put option liability on non-controlling interests	**43**	–
Net gain on disposal of subsidiary undertaking	**–**	5
Mark-to-market adjustment in respect of hedging activities	**–**	85
Finance income	**79**	111
Net finance costs	**(235)**	(181)

Foreign exchange gains resulting from effective hedge derivative instruments of € 108 million (2011: 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.

Notes to the consolidated financial statements continued

30. Earnings per share

30.1. Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of shares in issue during the year, excluding shares purchased by the Group and held in treasury.

	2012	2011
Profit attributable to owners of the parent company (€ millions)	**1 544**	1 090
Weighted average number of shares in issue (millions)	**548.3**	551.3

30.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group 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.

	2012	2011
Profit attributable to owners of the parent company (€ millions)	**1 544**	1 090
Weighted average number of shares in issue (millions)	**548.3**	551.3
Adjustment for share options (millions)	**11.9**	14.8
Weighted average number of shares for diluted earnings per share (millions)	**560.2**	566.1

30.3. Headline earnings per share

The presentation of headline earnings per share as an alternative measure to earnings per share is required under the JSE listing requirements.

	2012 € m	2011 € m
Profit attributable to owners of the parent company	**1 544**	1 090
Loss on disposal of non-current assets	**6**	6
Impairment of assets	**2**	2
Gain on re-measurement to fair value of associated undertaking deemed disposed of	**–**	(102)
Currency exchange losses reclassified from currency translation adjustment reserve	**1**	11
Gain on disposal of subsidiary undertaking	**–**	(5)
Headline earnings	**1 553**	1 002

	2012 millions	2011 millions
Weighted average number of shares		
– Basic	**548.3**	551.3
– Diluted	**560.2**	566.1

	€ per share	€ per share
Headline earnings per share		
– Basic	**2.832**	1.818
– Diluted	**2.772**	1.770

31. Dividends

In September 2011 a dividend of CHF 0.45 per share was paid (September 2010: CHF 0.35).

32. Cash flow generated from operations

	2012 € m	2011 € m
Operating profit	**2 040**	1 355
Depreciation and impairment of property, plant and equipment	**249**	213
Amortisation and impairment of other intangible assets	**85**	78
Loss on disposal of property, plant and equipment	**4**	5
Loss on disposal of intangible assets	**2**	1
Increase in provisions	**67**	92
Decrease in retirement benefit obligations	**(5)**	(2)
Non-cash items	**(83)**	18
Increase in inventories	**(684)**	(350)
(Increase)/decrease in trade receivables	**(72)**	83
Increase in other receivables and prepayments	**(65)**	(67)
Increase in current liabilities	**251**	267
Increase in long-term liabilities	**–**	3
Cash flow generated from operations	**1 789**	1 696

33. Financial commitments and contingent liabilities

At 31 March 2012 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 17 and in respect of property, plant and equipment in note 7.

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	
	2012 € m	2011 € m	2012 € m	2011 € m	2012 € m	2011 € m
Within one year	**367**	272	**8**	8	**375**	280
Between two and five years	**802**	587	**7**	11	**809**	598
Thereafter	**246**	168	**–**	1	**246**	169
	1 415	1 027	**15**	20	**1 430**	1 047

Notes to the consolidated financial statements continued

34. Business combinations

In the year to 31 March 2012 the Group acquired a number of small business units to enhance its retail and on-line sales networks.

As none of the acquisitions was individually significant the information presented is on an aggregate basis.

These businesses contributed sales of € 27 million for the period from acquisition to 31 March 2012 and profits of € 6 million for the same period. Had the acquisitions taken place on 1 April 2011, the annual contribution to sales would have been € 51 million and profits € 12 million.

Net assets acquired

	Business operations acquired	
	Fair value € m	Acquirees' carrying amount € m
Intangible assets	8	–
Inventories	7	7
Cash and cash equivalents	1	1
Deferred and current tax	(1)	–
Net assets acquired	15	8
Fair value of net assets acquired	15	
Goodwill	8	
Total purchase consideration	23	
Payable due to parent	(7)	
Consideration deferred to future periods	(12)	
Purchase consideration – cash paid	4	
Cash acquired	(1)	
Cash outflow on acquisitions	3	

Goodwill, none of which is deductible for tax purposes, represents technical know-how that does not qualify for separate recognition.

Acquisition related transaction costs of € 0.2 million were expensed as other income/expenses in the year to 31 March 2012.

The consideration deferred until future periods is determined by two means. For retail boutiques, the consideration is based on a percentage of future sales over an agreed period; for on-line sales networks, the consideration is based on the growth in value of the related business from acquisition till 2015.

€ 5 million of consideration deferred in prior periods has been settled in the year against amounts due to the Group.

34. Business combinations continued

In the year ended 31 March 2011 the Group obtained effective control of 93.0 % of the voting rights of Net-a-Porter, a successful luxury fashion on-line retailer, by acquiring the additional 62.5 % not previously owned for a net cash consideration of € 245 million.

The acquisition of Net-a-Porter was transacted through Largenta Limited ('Largenta'), a UK holding company set up with the sole purpose of acquiring the business.

The ordinary shares of Largenta were subscribed 95.9 % by Richemont and 4.1 % by an executive of Net-a-Porter. In addition to the ordinary shares the executive of Net-a-Porter acquired 'B' non-voting shares in Largenta. Together, the ordinary and the 'B' shares carry an economic entitlement equivalent to 14.1 % of the increase in equity value of Net-a-Porter over the period to 31 March 2015. This is achieved through two separate put and call option arrangements. The arrangements give Richemont the right to acquire and the shareholder the right to sell all, but not part, of the shareholding on 1 April 2015.

In addition, Largenta offered, and certain ordinary shareholders of Net-a-Porter accepted, the opportunity to retain an interest in the ordinary shares, representing approximately 3.0 % of Net-a-Porter. This interest is in the form of ordinary 'C' shares which have the same voting and dividend rights as the ordinary shares. The Group has entered into put and call option arrangements with the holders of the ordinary 'C' shares. The arrangements give Richemont the right to acquire and the holders of the ordinary 'C' shares the right to sell all, but not part, of their shareholding between 1 April and 30 September 2015 at a value equal to the higher of the fair value at the date of exercise and £ 10.1 million (less any share of capital distributions).

In the period since acquisition, Net-a-Porter has sold 'B' shares to their senior executive team. The 'B' shares entitle the holders to an economic interest in the growth in Net-a-Porter above a threshold value. The 'B' shares carry a put right entitling the holders to sell all, but not some, of their 'B' shares to Richemont on 31 March 2015 at the fair market value at the date of exercise (less threshold value). There is an equivalent call right for Richemont to acquire the 'B' shares at the same price.

35. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva holds 522 000 000 'B' registered shares representing an interest in 50 % of the Company's voting rights. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 2 836 664 Richemont 'A' bearer shares, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2012, representing 0.3 % of the Company's voting rights.

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 and the Group Management Committee ('key management'), the Group has identified the following other related parties:

- Richemont's associated undertakings (see note 11)
- Richemont's joint venture interests (see note 37)
- Reinet Investments S.C.A. ('Reinet'), a public company incorporated in Luxembourg
- Remgro Limited, a public company incorporated in South Africa
- Richemont foundations (employee and others)

35. Related-party transactions continued

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

	2012 € m	2011 € m
Rouages SA – purchase of watch components	**(2)**	(1)
Les Cadraniers de Genève SA – purchase of watch components	**(1)**	–

(b) Transactions and balances between the Richemont Group and entities under common control

	2012 € m	2011 € m
Goods and services bought from and other transactions with entities under common control:		
Falconair Limited – provision of aviation services and reimbursement of third-party expenses	**(2)**	(2)
Montblanc Kulturstiftung – donation	**–**	(1)
Remgro Ltd – professional fees	**(1)**	–

There were no amounts payable to or receivable from entities under common control at 31 March 2012 nor at 31 March 2011.

(c) Transactions and balances between the Richemont Group and its joint ventures

	2012 € m	2011 € m
Goods and services bought from and other transactions with its joint ventures:		
Ralph Lauren Watch and Jewelry Company Sàrl	**(14)**	(8)
Services provided to its joint venture:		
Laureus World Sports Awards Limited – sponsorship	**(4)**	(4)
Goods and services sold to and other transactions with its joint ventures:		
Ralph Lauren Watch and Jewelry Company Sàrl	**3**	3
Payables outstanding at 31 March:		
Ralph Lauren Watch and Jewelry Company Sàrl: Trading	**(1)**	–
Laureus World Sports Awards Limited – sponsorship	**(1)**	–
Receivables outstanding at 31 March:		
Ralph Lauren Watch and Jewelry Company Sàrl: Trading	**3**	2
Ralph Lauren Watch and Jewelry Company Sàrl: Loan	**18**	12

(d) Transactions and balances between the Richemont Group and its investment entities

	2012 € m	2011 € m
Receivables outstanding at 31 March:		
Luxe International Inc.	**2**	2

Loans provided to joint venture and investment entities are interest bearing at market comparable rates and repayable on fixed dates.

35. Related-party transactions continued

(e) Individuals

During the year the Group gave donations of € 0.8 million (2011: € 0.9 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 non-executive director of the Company, is the president of the Foundation. The Group also made donations of € 0.2 million (2011: € 0.1 million) to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is vice-chairman of the Foundation.

Maître Dominique Rochat, a non-executive director, is a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.7 million (2011: € 0.4 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 (2011: € 0.1 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.

Dr Franco Cologni and Mr Alain Dominique Perrin provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2012 Dr Cologni received € 0.3 million (2011: € 0.1 million) and Mr Perrin € 1.7 million (2011: € 1.6 million) for the services provided. These fees are included in the individual disclosures of key management compensation as short-term employee benefits.

In accordance with the terms of the modification to the Group's stock option plan, in October 2008, certain executive directors and members of the Group Management Committee received vested options over shares in British American Tobacco plc ('BAT') and Reinet. At 31 March 2012 the Group recognised a liability of € 31 million (2011: € 24 million) in respect of its obligation to deliver shares on exercise of the vested options. The Group holds shares in BAT and Reinet which fully hedge the liability.

(f) Key management compensation

	2012 € m	2011 € m
Salaries and short-term employee benefits	**21**	18
Short-term incentives	**11**	10
Long-term benefits	**3**	3
Post-employment benefits	**3**	3
Share option expense	**8**	8
	46	42

Notes to the consolidated financial statements continued

35. Related-party transactions continued

(f) Key management compensation continued

Key management comprises the Board of Directors of Compagnie Financière Richemont SA and the Group Management Committee as detailed below.

Board of Directors	
Johann Rupert	Executive Chairman & Chief Executive Officer
Yves-André Istel	Non-Executive Deputy Chairman
Richard Lepeu	Deputy Chief Executive Officer
Gary Saage	Chief Financial Officer
Franco Cologni	Non-Executive Director
Lord Douro	Non-Executive Director
Ruggero Magnoni	Non-Executive Director
Josua Malherbe	Non-Executive Director
Frederick Mostert	Chief Legal Counsel
Simon Murray	Non-Executive Director
Alain Dominique Perrin	Non-Executive Director
Guillaume Pictet	Non-Executive Director
Norbert Platt	Non-Executive Director
Alan Quasha	Non-Executive Director
Maria Ramos	Non-Executive Director
Lord Renwick of Clifton	Lead Independent Director
Dominique Rochat	Non-Executive Director
Jan Rupert	Manufacturing Director
Jürgen Schrempp	Non-Executive Director
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories
Members of the Group Management Committee	
Johann Rupert	Executive Chairman & Chief Executive Officer
Richard Lepeu	Deputy Chief Executive Officer
Gary Saage	Chief Financial Officer
Frederick Mostert	Chief Legal Counsel
Jan Rupert	Manufacturing Director
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories
Giampiero Bodino	Group Art Director
Pilar Boxford	Group Public Relations Director
Bernard Fornas	Chief Executive of Cartier
Alan Grieve	Director of Corporate Affairs
Albert Kaufmann	General Counsel
Thomas Lindemann	Group Human Resources Director
Eloy Michotte	Corporate Finance Director

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.

35. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2012

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits €	Share option cost* €	Total €
Board of Directors						
Johann Rupert	1 567 243	1 509 941	–	–	491 266	**3 568 450**
Yves-André Istel	222 570	–	–	–	–	**222 570**
Richard Lepeu	3 527 766	93 644	2 524 292	357 211	1 726 634	**8 229 547**
Gary Saage	1 808 228	111 202	987 206	137 389	632 790	**3 676 815**
Franco Cologni**	265 374	–	–	–	–	**265 374**
Lord Douro	271 497	–	–	–	–	**271 497**
Ruggero Magnoni**	–	–	–	–	–	**–**
Josua Malherbe	210 205	–	–	–	–	**210 205**
Frederick Mostert	1 333 209	136 490	710 460	231 793	897 897	**3 309 849**
Simon Murray	131 893	–	–	–	–	**131 893**
Alain Dominique Perrin**	1 710 396	–	–	–	–	**1 710 396**
Guillaume Pictet	164 867	–	–	–	–	**164 867**
Norbert Platt	284 793	–	–	–	–	**284 793**
Alan Quasha	164 867	–	–	–	–	**164 867**
Maria Ramos***	90 677	–	–	–	–	**90 677**
Lord Renwick of Clifton	226 692	–	–	–	–	**226 692**
Dominique Rochat	185 475	–	–	–	–	**185 475**
Jan Rupert	828 577	77 826	770 886	247 300	821 732	**2 746 321**
Jürgen Schrempp	164 867	–	–	–	–	**164 867**
Martha Wikstrom	1 481 595	58 423	647 114	158 393	304 527	**2 650 052**
Total	14 640 791	1 987 526	5 639 958	1 132 086	4 874 846	**28 275 207**
Group Management Committee	6 850 466	668 226	5 910 613	1 508 079	3 165 724	**18 103 108**
Total key management compensation	21 491 257	2 655 752	11 550 571	2 640 165	8 040 570	**46 378 315**

* The cost for share 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 36.

** Dr Franco Cologni, Mr Ruggero Magnoni and Mr Alain Dominique Perrin have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

*** Compensation for the period from 7 September 2011, being the date of appointment to the Board, to 31 March 2012.

Notes to the consolidated financial statements continued

35. Related-party transactions continued

(f) Key management compensation continued

Key management compensation for the year ended 31 March 2011

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits €	Share option cost* €	Total €
Board of Directors						
Johann Rupert	1 522 863	1 562 282	–	–	852 229	3 937 374
Jean-Paul Aeschimann	59 979	–	–	–	–	59 979
Yves-André Istel	119 958	–	–	–	–	119 958
Richard Lepeu	2 793 847	88 769	1 382 826	257 202	1 292 754	5 815 398
Gary Saage **	964 758	59 765	547 411	98 923	134 533	1 805 390
Franco Cologni	246 298	–	–	–	–	246 298
Lord Douro	191 019	–	–	–	–	191 019
Ruggero Magnoni***	–	–	–	–	–	–
Josua Malherbe	59 979	–	–	–	–	59 979
Frederick Mostert ****	542 988	233 273	386 966	186 481	486 669	1 836 377
Simon Murray	89 969	–	–	–	–	89 969
Alain Dominique Perrin***	1 605 342	–	–	–	–	1 605 342
Guillaume Pictet	44 984	–	–	–	–	44 984
Norbert Platt	180 634	–	–	–	–	180 634
Alan Quasha	89 969	–	–	–	–	89 969
Lord Renwick of Clifton	119 958	–	–	–	–	119 958
Dominique Rochat	44 984	–	–	–	–	44 984
Jan Rupert	772 571	67 682	1 142 630	178 063	1 100 464	3 261 410
Jürgen Schrempp	89 969	–	–	–	–	89 969
Martha Wikstrom	1 193 729	247 378	802 187	127 428	–	2 370 722
Total	10 733 798	2 259 149	4 262 020	848 097	3 866 649	21 969 713
Group Management Committee	6 730 993	1 132 249	5 888 777	2 500 958	3 903 448	20 156 425
Total key management compensation	17 464 791	3 391 398	10 150 797	3 349 055	7 770 097	42 126 138

* The cost for share 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 36.

** Compensation for the period from 8 September 2010, being the date of appointment to the Board, to 31 March 2011.

*** Since their appointment to the Board of Directors as non-executive directors, Mr Ruggero Magnoni and Mr Alain Dominique Perrin have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

**** Compensation for the period from 8 September 2010, being the date of appointment to the Board, to 31 March 2011. The compensation of Dr Mostert for the period to 7 September 2010 is included in the total for Group Management Committee.

35. Related-party transactions continued

(f) Key management compensation continued

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 persons serving as non-executive directors. Details of options held by executive directors and members of the Group Management Committee under the plan are as follows:

at 31 March 2012

	Number of options						
	1 April 2011	Granted in year	Exercised in year	**31 March 2012**	Weighted average grant price CHF	Earliest vesting period	Latest expiry date
Board of Directors							
Johann Rupert	5 626 841	–	–	**5 626 841**	12.41	Apr 2012-Jul 2013	June 2015
Richard Lepeu	1 509 313	250 000	(239 701)	**1 519 612**	27.93	Apr 2012-Jul 2017	June 2020
Gary Saage	131 659	150 000	(26 722)	**254 937**	42.60	Jul 2012-Jul 2017	June 2020
Frederick Mostert	622 201	75 000	–	**697 201**	28.35	Apr 2012-Jul 2017	June 2020
Jan Rupert	1 236 343	–	–	**1 236 343**	20.71	Apr 2012-Jul 2014	June 2017
Martha Wikstrom	–	100 000	–	**100 000**	54.95	Jul 2015-Jul 2017	June 2020
Group Management Committee							
Giampiero Bodino	351 187	30 000	(145 058)	**236 129**	29.13	Jul 2012-Jul 2017	June 2020
Pilar Boxford	78 251	15 000	(26 720)	**66 531**	33.14	Apr 2012-Jul 2017	June 2020
Bernard Fornas	466 678	–	(144 522)	**322 156**	26.54	Apr 2012-Jul 2014	June 2017
Alan Grieve	265 297	12 000	(102 598)	**174 699**	28.56	Apr 2012-Jul 2017	June 2020
Albert Kaufmann	1 086 420	75 000	(123 016)	**1 038 404**	25.61	Apr 2012-Jul 2017	June 2020
Thomas Lindemann	276 744	75 000	(99 249)	**252 495**	34.27	Jul 2012-Jul 2017	June 2020
Eloy Michotte	461 981	24 000	(35 000)	**450 981**	22.96	Apr 2012-Jul 2017	June 2020
	12 112 915	806 000	(942 586)	**11 976 329**			

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 € 8 229 547, which was in respect of Mr Richard Lepeu, Deputy Chief Executive Officer. Mr Lepeu'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 has established a number of advisory 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 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 (2011: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

Notes to the consolidated financial statements continued

35. Related-party transactions continued

(f) Key management compensation continued

Share ownership

As at 31 March 2012, members of the Board and parties closely linked to them owned a total of 272 765 Richemont 'A' shares. Members of the Group Management Committee and parties closely linked to them held a total of 31 670 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 Company. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2012. The interest of individual directors and members of the Group Management Committee in Richemont 'A' shares is as follows:

	at 31 March 2012	at 31 March 2011
Board of Directors of Compagnie Financière Richemont SA		
Franco Cologni	**75 000**	75 000
Lord Douro	**18 000**	18 000
Yves-André Istel	**14 000**	16 000
Richard Lepeu	**150 000**	–
Alain Dominique Perrin	**–**	74 000
Guillaume Pictet	**10 265**	10 265
Lord Renwick	**4 000**	4 000
Dominique Rochat	**1 500**	400
	272 765	197 665
Group Management Committee		
Alan Grieve	**30 000**	30 000
Albert Kaufmann	**1 670**	1 670
	304 435	229 335

Following the decision of the Annual General Meeting on 7 September 2011 to pay dividends of CHF 0.45 per 'A' bearer share and CHF 0.045 per 'B' registered share, dividends of CHF 24 904 395 were paid to the owners of the shares described in the paragraphs above.

Mr Josua Malherbe, a non-executive director, does not hold any 'A' shares or 'A' share equivalents. Members of Mr Malherbe's family have acquired and currently hold 14 067 'A' share equivalents and are beneficiaries of trusts holding 210 002 'A' shares or 'A' share equivalents at 31 March 2012.

Mr Alain Dominique Perrin, a non-executive director, also has an indirect holding of 229 779 'A' shares.

Mr Jan Rupert, Group Manufacturing Director, is a director of a company which holds 2 375 005 '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 '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 '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 Chief Executive Officer 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.

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 9 855 099 '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 2012 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.

36. Share-based payment

Equity-settled 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 four to six years and have expiry dates, the date after which unexercised options lapse, of nine 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.

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 2010	20.41	36 802 223
Exercised	19.45	(6 710 918)
Lapsed	24.04	(379 808)
Expired	17.17	(11)
Balance at 31 March 2011	**20.58**	**29 711 486**
Granted	**54.95**	**1 607 700**
Exercised	**19.54**	**(4 988 361)**
Lapsed	**25.24**	**(528 713)**
Balance at 31 March 2012	**22.82**	**25 802 112**

Of the total options outstanding at 31 March 2012, options in respect of 11 628 723 shares had vested and were exercisable (2011: 10 624 732 shares).

The weighted average share price at the date of exercise for options exercised during the year was CHF 53.71 (2011: CHF 45.89).

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 2012	**CHF 8.73 – 10.59**	**CHF 8.94**	**1 035 015**	**2.1 years**
	CHF 12.7 – 14.45	**CHF 13.12**	**5 870 715**	**2.9 years**
	CHF 18.01	**CHF 18.01**	**2 883 318**	**2.2 years**
	CHF 23.18	**CHF 23.18**	**3 928 175**	**3.2 years**
	CHF 32.79	**CHF 32.79**	**3 715 570**	**4.2 years**
	CHF 21.20	**CHF 21.20**	**4 085 825**	**5.2 years**
	CHF 23.55	**CHF 23.55**	**2 683 794**	**6.2 years**
	CHF 54.95	**CHF 54.95**	**1 599 700**	**8.2 years**
31 March 2011	CHF 8.73 – 10.59	CHF 9.08	1 436 143	1.2 years
	CHF 12.7 – 14.45	CHF 13.25	6 650 311	2.6 years
	CHF 18.01	CHF 18.01	4 911 701	3.2 years
	CHF 23.18	CHF 23.18	5 257 855	4.2 years
	CHF 32.79	CHF 32.79	4 345 282	5.2 years
	CHF 21.20	CHF 21.20	4 278 894	6.2 years
	CHF 23.55	CHF 23.55	2 831 300	7.2 years

The average fair value of options granted during the year determined using the Binomial model was CHF 22.13. The significant inputs to the model were the share price of CHF 54.95 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 44 %, an expected option life of five to seven years, a dividend yield of 0.8 % and a risk-free interest rate of 1.1 % to 1.6 %. 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 profit or loss before social security and taxes for equity-settled share-based payment transactions was € 24 million (2011: € 30 million).

Notes to the consolidated financial statements continued

36. Share-based payment continued

Modification during the year under review

In March 2012, the Compensation Committee approved a modification to the expiry dates of a number of already vested options as follows:

	Number of options	Latest expiry date	Weighted average strike price in CHF
Original terms	4 341 902	30 June 2013	12.27
Modified terms	4 341 902	30 June 2015	12.27

The fair value of the options immediately before and after the modification was calculated using the Binomial model. The significant inputs into the model were the share price of CHF 54.20 on the date of modification, a standard deviation of expected share price returns of 44 % and a risk-free rate of return of 0.09 % to 0.24 %.

The fair value of the options immediately after the modification exceeded the fair value immediately before. The incremental fair value of € 0.2 million has been recognised immediately.

Cash-settled option plan

The Group operates a cash-settled option plan, where 'B' shares of The Net-a-Porter Group Limited ('Net-a-Porter') are sold to the senior executive team of Net-a-Porter. The awards entitle the holders to an economic interest in the growth of Net-a-Porter above a threshold value. The shares carry a put right entitling the holders to sell all, but not some, of their 'B' shares on 31 March 2015 at the fair market value at the date of exercise (less the threshold value). There is an equivalent call right for Richemont to acquire the 'B' shares at the same price.

During the year under review, 752 new shares were issued and 176 shares were repurchased by Net-a-Porter. The number of shares outstanding at 31 March 2012 was 3 363 (2011: 2 787). The weighted average threshold value is £ 458.01 (2011: £ 389.13).

The shares have been valued using a discounted cash flow model, based on management forecasts and projections beyond the forecast period. The projections assume no change in the level of EBITDA as a percentage of sales, capital expenditure or working capital movements from management's last forecast.

The amount recognised in profit or loss before social security and taxes for cash-settled share-based payment transactions was € 24 million (2011: € 45 million).

A liability of € 70 million (2011: € 43 million) is recognised as a long-term provision.

37. Joint ventures

The Group has the following interests in joint ventures:

- Richemont holds an interest of 50 % 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 % 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 the Ralph Lauren Corporation.

The following amounts represent the Group's share of the assets and liabilities and results of the joint ventures and are included in the statement of financial position and profit for the year. The figures are before elimination of intra-Group transactions and balances.

	2012 € m	2011 € m
Statement of financial position		
Non-current assets	**1**	1
Current assets	**17**	17
Current liabilities	**(25)**	(19)
Non-current liabilities	**(9)**	(6)
	(16)	(7)

	2012 € m	2011 € m
Statement of income		
Revenue	**15**	8
Operating loss	**(9)**	(5)
Loss for the year	**(9)**	(5)

38. Ultimate parent company

The directors regard Compagnie Financière Rupert, Bellevue, Geneva, Switzerland to be the Group's controlling party, as 50 % of the voting rights of the Company are held by that entity.

39. Events after the reporting period

A dividend of CHF 0.55 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 5 September 2012. These financial statements do not reflect this dividend payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2013.

Notes to the consolidated financial statements continued

40. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
Brazil	Sao Paulo	RLG do Brasil Ltda	100.0 %	BRL 11 742
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 1 182 700
France	Paris	Azzedine Alaïa	100.0 %	€ 250
	Paris	Chloé International	100.0 %	€ 6 000
	Paris	Lancel Sogedi	100.0 %	€ 27 520
	Paris	Société Cartier	100.0 %	€ 25 334
	Paris	Van Cleef & Arpels Holding France	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 168 000
Italy	Milan	Officine Panerai Marketing e Communicazione Srl	100.0 %	€ 90
	Milan	Richemont Italia SpA	100.0 %	€ 10 000
Japan	Tokyo	Richemont Japan Limited	100.0 %	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0 %	CHF 4 722 900
Luxembourg	Luxembourg	Richemont International Holding SA	100.0 %	CHF 911 971
Netherlands	Amsterdam	RLG Europe BV	100.0 %	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0 %	RUR 50 000
South Africa	Bryanston	Vendôme Distributors SA (Pty) Limited	100.0 %	ZAR 4 000
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
	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 SA	100.0 %	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 8 821
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
	London	The Net-a-Porter Group Limited	93.0 %	£ 6
United States of America	Delaware	Richemont North America Inc.	100.0 %	US$ 117 159
Joint ventures				
Switzerland	Vernier	Ralph Lauren Watch and Jewelry Company Sàrl	50.0 %	CHF 18 000
United Kingdom	London	Laureus World Sports Awards Limited	50.0 %	€ 954

Report of the Group auditor

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 54 to 106) for the year ended 31 March 2012.

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 judgment, 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 2012 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

Michael Foley Audit expert Auditor in charge	**Sara Gnoni** Audit expert

Geneva, 15 May 2012

Company financial statements
Compagnie Financière Richemont SA

Income statement
for the year ended 31 March

	Notes	2012 CHF m	2011 CHF m
Income			
Dividend income		**500.1**	551.5
Interest income		**13.8**	8.6
Other income		**0.6**	0.3
		514.5	560.4
Expenses			
General expenses	*2,3*	**9.5**	7.2
Financial expenses	*4*	**2.4**	11.3
		11.9	18.5
Profit before taxation		**502.6**	541.9
Taxation		**1.5**	0.7
Net profit		**501.1**	541.2

Balance sheet
at 31 March

	Notes	2012 CHF m	2011 CHF m
Long-term assets			
Investments	*5*	**1 847.8**	1 847.8
Long-term loans receivable from Group company		**158.3**	91.6
		2 006.1	1 939.4
Current assets			
Short-term loan receivable from Group company		**–**	68.7
Current accounts receivable from Group companies		**1 411.4**	1 024.0
Taxation		**1.9**	1.4
Other receivables		**0.1**	0.2
Cash and cash equivalents		**0.5**	0.6
		1 413.9	1 094.9
		3 420.0	3 034.3
Shareholders' equity			
Share capital	*7*	**574.2**	574.2
Legal reserve	*8*	**117.6**	117.6
Reserve for own shares	*9*	**739.8**	497.9
Retained earnings	*10*	**1 853.1**	1 840.8
		3 284.7	3 030.5
Current liabilities			
Accrued expenses		**0.5**	0.5
Current accounts payable to Group companies		**132.3**	0.9
		132.8	1.4
Long-term liabilities	*6*	**2.5**	2.4
		3 420.0	3 034.3

Notes to the Company financial statements
at 31 March 2012

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 2012 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company's articles of incorporation.

Risk management disclosure

The Company has a 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 4.4 million (2011: CHF 3.4 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 35 to the consolidated financial statements.

Note 4 – Financial expenses

Financial expenses include CHF 2.0 million (2011: CHF 11.2 million) of exchange losses incurred on loans receivable from a Group company.

Note 5 – Investments

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

Company	Domicile	Purpose	% ownership	2012 CHF m	2011 CHF m
Bespoke Innovations Sàrl	Switzerland	Investment holding company	100 %	**2.0**	2.0
Richemont Holdings AG	Switzerland	Investment holding company	100 %	**770.7**	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100 %	**459.0**	459.0
Richemont International SA	Switzerland	Operating company	100 %	**385.0**	385.0
Richemont Luxury Group Ltd	Jersey	Investment holding company	100 %	**231.0**	231.0
Richemont Securities SA	Switzerland	Depository/issuer of Richemont South African Depository Receipts	100 %	**0.1**	0.1
				1 847.8	1 847.8

Note 6 – Long-term liabilities

Long-term liabilities include retirement benefit obligations in the amount of CHF 2.4 million (2011: CHF 2.2 million).

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 7 – Share capital

	2012 CHF m	2011 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 8 – Legal reserve

The legal reserve of CHF 117.6 million (2011: CHF 117.6 million) is not available for distribution.

Note 9 – Reserve for own shares

The reserve is created in respect of Richemont ‘A’ shares purchased by Richemont Employee Benefits Limited (‘REBL’), a subsidiary company.

During the year REBL purchased 1 577 027 ‘A’ shares in the open market and acquired a further 6 454 664 ‘A’ shares through the exercise of call options (2011: 1 500 000 ‘A’ shares were purchased and a further 3 158 509 ‘A’ shares were acquired through the exercise of call options).

During the year 2 140 928 ‘A’ shares (2011: 2 504 841 ‘A’ shares) were sold to executives under the Richemont stock option plan by REBL and a further 4 008 540 ‘A’ shares (2011: nil) were sold to a third party following the exercise of over-the-counter call options linked to the hedging programme.

At 31 March 2012, following these transactions, REBL held 24 289 173 Richemont ‘A’ shares (2011: 22 406 950) with a cost of CHF 739.8 million (2011: CHF 497.9 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 241.9 million has been transferred into the reserve (2011: CHF 108.4 million) during the year.

At 31 March 2012 call options to acquire 4 204 057 ‘A’ shares were outstanding.

Note 10 – Retained earnings

	2012 CHF m	2011 CHF m
Balance at 1 April	**1 840.8**	1 600.5
Dividend paid	**(246.9)**	(192.5)
Net transfer to reserve for own shares	**(241.9)**	(108.4)
Net profit	**501.1**	541.2
Balance at 31 March	**1 853.1**	1 840.8

Note 11 – Commitments and contingencies

At 31 March 2012 the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 768.5 million (2011: CHF 904.5 million).

The directors believe that there are no other contingent liabilities.

Notes to the Company financial statements continued

Note 12 – 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 % of the voting rights in the Company. In addition, Compagnie Financière Rupert has indicated that parties related to it held or controlled 2 836 664 'A' bearer shares (either directly or through the medium of South African Depository Receipts), representing 0.27 % of the voting rights in the Company as at 31 March 2012.

Also pursuant to the requirements of the Swiss Federal Act on Stock Exchanges and Securities Trading and the associated ordinances, during the year under review, the Company received notifications from two shareholders that they no longer held significant shareholdings representing in excess of 3 % of the voting rights. Public Investment Corporation Limited ('PIC'), Pretoria, South Africa notified the Company on 13 July 2011 that accounts under its management held Richemont South African Depository Receipts equivalent to less than 3 % of the Company's voting rights. PIC's previous notification, on 22 February 2008, stated that its holding was equivalent to 3.13 % of the Company's voting rights. On 9 September 2011, REBL notified the Company that its shareholdings and rights to acquire further shares were less than 3 % of the Company's voting rights. The shares and rights had previously been acquired by REBL to hedge liabilities arising from the Group's stock option plan. On 19 January 2012, REBL notified the Company that its holding of disposal positions arising from the Group's stock option plan represented less than 3 % of the voting rights of the Company. As at 31 March 2012, Compagnie Financière Rupert is the only significant shareholder in the Company.

Richemont Securities SA, 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 SA holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA'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 SA individually to holders of DRs and Richemont Securities SA acts as the approved representative of DR holders in voting at shareholders' meetings of the Company. DR holders may provide Richemont Securities SA with voting instructions as to their holdings of DRs and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2012, Richemont Securities SA held 110 176 739 Richemont 'A' shares (2011: 107 710 650 shares), representing some 21 % (2011: 21 %) 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 2012

	CHF m
Available retained earnings	
Balance at 1 April 2011	**1 840.8**
Dividend paid	**(246.9)**
Net transfer to reserve for own shares	**(241.9)**
Net profit	**501.1**
	1 853.1

Proposed appropriation

The proposed dividend payable to Richemont shareholders will be CHF 0.55 per Richemont share. This is equivalent to CHF 0.55 per 'A' bearer share in the Company and CHF 0.055 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 13 September 2012 in respect of coupon number 15, free of charges but subject to Swiss withholding tax at 35 %, 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, 15 May 2012

Compagnie Financière Richemont SA

Report of the statutory auditor

Report of the statutory auditor to the general meeting of Compagnie Financière Richemont SA, Geneva.

Report of the statutory auditor on the financial statements

As statutory auditor, 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 2012.

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 2012 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

Michael Foley
Audit Expert
Auditor in charge

Yazen Jamjum

Geneva, 15 May 2012

Five year record

Summary income statement

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Continuing operations					
Sales	5 290	5 418	5 176	6 892	**8 867**
Cost of sales	(1 875)	(2 001)	(1 985)	(2 498)	**(3 216)**
Gross profit	3 415	3 417	3 191	4 394	**5 651**
Net operating expenses	(2 297)	(2 449)	(2 361)	(3 039)	**(3 611)**
Operating profit	1 118	968	830	1 355	**2 040**
Net finance (costs)/income	47	(101)	(137)	(181)	**(235)**
Share of post-tax results of associated undertakings	1	3	4	101	**(1)**
Profit before taxation	1 166	870	697	1 275	**1 804**
Taxation	(194)	(133)	(94)	(196)	**(264)**
Profit from continuing operations	972	737	603	1 079	**1 540**
Profit/(loss) from discontinued operations	592	339	(3)	–	**–**
Profit for the year	1 564	1 076	600	1 079	**1 540**
Gross profit margin	64.6 %	63.1 %	61.6 %	63.7 %	**63.7%**
Operating profit margin	21.1 %	17.9 %	16.0 %	19.7 %	**23.0%**

Sales and operating results by business segment

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Sales					
Jewellery Maisons	2 657	2 762	2 688	3 479	**4 590**
Specialist Watchmakers	1 378	1 437	1 353	1 774	**2 323**
Montblanc Maison	625	587	551	672	**723**
Other	630	632	584	967	**1 231**
	5 290	5 418	5 176	6 892	**8 867**
Operating results from continuing operations					
Jewellery Maisons	765	777	742	1 062	**1 510**
Specialist Watchmakers	374	301	231	379	**539**
Montblanc Maison	126	69	79	109	**119**
Other	11	(39)	(36)	(34)	**(35)**
Operating profit from reportable segments	1 276	1 108	1 016	1 516	**2 133**
Unallocated corporate costs	(158)	(140)	(186)	(161)	**(93)**
Consolidated operating profit before finance and tax	1 118	968	830	1 355	**2 040**

Sales by geographic region

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Europe	2 284	2 363	2 099	2 588	**3 097**
Asia-Pacific	1 295	1 474	1 740	2 569	**3 684**
Americas	1 012	889	712	998	**1 253**
Japan	699	692	625	737	**833**
	5 290	5 418	5 176	6 892	**8 867**

Five year record continued

Analysis of sales

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Sales by distribution channel					
Retail	2 214	2 304	2 385	3 469	**4 656**
Wholesale	3 076	3 114	2 791	3 423	**4 211**
	5 290	5 418	5 176	6 892	**8 867**

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Sales by product line					
Watches	2 555	2 569	2 483	3 320	**4 404**
Jewellery	1 254	1 374	1 333	1 685	**2 248**
Leather goods	498	481	483	602	**721**
Writing instruments	362	307	296	359	**357**
Clothing and other	621	687	581	926	**1 137**
	5 290	5 418	5 176	6 892	**8 867**

Per share information (IFRS)

	2008	2009	2010	2011	2012
Diluted earnings per share					
– from continuing operations	€ 1.710	€ 1.312	€ 1.076	€ 1.925	**€ 2.756**
– from discontinued operations	€ 1.040	€ 0.604	(€ 0.005)	–	**–**
	€ 2.750	€ 1.916	€ 1.071	€ 1.925	**€ 2.756**

	2008	2009	2010	2011	2012
Ordinary dividend per share	€ 0.780	CHF 0.30	CHF 0.35	CHF 0.45	**CHF 0.55**
Closing market price					
Highest price	CHF 82.80	CHF 30.04	CHF 41.73	CHF 57.25	**CHF 59.55**
Lowest price	CHF 52.75	CHF 14.23	CHF 18.52	CHF 35.65	**CHF 38.51**

Earnings per share information for periods before 20 October 2008 was previously reported on a per unit basis. Other than market prices in 2009, no amounts have been re-presented to reflect the changes in the Group's capital structure following the restructuring effected on 20 October 2008. For comparative purposes, market prices for 2008 may be multiplied by 43 %, in line with the ratio applied by SIX Swiss Exchange for all prices up to 20 October 2008.

Free cash flow

	2008 € m	2009 € m	2010 € m	2011 € m	2012 € m
Operating profit*	1 101	951	827	1 355	**2 040**
Depreciation, amortisation and other non-cash items	134	229	314	405	**319**
(Increase)/decrease in working capital	(267)	(361)	323	(64)	**(570)**
Other operating activities*	41	36	(5)	(1)	**10**
Taxation paid	(171)	(179)	(82)	(202)	**(317)**
Net acquisition of non-current assets	(251)	(334)	(114)	(313)	**(529)**
Dividends from associated undertakings*	325	343	1	–	**–**
Free cash flow	912	685	1 264	1 180	**953**

* Including discontinued operations.

Exchange rates

	2008	2009	2010	2011	2012
Average rates					
€ : US$	1.4173	1.4216	1.4144	1.3225	**1.3772**
€ : JPY	161.59	143.07	131.30	112.67	**108.78**
€ : CHF	1.6390	1.5597	1.5020	1.3338	**1.2131**

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

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CP 30, 1293 Bellevue
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Tel: +41 (0) 22 721 3500
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Auditor: PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Company Secretary: Matthew Kilgarriff

'A' shares issued by Compagnie Financière Richemont SA are listed and traded on SIX Swiss Exchange, the Company's primary listing, (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, the Company's secondary listing, (Reuters 'CFRJ.J'/Bloombergs 'CFR:SJ'/ISIN CH0045159024).

Internet: www.richemont.com
investor.relations@cfrinfo.net
secretariat@cfrinfo.net

Notice of meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 2.00 pm at the Four Seasons Hotel des Bergues, 33 Quai des Bergues, 1201 Geneva, on Wednesday, 5 September 2012.

AGENDA

1. Business Report

1.1 The Board of Directors proposes that the General Meeting, having taken note of the reports of the auditor, 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 2012.

1.2 The Board of Directors proposes that the 2012 compensation report as per pages 48 to 52 of the Annual Report and Accounts 2012 be ratified (non-binding consultative vote).

2. Appropriation of profits

At 31 March 2012, the retained earnings available for distribution amounted to CHF 1 853 152 867. The Board of Directors proposes that a dividend of CHF 0.55 be paid per Richemont share. This is equivalent to CHF 0.550 per 'A' bearer share in the Company and CHF 0.055 per 'B' registered share in the Company. This represents a total dividend payable of CHF 315 810 000, subject to a waiver by Richemont Employee Benefits Limited, a wholly owned subsidiary, of its entitlement to receive dividends on an estimated 24 million Richemont 'A' shares held in treasury. The Board of Directors proposes that the remaining available retained earnings of the Company at 31 March 2012 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 2012.

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: 4.1 Johann Rupert, 4.2 Dr Franco Cologni, 4.3 Lord Douro, 4.4 Yves-André Istel, 4.5 Richard Lepeu, 4.6 Ruggero Magnoni, 4.7 Josua Malherbe, 4.8 Dr Frederick Mostert, 4.9 Simon Murray, 4.10 Alain Dominique Perrin, 4.11 Guillaume Pictet, 4.12 Norbert Platt, 4.13 Alan Quasha, 4.14 Maria Ramos, 4.15 Lord Renwick of Clifton, 4.16 Dominique Rochat, 4.17 Jan Rupert, 4.18 Gary Saage, 4.19 Jürgen Schrempp and 4.20 Martha Wikstrom.

5. Election of the Auditor

The Board of Directors proposes that PricewaterhouseCoopers be re-appointed for a further term of one year as auditor of the Company.

The financial statements of the Group and of the Company, the directors' report and the related reports of the auditor for the year ended 31 March 2012, which are all contained in the Richemont Annual Report and Accounts 2012, will be available for inspection at the registered office of the Company from 25 July 2012 onwards. Printed versions of all such documents will be sent to shareholders upon request. The Richemont Annual Report and Accounts 2012 is also available on the Company's website at www.richemont.com

Cards for admission to the Annual General Meeting together with voting forms should be obtained by holders of bearer shares, upon deposit of their shares, from any branch of the following banks up to 31 August 2012: UBS AG, Lombard Odier & Cie, Bank J Vontobel & Co AG and Pictet & Cie. Deposited shares will be blocked until the close of the meeting. Admission cards will not be issued by the Company itself and no admission cards will be issued on the day of the meeting.

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, case postale 5326, 1211 Geneva 11, 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 31 August 2012.

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.

The meeting will be held in English with a simultaneous translation into French.

For the Board of Directors:

JOHANN RUPERT
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

RICHARD LEPEU
DEPUTY CHIEF EXECUTIVE OFFICER

BELLEVUE GENEVA, 23 JULY 2012

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