RICHEMONT

PRESS RELEASE FOR IMMEDIATE RELEASE
14 May 2009

Results for the year ended 31 March 2009

Richemont, the Swiss luxury goods group, announces its audited results for the year ended 31 March 2009.

Financial highlights

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

Sales

The overall 2 per cent sales increase reflected 10 per cent growth during the first six months of the year followed by a 5 per cent sales decline during the second six months. The decline was primarily the result of the worldwide economic slowdown, with the United States in particular reporting very weak trading during the important pre-Christmas period.

Operating profit

Operating profit for the year was € 982 million, including one-time charges amounting to € 79 million. Despite a significant profit increase in the first six months, weak trading in the second half-year significantly reduced gross profit. Swift measures taken to control operating costs in the second half-year resulted in the full year operating profit decrease being contained to 12 per cent. Favourable foreign exchange rate movements were offset by losses from the Group's hedging programme, reported as financing charges.

Net profit from continuing operations

Net profit from continuing operations decreased by 23 percent, reflecting the reduction in operating profit from the luxury businesses and higher net financing charges compared to the prior year. Continuing operations exclude the equity accounted results from the Group's former interest in British American Tobacco ('BAT'), reflecting the transfer of this interest to Reinet in October 2008.

Net profit

Group net profit attributable to shareholders, including continuing and discontinued operations, decreased by 31 per cent to € 1 075 million.

Cash position

The Group's net cash position at 31 March 2009 was € 822 million. During the year, the cash flow before financing activities was € 556 million. This inflow was more than offset by dividends payments and the impact of the Group restructuring.

Dividend

The proposed dividend for the year is CHF 0.30 per share. The reduction compared to the prior year primarily reflects the Group restructuring and the separation from the investment in BAT.

Group results

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

Operating profit in the year under review included restructuring charges in respect of continuing operations and other one-off charges amounting to € 79 million (2008: € 7 million) in total.

The Group's share of the results of British American Tobacco, reported within discontinued operations, also includes non-recurring items reported by that entity.

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

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. 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 of or to revise, any forward-looking statements.

Executive Chairman's Commentary

Overview

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

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

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

Results

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

Group restructuring

On 20 October 2008, the Group implemented the restructuring proposals that were announced in outline in November 2007 and in detail in August 2008. Consequently, former Richemont unitholders continue to hold the shares in Compagnie Financière Richemont SA, which formerly made up part of the unit value, and received Reinet shares in exchange for the balance of the unit. Reinet shares are listed in Luxembourg and, for the benefit of former Richemont depository receipt holders in South Africa, a secondary listing of the new Reinet depository receipts was arranged there. The Richemont depository receipt programme continues, of course, in respect of the shares of Compagnie Financière Richemont SA.

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

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

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

Dividend

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

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

Business development

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

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

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

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

Management

Mr. Norbert Platt has indicated his intention to retire at the end of this year after 5 years as Richemont's Chief Executive Officer.

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

I would like to thank Norbert personally for his commitment to Richemont over the last 5 years and to congratulate him on his achievements during that period. He has instilled a strong discipline across the entire organisation but has equally ensured that the entrepreneurial spirit has flourished. His accomplishments during his tenure have been many and he will leave behind a legacy of successful businesses and a very efficient central and regional organisation.

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

Outlook

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

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

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

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

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

Johann Rupert

Executive Chairman
Compagnie Financière Richemont SA
Geneva, 14 May 2009

Business Review

in € millions	March 2009	March 2008 re-presented	
Sales	5 418	5 290	+ 2 %
Cost of sales	(1 988)	(1 875)	
Gross profit	3 430	3 415	-
Net operating expenses	(2 448)	(2 297)	+ 7 %
Selling and distribution expenses	(1 235)	(1 177)	+ 5 %
Communication expenses	(644)	(608)	+ 6 %
Administration expenses	(542)	(522)	+ 4 %
Other operating (expense)/income	(27)	10	n/a
Operating profit	982	1 118	- 12 %

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

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

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

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

Analysis of sales and operating results by business area

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

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

In the table above, those Maisons which are principally engaged in a specific business area have been grouped together. By way of example, those businesses which have a heritage as producers of high jewellery and jewellery watches – Cartier and Van Cleef & Arpels – are grouped together as 'Jewellery Maisons'. Their entire product ranges, including watches, writing instruments and leather goods, are reflected in the sales and operating result for that business area.

Jewellery Maisons

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

Specialist Watchmakers

The Group's nine specialist watchmakers, which now include Roger Dubuis and Ralph Lauren Watches, enjoyed modest growth for the year as a whole. Sales at IWC, Vacheron Constantin and Jaeger Le-Coultre were particularly strong and all of the long-held Maisons were profitable. During the year under review a second SIHH took place in Geneva and the Group incurred specific charges relating to the acquisition of the Roger Dubuis business. These additional costs partly account for the reduction in profitability for the business area as a whole. Despite the decrease in profit and the increase in sales, the operating profit margin for the year was contained at 20 per cent. In January 2009, the joint venture with Polo Ralph Lauren premiered its product range; this had no impact on sales during the year.

Writing Instrument Maison

Montblanc's sales decreased by 6 per cent. The growth from sales through the Maisons own boutique network was offset by a fall in sales to wholesale partners, in large part due to a strategy of cutting back the number of points of sale. An increasing proportion of sales were generated by leather goods, watches and jewellery lines and, for the first time in more than 100 years, writing instruments accounted for less than half of the Maison's sales. The additional costs of

Montblanc's own boutique network, which were not fully compensated by retail sales growth, contributed to the 45 per cent drop in operating profit. Accordingly, the operating margin decreased from 20 per cent to 12 per cent.

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

Leather and Accessories Maisons

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

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

Other businesses

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

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

Corporate costs

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

Operating profit

After corporate costs, Group operating profit amounted to € 982 million, a 12 per cent decrease compared to the prior year. This reflects the low level of growth in sales and the lower gross margin percentage, albeit compensated by continuing cost control. The Group's overall operating profit margin decreased from 21 per cent to 18 per cent.

Sales by region

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

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

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

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

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

Sales by distribution channel

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

Retail
Retail sales increased by 4 per cent to € 2 304 million. This growth reflected satisfactory trading at most established boutiques and the expansion of the network of Group-owned points of sale. Despite the closure of certain marginal boutiques, the total retail network increased by 58 to 1 370 boutiques at 31 March 2009. At the end of March 2009, the Group's Maisons owned 797 boutiques. A further 573 points of sale were operated under franchise agreements; sales to franchise partners are treated as wholesale sales.

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

Summary income statement and results from discontinued operations

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

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

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

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

Discontinued operations

Until 20 October 2008, the Group's principal associated company was British American Tobacco plc ('BAT'). Following the separation of the Group's former 19.5 per cent interest in BAT from that date, the Group's interest in BAT has been treated as a discontinued operation.

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

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

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

Cash flow

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

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

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

Dividends received from the Group's associate, BAT, comprised the final dividend in respect of its financial year ended 31 December 2007 and the interim dividend for the 2008 financial year. The total cash received, amounting to € 343 million, was transferred to Reinet as part of the restructuring in October 2008 and is included in the figure reported above as a distribution of discontinued operations.

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

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

(1) Cash and cash equivalents are as per the consolidated cash flow statement appended to this report.

Summarised balance sheet

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

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

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

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

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

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

Proposed dividend

The Board has proposed an ordinary dividend of CHF 0.30 per share.

The dividend will be paid as follows:	Gross dividend per share	Withholding tax @ 35%	Net payable per share
Ordinary dividend			
Compagnie Financière Richemont SA, Switzerland	CHF 0.300	CHF 0.105	CHF 0.195

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

‘A' share dividend: Monday, 14 September 2009.

The dividend in respect of Richemont ‘A’ shares is payable in Swiss francs.

South African Depository Receipt dividend: Friday, 25 September 2009.

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

Norbert Platt
Group Chief Executive Officer

Richard Lepeu
Group Finance Director

Compagnie Financière Richemont SA
Geneva, 14 May 2009

Extracts from the audited consolidated financial statements at 31 March 2009

Consolidated balance sheet
at 31 March

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

Consolidated income statement
for the year ended 31 March

	Notes	2009 € m	2008 re-presented € m
Continuing operations			
Sales	*1*	5 418	5 290
Cost of sales		(1 988)	(1 875)
Gross profit		3 430	3 415
Selling and distribution expenses		(1 235)	(1 177)
Communication expenses		(644)	(608)
Administrative expenses		(542)	(522)
Other operating (expense) / income	*3*	(27)	10
Operating profit		982	1 118
Finance costs	*4*	(228)	(114)
Finance income	*4*	127	161
Share of post-tax profit of associated undertakings	*2*	3	1
Profit before taxation		884	1 166
Taxation	*5*	(133)	(194)
Profit from continuing operations		751	972
Discontinued operations			
Profit from discontinued operations (net of tax)	*6*	325	592
Net profit		1 076	1 564
Attributable to:			
Shareholders		1 075	1 565
Minority interest		1	(1)
		1 076	1 564
Earnings per share for profit and profit from discontinued operations attributable to shareholders during the year (expressed in € per share)			
Basic:			
- from continuing operations	*7*	1.340	1.734
- from discontinued operations	*7*	0.581	1.055
		1.921	2.789
Diluted:			
- from continuing operations	*7*	1.337	1.710
- from discontinued operations	*7*	0.579	1.040
		1.916	2.750

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

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

Consolidated cash flow statement
for the year ended 31 March

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

Notes to the consolidated financial statements
31 March 2009

General information

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

Accounting policies and basis of preparation

These consolidated financial statements of the Company are for the year ended 31 March 2009. They have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial statements are presented in millions of euros; the euro represents the functional and presentational currency of the Group.

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

1. Segment information

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

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

(a) Primary reporting format – business segments

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

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

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

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

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

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

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

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

	Sales		Inter-segment sales		Total segment sales	
	2009	2008 re-presented	2009	2008 re-presented	2009	2008 re-presented
Sales	€ m	€ m	€ m	€ m	€ m	€ m
Jewellery Maisons	2 762	2 657	1	1	2 763	2 658
Specialist Watchmakers	1 437	1 378	12	7	1 449	1 385
Writing Instrument Maison	595	637	1	1	596	638
Writing Instrument Maison - discontinued operations	(8)	(12)	-	-	(8)	(12)
Leather and Accessories Maisons	294	309	-	-	294	309
Other Businesses	338	321	163	105	501	426
	5 418	5 290	177	114	5 595	5 404

	2009	2008 re-presented
Operating result from continuing operations	€ m	€ m
Jewellery Maisons	777	765
Specialist Watchmakers	287	374
Writing Instrument Maison	69	126
Leather and Accessories Maisons	(10)	(5)
Other Businesses	(1)	16
Corporate	(140)	(158)
Operating profit	982	1 118
Finance costs	(228)	(114)
Finance income	127	161
Operating profit before share of results of associated undertakings	881	1 165
Share of post-tax profit of associated undertakings	3	1
Profit before taxation	884	1 166
Taxation	(133)	(194)
Profit from continuing operations	751	972
Profit from discontinued operations	325	592
Net profit	1 076	1 564

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

Net segment assets at 31 March are as follows:

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

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

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

	Share option costs	
	2009	2008
Other non-cash items	€ m	€ m
Jewellery Maisons	6	6
Specialist Watchmakers	5	5
Writing Instrument Maisons	2	2
Leather and Accessories Maisons	1	1
Other Businesses	1	1
Corporate	16	16
	31	31

(b) Secondary reporting format – geographical segments

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

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

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

2. Investments in associated undertakings

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

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

British American Tobacco plc ('BAT')

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

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

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

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

For the period to 20 October 2008

	Percentage
1 April 2008 to 30 June 2008	19.4
1 July 2008 to 20 October 2008	19.5

For the year ended 31 March 2008

1 April 2007 to 30 June 2007	19.1
1 July 2007 to 31 March 2008	19.3

On 20 October 2008 the Group effectively disposed of its entire holding in BAT through the partial liquidation of Richemont SA (note 6).

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

3. Other operating (expense) / income

	2009 € m	2008 € m
Royalty income - net	16	15
Amortisation of intangible assets acquired on business combinations	(13)	(3)
Other expenses	(30)	(2)
	(27)	10

4. Net finance (costs) / income

	2009 € m	2008 € m
Finance income:		
Interest income on bank and other deposits	73	82
Dividend income on financial assets at fair value through profit or loss	1	6
Net gain in fair value of financial assets at fair value through profit or loss	-	9
Net foreign exchange gains on monetary items	53	-
Mark-to-market adjustment in respect of hedging activities	-	64
Finance income	127	161
Finance costs:		
Interest expense:		
- bank borrowings	(37)	(35)
- other financial expenses	(1)	(1)
Net loss in fair value of financial assets at fair value through profit or loss	(18)	-
Mark-to-market adjustment in respect of hedging activities	(172)	-
Net foreign exchange losses on monetary items	-	(78)
Finance costs	(228)	(114)
Net finance (costs) / income	(101)	47

Foreign exchange gains resulting from effective hedge derivative instruments of € 12 million (2008: gains of € 13 million) were reflected in cost of sales during the year. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs) / income.

5. Taxation

Taxation charge in the income statement:

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

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

6. Discontinued operations

British American Tobacco ('BAT')

In their Extraordinary General Meeting on 9 October 2008 the shareholders of Compagnie Financière Richemont SA approved the restructuring of its business by splitting its luxury goods businesses from its other interests, which include its interest in BAT and other assets, including cash of € 351 million.

The de-twinning of the shares of the Company and the participation certificates of Richemont SA was effected on 20 October 2008. As part of the restructuring, Richemont SA distributed to the Company its entire holdings in the share capital of the entities holding the luxury goods businesses in compensation of the cancellation of the share capital of Richemont SA, 100 per cent held by the Company. The cancellation of the shares of Richemont SA represents a disposal to the unitholders of the residual interests of Richemont SA which comprised principally its interest in BAT and other assets. The deconsolidation of Richemont SA generates no gain or loss through profit or loss as it represents a partial liquidation of Richemont SA in the context of a Group restructuring.

In addition to BAT, management has authorised and is actively involved in the disposal of two small business units.

The results and cash flows of the discontinued operations include the share of post tax profit and dividends received from BAT, and the two business units mentioned above. Management considers the net costs and cash flows of other assets disposed of to be immaterial.

Results of discontinued operations	2009	2008
	€ m	€ m
Sales	9	12
Cost of sales	(21)	(19)
Gross loss	(12)	(7)
Selling and distribution expenses	(3)	(4)
Communication expenses	(2)	(6)
Administrative expenses	(1)	-
Other operating income	(12)	-
Operating profit	(30)	(17)
Finance costs	-	-
Finance income	-	-
Share of post-tax profit of associated undertakings	355	609
Profit before taxation	325	592
Taxation	-	-
Profit from discontinued operations	325	592

Cash flow generated from / (used in) discontinued operations	2009	2008
	€ m	€ m
Net cash generated from operating activities (operating)	335	314
Disposal of discontinued operations net of cash disposed of (financing)	(351)	-
	(16)	314

Effect of disposal on the financial position of the Group

	2009
	€ m
Investment in associated undertaking	3 060
Financial assets held at fair value through profit or loss	76
Other non-current assets	3
Deferred income tax liabilities	(1)
Current income tax liabilities	(1)
Accruals and deferred income	(2)
Cash	351

7. Earnings per share

7.1. Basic

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

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1

7.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Company has only one category of dilutive potential shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Profit attributable to shareholders of the Company (€ millions)	750	973
Profit from discontinued operations attributable to shareholders of the Company (€ millions)	325	592
	1 075	1 565
Weighted average number of shares in issue (millions)	559.5	561.1
Adjustment for share options (millions)	1.5	8.0
Weighted average number of shares for diluted earnings per share (millions)	561.0	569.1

8. Inventories

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

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

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

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

9. Cash flow generated from operating activities

	2009	2008 re-presented
	€ m	€ m
Operating profit	951	1 101
Depreciation and impairment of property, plant and equipment	175	139
Amortisation and impairment of intangible assets	49	35
Loss on disposal of property, plant and equipment	1	1
Profit on disposal of intangible assets	-	(2)
(Decrease)/ Increase in provisions	(11)	2
Decrease in retirement benefit obligations	(5)	(60)
Non-cash items	20	19
Increase in inventories	(218)	(308)
Decrease/(increase) in trade debtors	21	(11)
Increase in other receivables, prepayments and accrued income	(15)	(6)
(Decrease)/increase in current liabilities	(154)	58
Increase in long-term liabilities	5	-
Cash flow generated from operations	819	968

10. Share-based payment

Share option scheme

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 share option scheme vest over periods of three to eight years and have expiry dates, the date after which unexercised options lapse, of between five and thirteen 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.

During the year ended 31 March 2009, awards of 5 069 241 options were granted at a weighted average exercise price of CHF 21.20 per share. Options in respect of 265 521 shares were exercised during the year at an average exercise price of CHF 11.03 per share.

Modification during the year under review

On 20 October 2008 the Company split its luxury goods businesses from its other interests resulting in the de-twinning of the existing Richemont units. The de-twinning process impacted the value and the number of stock options awarded to executives. Richemont unit options, which had vested but were not yet exercised at the date of the restructuring, have been converted into options over Richemont shares, options over BAT shares and options over Reinet shares. The exchange ratio used, determined at market prices at close of business on the date of de-twinning, was calculated to preserve the economic benefits of the Richemont option holders. Richemont unit options which had not vested at the date of the restructuring were converted in their entirety into options over Richemont shares.

The fair value of the outstanding options immediately before and after the modification was recalculated using the binomial model. The significant inputs into the model were the risk free interest rates set as at the date of the modification, the dividend yield based on historical values ignoring any special dividends (a zero dividend yield and an estimated share price were used for Reinet), an expected option life between zero and seven years and an early exercise assumption based on expected rational behaviour, and the seniority of the management and the relative values of the BAT share price (£17.14) and the CFR unit price (CHF 42.90) at the date of modification. The volatility for BAT was based on a historic six-year average. The historic volatility and estimated price of the new Richemont share was determined by decomposing the Richemont unit price into the component parts of the luxury goods businesses, and BAT and other assets. The volatility of Reinet was based on nine comparative listed companies.

Exchange rates

The results of the Group's subsidiaries and associates which do not report in euros have been translated at the following average rates of exchange against the euro. The balance sheet of those subsidiaries and associates have been translated into euros at the closing rates set out below.

Exchange rates against the Euro	Year to March 2009	Year to March 2008
Average		
United States dollar	1.42	1.42
Japanese yen	143.07	161.59
Swiss franc	1.56	1.64
Pound sterling	0.84	0.71
	31 March 2009	31 March 2008
Closing		
United States dollar	1.33	1.58
Japanese yen	130.92	157.82
Swiss franc	1.51	1.57
Pound sterling	0.93	0.80

Statutory Information

Trading of Richemont ‘A’ units ceased with effect from close of business on 20 October 2008. Accordingly, the following statutory information relates specifically to Compagnie Financière Richemont SA shares.

'A' shares issued by the Swiss parent company, Compagnie Financière Richemont SA, are listed and traded on the SIX Swiss Exchange, (Reuters "CFR.VX" / Bloombergs "CFR:VX" / ISIN CH0045039655) and are included in the Swiss Market Index ('SMI') of leading stocks.

South African Depository Receipts in respect of Richemont 'A' shares are traded on the Johannesburg Stock Exchange operated by JSE Limited (Reuters "CFRJ.J" / Bloombergs "CFR:SJ" / ISIN CH0045159024).

Based on the valuation of the underlying assets of the Group at the time the restructuring was effected, the luxury business owned by Compagnie Financière Richemont SA and therefore represented by the 'A' share was calculated as being 43.65967 per cent of the last traded value of the Richemont 'A' units at the close of business on 20 October 2008, the balance of the closing unit price being attributable to the Reinet Investments SCA share. Accordingly, of the actual market closing price CHF 42.90 per ‘A’ unit, CHF 18.73 was attributable to the Compagnie Financière Richemont SA ‘A’ share and the remainder, being CHF 24.17, was attributable to the Reinet Investments SCA share.

The closing price of the Richemont ‘A’ share on 31 March 2009 was CHF 17.78 and the market capitalisation of the Group’s ‘A’ shares on that date was CHF 9 281 million.

Over the preceding twelve months, the highest closing price of the ‘A’ share equivalent was CHF 30.04 (former ‘A’ unit: CHF 68.80) on 19 May 2008, and the lowest closing price of the ‘A’ share was CHF 14.23 on 3 March 2009.

Compagnie Financière Richemont SA

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Further information regarding Reinet Investments SCA, the vehicle separated from Richemont in the de-twinning effected on 20 October 2008, can be found on that company’s website: www.reinet.com

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