



## 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 met the challenging environment of the past year by achieving strong sales growth across all segments and all geographic regions.

The year under review has seen record sales and profits for our Jewellery Maisons and Specialist Watchmakers, despite the stronger Swiss franc. Profitability at Montblanc improved with progress also being seen in the performance of the Fashion and Accessories Maisons. NET-A-PORTER.COM, which was acquired in April 2010, is performing ahead of its business plan.

As a consequence of these positive developments, the Group's operating profit has increased by 63 %, double the rate of growth in sales. This performance reflects the strength of our Maisons, the Group's operating leverage and most importantly, the commitment and enthusiasm of all our colleagues in the Maisons, regional platforms and support services.

These very satisfactory results have generated a record level of operating cash flow; as a consequence the Group's balance sheet is stronger than ever.

### DIVIDEND

Based upon the results for the year, the Board has proposed a dividend of CHF 0.45 per share. This represents an increase of 29 % over last year's level.

### BUSINESS DEVELOPMENTS

Improving the efficiency of our business is a continuous process. During the year under review, the Group has invested significantly in the manufacturing capacity and distribution networks of its Maisons. The investments in the distribution networks encompass boutique openings in growth markets, supply chain processes and IT systems. The most significant growth market has been China, where we already employ more than 1 700 people.

Our watch and jewellery distribution networks in the United States, Switzerland, France and Spain are now supported by Richemont's new Enterprise Resource Planning ('ERP') system, which improves customer service through better product availability and shorter delivery times. A specific focus this year has been the deployment of the ERP system in Cartier's jewellery workshops in France and the related distribution of jewellery pieces worldwide. The deployment of the ERP system from manufacture to boutique is a complex process and the total integration of all distribution and manufacturing entities will take time. Encouraged by the results achieved to date, the Group is also investing in a new ERP system for its Fashion and Accessories Maisons.

### BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

Following the retirement of Maître Aeschmann in September 2010, Mr Istel was nominated as Deputy Chairman of your Board as well as Chairman of its Audit Committee. In addition, Maître Rochat and Mr Malherbe were nominated to the Audit Committee and Lord Douro was nominated to the Compensation Committee.

In addition to the re-election of all serving directors, your Board proposes Maria Ramos for election at the shareholders' meeting in September 2011. Ms Ramos is currently Group Chief Executive of Absa Group Limited, South Africa and is a member of the Executive Committee of Barclays Bank plc, United Kingdom. Her biographical details may be found on page 40 of this report.

At the same shareholders' meeting, your Board is proposing a consultative vote on its compensation report. Your Board and its Compensation Committee are fully in favour of the Group's compensation mechanism and the rewards it brings to both its executives and its shareholders.

#### **PEACE PARKS FOUNDATION**

On page 36 of this report, you will be able to read more about the commendable work of the Peace Parks Foundation. 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**

Sales in the month of April were 32 % above the comparative period, or 35 % at constant exchange rates. In an environment currently marked by geopolitical unrest and currency instability, we hope that this positive trend will be confirmed in the coming months.

The performance achieved in the year under review, following a major global economic crisis, confirms the appeal of each of the Maisons. We will continue to invest in their organic growth through higher levels of capital spending in manufacturing capacity and in the further development of the Group's own retail network, particularly in growth markets. Our capital investments are therefore likely to range between 6 % and 8 % of sales in the next two years.

We intend to take advantage of the many opportunities to further develop our existing Maisons. We are more than ever encouraged by their growth potential and we believe it to be the best route for creating shareholder value.



**JOHANN RUPERT**  
**EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

**COMPAGNIE FINANCIÈRE RICHEMONT SA**  
**GENEVA, 19 MAY 2011**