

RICHEMONT

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Results for the year ended 31 March 2007

Richemont, the Swiss luxury goods group, announces its audited results for the year ended 31 March 2007.

Financial highlights

- Sales increased by 12 per cent to € 4 827 million.
- Operating profit from the luxury goods businesses increased by 24 per cent to € 916 million. Excluding non-recurring items, operating profit increased by 26 per cent to € 900 million.
- Net profit, including the Group's share of the results of British American Tobacco, increased by 21 per cent to € 1 329 million. Excluding the impact of non-recurring items in both years, net profit attributable to unitholders increased by 21 per cent to € 1 350 million.
- Cash generated by the Group's luxury goods operations was € 970 million.
- The overall dividend for the year, at € 1.25 per unit, represents an increase of 14 per cent.

Sales

The 12 per cent sales increase represented a continuation of the trend established in recent years, with good growth at most Maisons.

Operating profit

The increase in sales generated a 24 per cent increase in operating profit to € 916 million. The operating margin for the year was 19 per cent, two percentage points higher than the comparative year.

British American Tobacco ('BAT')

The Group's share of the results of BAT increased 11 per cent to € 539 million. The Group's effective interest in BAT at 31 March 2007 was 19 per cent. Cash dividends received from BAT during the year amounted to € 280 million.

Net profit

Net profit, including the Group's share of the results of British American Tobacco, increased by 21 per cent to

€ 1 329 million. Earnings per unit on a diluted basis increased by 19 per cent to € 2.331 per unit.

Cash position

The Group's net cash position at 31 March 2007 was € 1 141 million. During the year, Group net cash increased by € 257 million, reflecting strong cash generation by the Group's luxury business of € 970 million, the dividends received from BAT and the payment to unitholders of ordinary and special dividends amounting to € 612 million.

Dividend

In addition to the 8 per cent increase in the level of ordinary dividend to € 0.65 per unit, a special dividend of € 0.60 per unit will also be paid to unitholders in September 2007. The dividend for the year will therefore amount to € 1.25 per unit.

Richemont holds a portfolio of several of the most prestigious names in the luxury goods industry including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, Alfred Dunhill and Montblanc. In addition to its luxury goods interests, Richemont also holds a significant investment in British American Tobacco – one of the world's leading tobacco groups.

www.richemont.com

Group results

in € millions	<u>March 2007</u>	<u>March 2006</u>	
Sales	4 827	4 308	+ 12 %
Cost of sales	<u>(1 753)</u>	<u>(1 588)</u>	
Gross profit	3 074	2 720	+ 13 %
Net operating expenses	<u>(2 158)</u>	<u>(1 979)</u>	+ 9 %
Operating profit	916	741	+ 24 %
Net financial income	31	5	
Profit before taxation	947	746	
Taxation	<u>(158)</u>	<u>(136)</u>	
Net profit - parent and subsidiaries	789	610	+ 29 %
Share of post-tax profit of associates	540	486	+ 11 %
Net profit	1 329	1 096	+ 21 %
<i>Analysed as follows</i>			
<i>Net profit attributable to unitholders</i>	1 328	1 094	
<i>Net profit attributable to minority interests</i>	1	2	
	<u>1 329</u>	<u>1 096</u>	
Earnings per unit - diluted basis	€ 2.331	€ 1.951	+ 19 %
Dividends			
Ordinary dividend per unit	€ 0.65	€ 0.60	+ 8 %
Special dividend per unit	€ 0.60	€ 0.50	+ 20 %
Total dividend per unit	<u>€ 1.25</u>	<u>€ 1.10</u>	+ 14 %

Operating profit in both years included non-recurring items of a non-operational nature. During the year under review, the impact on operating profit was a gain of € 16 million (2006: gain of € 28 million).

The Group's share of the results of its principal associate, British American Tobacco, also includes non-recurring items reported by that entity.

Including the Group's share of results from associates, the overall impact of these non-recurring items, after taxation and minority interests, on net profit was a loss of € 22 million (2006: € 18 million). Excluding non-recurring items, net profit attributable to unitholders increased by 21 per cent to € 1 350 million from € 1 112 million in the prior year.

An analysis of the effect of non-recurring items is given on page 10 of this document.

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

Richemont has again enjoyed a year of substantial growth in both sales and profitability. Supported by a generally positive economic background in most of the major markets in which the Group's luxury goods businesses operate, sales increased by 12 per cent to € 4 827 million and operating profit grew by 24 per cent to reach € 916 million.

Net profit for the year was € 1 329 million, reflecting the good results of the luxury businesses as well as the strong performance of the Group's tobacco interests. The investment in British American Tobacco contributed € 539 million to net profit for the year.

Dividends

Given the excellent performance of the luxury businesses this year, your Board has recommended an increase of 8 per cent in the regular dividend, bringing it to € 0.65 per unit.

Over the last two years, Richemont has paid over € 555 million in special dividends, largely out of the proceeds of the disposal of the final tranche of BAT redeemable preference shares received in 1999 upon the merger of Rothmans International and BAT. In the light of the strong cash flow from the BAT interest and BAT's stated policy of increasing its own dividends, your Board has decided that it would be in order this year to increase the special dividend to € 0.60 per Richemont unit.

In total, therefore, the dividend to be paid following approval at the Annual General Meeting this September will amount to € 1.25 per Richemont unit.

Current trading and outlook for the year ahead

I mentioned in the interim report that I was concerned about the capacity of our supply chain to meet the demand for certain watch models. This continues to be the case but I am confident that solutions will be found. We will work closely with our partners in the Swiss watch industry and continue to invest in the development of the Group's own manufacturing capacity.

Although the weakness of the yen and the dollar – two key currencies for the Group – is a continuing issue, the outlook is nonetheless broadly positive for Richemont's luxury businesses. We currently expect to see good underlying growth in sales in most key markets over the coming year. Our expectations are supported by the positive trends seen during the latter half of the past year and the continued good performance in April 2007, when sales increased by 10 per cent at actual exchange rates.

Over the last 5 years, Richemont unitholders have enjoyed an average rate of return of 17 per cent per annum, taking into account both dividends and capital appreciation. That is a strong performance.

The global market for luxury goods is expanding. Our businesses are extending their reach into new markets and understand that they have to produce exciting and innovative products, combined with excellent service, to meet the demands of an ever more discerning clientele. Equally, from a corporate perspective, we must continually evaluate the appropriateness of our structures to meet the needs of the business and to ensure that the Group is optimally positioned to achieve our objective of continuing to grow the value of unitholders' investments over the long-term.

As ever, there are uncertainties and challenges to be faced but we look forward with a degree of confidence to the year ahead.

Johann Rupert

Executive Chairman

Compagnie Financière Richemont SA

Geneva, 24 May 2007

Business Review

in € millions	March 2007	March 2006	
Sales	4 827	4 308	+ 12 %
Cost of sales	<u>(1 753)</u>	<u>(1 588)</u>	
Gross profit	3 074	2 720	+ 13 %
Net operating expenses	(2 158)	(1 979)	+ 9 %
Selling and distribution expenses	<u>(1 090)</u>	<u>(1 000)</u>	+ 9 %
Communication expenses	<u>(570)</u>	<u>(503)</u>	+ 13 %
Administration expenses	<u>(503)</u>	<u>(509)</u>	- 1 %
Other operating income	<u> 5</u>	<u> 33</u>	- 85 %
Operating profit	916	741	+ 24 %
Further analysed as follows:			
Underlying operating profit from luxury business	900	713	+ 26 %
Non-recurring items included in 'Other operating income'	16	28	- 43 %
Operating profit	916	741	+ 24 %

Sales in the year increased by 12 per cent to € 4 827 million, with strong growth in all product areas and in all regions.

The gross margin percentage increased by 0.6 percentage points to 63.7 per cent, reflecting changes in both the product mix and the channels through which they are distributed, as well as higher utilisation rates in manufacturing. Sales growth and the improved margin percentage generated a 13 per cent increase in gross profit to € 3 074 million.

Net operating expenses increased by 9 per cent, reflecting increases in selling and distribution expenses and communication costs. The 13 per cent increase in communication costs included centenary events, marketing efforts in developing markets and the costs associated with new product launches for certain products. As a percentage of sales, communication costs were broadly in line with the prior year at 11.8 per cent. Administration expenses, which include head office costs of the Maisons, regional platform expenses and the Group's central support services, decreased by 1 per cent in the year. Administration expenses within the operating businesses rose by 7 per cent,

whereas regional platform expenses increased by only 2 per cent. The Group's central support costs decreased by 11 per cent overall, largely reflecting one-off charges in the prior year. Net operating expenses included stock option charges amounting to € 33 million (2006: € 36 million).

Other operating income for the year under review included a net, non-recurring gain of € 16 million in respect of a property disposal attributable to Alfred Dunhill. In the prior year, other operating income included net non-recurring gains amounting to € 28 million. Net prior year gains included € 11 million relating to the disposal of the Hackett subsidiary in June 2005 and € 19 million primarily relating to a sale-and-leaseback transaction in respect of a Cartier boutique. The impact of non-recurring items is analysed on page 10 of this document.

Operating profit increased by 24 per cent to € 916 million. Excluding net non-recurring gains, the underlying operating profit from the Group's luxury businesses increased by 26 per cent to € 900 million, compared to € 713 million in the prior year.

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 2007	March 2006	
Sales			
Jewellery Maisons	2 435	2 227	+ 9 %
Specialist watchmakers	1 203	1 063	+ 13 %
Writing instrument Maisons	585	497	+ 18 %
Leather and accessories Maisons	307	283	+ 8 %
Other businesses	297	238	+ 25 %
Total sales	4 827	4 308	+ 12 %
Operating results			
Jewellery Maisons	667	616	+ 8 %
Specialist watchmakers	274	227	+ 21 %
Writing instrument Maisons	110	83	+ 33 %
Leather and accessories Maisons	(11)	(38)	+ 71 %
Other businesses	20	22	- 9 %
	1 060	910	+ 16 %
Corporate costs			
Central support services	(137)	(154)	- 11 %
Other operating expense, net	(7)	(15)	- 53 %
Operating profit	916	741	+ 24 %
Further analysed as follows:			
Underlying operating profit from luxury business	900	713	+ 26 %
Non-recurring items - Leather and accessories Maisons	16	-	
Non-recurring items - Jewellery Maisons	-	19	
Non-recurring items - Other operating expense, net	-	9	
Operating profit	916	741	+ 24 %

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.

Following the introduction of IFRS 2 *Share-based Payment* in 2005, charges for stock options have been allocated, in both periods, to operating costs within the relevant business areas and central support services.

Jewellery Maisons

Of the Group's Jewellery Maisons, Cartier reported double-digit growth at constant rates in all regions with the exception of Japan, which saw modest growth. Van Cleef & Arpels also enjoyed very good growth in sales; products linked to the Maison's centenary in 2006 and

related communications activity contributed to the strong performance. Operating profit for the business area as a whole increased by 8 per cent to € 667 million with an operating margin of 27 per cent, broadly in line with the prior year's level. The operating profit in the comparative period included non-recurring net property disposal gains amounting to € 19 million.

Specialist Watchmakers

High levels of demand continued in all regions, generating double-digit sales growth for the Group's specialist watchmakers. Most notably, sales of both Panerai and A. Lange & Söhne grew strongly during the year. A 13 per cent increase in sales combined with operating leverage generated a 21 per cent increase in operating profit.

Writing Instrument Maisons

Montblanc also celebrated its centenary during 2006. Sales benefited from the special centenary products, the programme of events surrounding the anniversary and the continued success of the new Montblanc

female jewellery line, launched in late 2005. The further development of Montblanc's retail network contributed 6 per cent to the growth in the Maison's sales overall. The Maison performed well in all geographic regions. Sales increased by 18 per cent and operating profit increased by 33 per cent. Operating margin, including Montegrappa, improved by two percentage points to 19 per cent.

Leather and Accessories Maisons

Improved sales in this business area combined with non-recurring gains have resulted in a reduction in losses from € 38 million to € 11 million.

Alfred Dunhill reported double-digit growth at constant exchange rates in the Asia-Pacific region for the year, helped by the development of its retail network. However, sales in Japan were flat in local currency terms. Alfred Dunhill's overall operating losses declined from € 30 million in the prior year to € 8 million, after taking into account the benefit of a non-recurring, net gain of € 16 million on the disposal of a property.

Lancel reported a double-digit increase in sales for the year at constant rates, reflecting growth driven by the success of its new products. Lancel's operating losses significantly decreased from € 8 million in the prior year to € 3 million.

Other businesses

The growth in sales in the Group's other businesses primarily reflects the continuing development of Chloé. Chloé's sales increased by over 50 per cent during the

year, the Maison benefiting from a substantial increase in its retail network. Exceptional growth in the first six months was offset by more moderate growth in the latter part of the year, measured against a higher comparative base.

Prior year comparative figures for 'other businesses' include the results of two businesses disposed of during that year: Hackett is included for the two-month period to 31 May 2005 and Old England for the twelve-month period to 31 March 2006. Total sales in the comparative period from these two businesses amounted to € 18 million. The operating results of both entities were immaterial.

Corporate costs

Corporate costs include central support services such as strategic management, marketing and functional support, legal services, manufacturing and logistics, intellectual property, finance, human resources and information technology together with central marketing initiatives. These and other net expenses are not allocated to specific business areas.

Operating profit

Operating profit after corporate costs reached € 916 million, an increase of 24 per cent over the prior year. This increase reflects the growth in sales, the improvement in gross margins and continuing cost control. The Group operating profit margin increased from 17 per cent to 19 per cent.

Sales by region

in € millions	<u>March 2007</u>	<u>March 2006</u>	Movement at:	
			<u>Constant exchange rates</u>	<u>Actual exchange rates</u>
Europe	2 042	1 811	+ 13 %	+ 13 %
Asia-Pacific	1 070	899	+ 24 %	+ 19 %
Americas	984	875	+ 18 %	+ 12 %
Japan	731	723	+ 10 %	+ 1 %
	<u>4 827</u>	<u>4 308</u>	+ 16 %	+ 12 %

Europe

The overall increase of 13 per cent reflects double-digit growth in all business areas. Montblanc and the specialist watchmakers all performed very well over the course of the year.

Asia-Pacific

Sales grew at a faster rate during the fourth quarter than had been seen during the first nine months of the year. Excellent demand was seen in all business areas. Both Montblanc and Alfred Dunhill benefited from the development of their own retail distribution networks in mainland China during the year.

Sales in mainland China, representing 16 per cent of regional sales, increased by 47 per cent at historic rates. The high rate of growth reflects the Group's investment in this market, including the establishment

of distribution subsidiaries and retail and wholesale platforms, as well as the growing demand there.

Americas

The Americas region reported strong underlying growth of 18 per cent, notwithstanding the good performance seen in the prior year and the challenging comparative base. The decrease in the value of the dollar relative to the euro during the year resulted in sales growth of 12 per cent at actual exchange rates.

Japan

Sales growth of 10 per cent in the domestic Japanese market was largely offset by the weakness of the yen when translated into euros. At actual rates, sales grew by only 1 per cent. Sales in Japan represent 15 per cent of Group sales.

Sales by distribution channel

in € millions	<u>March 2007</u>	<u>March 2006</u>	
Retail	2 009	1 762	+ 14 %
Wholesale	2 818	2 546	+ 11 %
	<u>4 827</u>	<u>4 308</u>	+ 12 %

Retail

Retail sales increased by 14 per cent to € 2 009 million. This high level of growth reflected both good trading at established boutiques and the expansion of the network of Group-owned points of sale. The total retail network increased by 79 to 1 154 boutiques. This includes the acquisitions of boutiques in China by Montblanc and Alfred Dunhill. At the end of March, the Group's Maisons owned 673 boutiques, with a further 481 points of sale being operated by franchise partners.

Wholesale

Wholesale sales increased by 11 per cent overall, with high rates of growth seen at Van Cleef & Arpels, Chloé and certain specialist watchmakers.

Summary income statement and results of associates

in € millions	March 2007	March 2006
Operating profit	916	741
Net finance income	31	5
Profit before taxation	947	746
Taxation	(158)	(136)
Share of post-tax results of associated undertakings	540	486
Before non-recurring expenses	578	526
Share of non-recurring expenses	(38)	(40)
Net profit	1 329	1 096
Attributable to unitholders	1 328	1 094
Attributable to minority interests	1	2
Net profit	1 329	1 096

Net finance income amounting to € 31 million includes net interest income, net foreign exchange gains and losses and fair value adjustments. Net fair value gains in the year amounted to € 16 million (2006: € 15 million loss), including the appreciation of certain listed and unlisted investments. Under IFRS, such investments and other 'fair value financial assets' must be revalued at the balance sheet date with reference to market valuations. This 'marked to market' approach inevitably creates volatility in the reported finance income line. Further volatility is to be expected in future years.

Excluding the Group's share of the results of its investment in British American Tobacco, the Group's effective taxation rate was 16.7 per cent compared with 18.2 per cent last year. The effective taxation rate in general reflects the lower level of corporate taxes in Switzerland compared to other jurisdictions. The reduction in the effective taxation rate reflects the deductibility of costs related to share-based payments for the first time.

Associated companies

The Group's principal associated company is British American Tobacco plc. Richemont has an effective interest of 19.0 per cent in British American Tobacco, with a market value at 31 March 2007 of € 9 130 million.

In addition, the Group has a number of smaller investments which are classified as associated companies. These other associated companies have no material impact on the Group's financial statements. The Group's share of results of these smaller investments amounted to a profit of € 1 million (2006: nil)

British American Tobacco plc ('BAT')

For the year ended 31 March 2007, the Group's share of the results of BAT increased to € 539 million. Excluding non-recurring income and expense from both years, the Group's share of the results of BAT would have increased by 10 per cent to € 577 million.

Non-recurring items in respect of BAT are reported net of taxation and minority interests in this report. Non-recurring items include those of BAT's subsidiary companies as well as its own associated companies. The presentation of post-tax impact of such non-recurring items, rather than the pre-tax effect, represents a change to the approach taken in previous years. There is no impact on the Group's IFRS results. Further details are given on page 10 of this announcement.

In its financial year ended 31 March 2007, Richemont accounted for BAT's nine months ended 31 December 2006 and three months ended 31 March 2007. In the comparative period, the same approach was applied. The following table presents the Group's effective interest in BAT applied in the current and the prior year periods. The increases in the Group's interest in both the current and prior year were due to the share buy-back programme carried out by BAT.

	2006-07	2005-06
	%	%
1 April to 30 June	18.8	18.4
1 July to 30 September	18.9	18.5
1 October to 31 December	18.9	18.6
1 January to 31 March	19.0	18.6

BAT reports its results in sterling. As the average euro: sterling exchange rate, at 0.68, was broadly the same for the past two years, there was virtually no direct impact on the Group's share of BAT's results on translation into euros due to exchange rate movements.

In cash flow terms, the Group received dividends totalling € 280 million from BAT during the year (2006: € 247 million).

In BAT's financial year to 31 December 2006, its adjusted, diluted earnings per share, a good indicator of its underlying performance, grew by 10 per cent to 98.12 pence per share. This increase was the result of the improved underlying operating performance from both subsidiaries and associates, together with a lower effective tax rate and the benefit the share buy-back programme, which more than offset the impact of higher net finance costs and minorities.

The following commentary is condensed from BAT's annual report for the year ended 31 December 2006.

BAT cigarette sales volumes from subsidiaries for the year ended 31 December 2006 increased by 2 per cent to 689 billion on both a reported and a 'like-for-like' basis. Net revenues rose by 5 per cent on both an actual and 'like-for-like' basis. This volume and revenue growth was achieved across a broad spread of markets. The four global 'drive brands' (Kent, Dunhill, Lucky Strike and Pall Mall) continued their impressive performance and achieved overall volume growth of 17 per cent. These brands now represent over 21 per cent of BAT's volumes from subsidiaries, while international brands as a whole account for 40 per cent of the total.

BAT's profit from operations was 8 per cent higher at £ 2 622 million or 7 per cent higher on a 'like-for-like' basis, with Asia-Pacific, Latin America and the Africa and Middle East regions contributing to these results.

In Europe, profit at £ 781 million was slightly lower mainly as a result of very competitive trading conditions in a number of markets and the inclusion in the comparative period of a one-off benefit in Italy. Excluding this benefit, profit increased by £ 9 million, with strong growth from Russia, Hungary, Italy and France, largely offset by declines in Spain, Poland, Germany, the Netherlands and Ukraine. Regional volumes on a 'like-for-like' basis were 2 per cent higher

at 248 billion, with growth in Russia, France, Spain and Hungary partly offset by declines in Ukraine, Italy and Germany.

In Asia-Pacific, regional profit increased by £ 85 million to £ 616 million, mainly attributable to good performances in Australasia, Malaysia, South Korea and Pakistan. Volumes at 142 billion were 4 per cent higher as strong increases in Pakistan, Bangladesh, South Korea and Vietnam were partially offset by declines in Malaysia and Indonesia.

Profit in Latin America increased by £ 81 million to £ 611 million due to good performances across the region, coupled with a stronger average exchange rate in Brazil. Volumes grew in many of the markets which led to an overall increase of 2 per cent to 153 billion.

Profit in the Africa and Middle East region grew by £ 34 million to £ 468 million, mainly driven by South Africa, Nigeria, the Middle East and Egypt. Volumes were slightly higher at 103 billion, as a result of Nigeria, Egypt and the Middle East, partially offset by decreases in Turkey.

The profit from the America-Pacific region decreased by £ 12 million to £ 424 million, while volumes were down 3 per cent to 44 billion sticks. The increases in profit and volumes from Japan were more than offset by lower contributions from Canada.

BAT's associated companies grew their volumes by 4 per cent to 241 billion sticks. BAT's share of the post-tax results amounted to £ 431 million. Excluding exceptional items, the share of the post-tax results of associates, increased by £ 38 million to £ 427 million, mainly from Reynolds American and ITC. The contribution from Reynolds American, excluding brand impairment charges and the benefit from the favourable resolution of certain tax matters in both years as well as other exceptional charges in 2005, was £ 18 million higher at £ 285 million. This was mainly due to improved pricing and cost reductions, partially offset by lower volumes. The contribution from ITC, BAT's associate in India, increased by £ 11 million to £ 91 million.

Further information in respect of British American Tobacco can be obtained from that company's website: www.bat.com.

Analysis of underlying net profit attributable to unitholders

in € millions	March 2007			March 2006		
	Underlying	Non-recurring items	IFRS	Underlying	Non-recurring items	IFRS
Sales	4 827	-	4 827	4 308	-	4 308
Operating profit	900	16	916	713	28	741
Net profit - parent and subsidiaries	772	16	788	586	22	608
Share of post-tax profit of associates	578	(38)	540	526	(40)	486
Net profit attributable to unitholders	1 350	(22)	1 328	1 112	(18)	1 094
Underlying earnings per unit excluding non-recurring items						
Basic	€ 2.405		€ 2.366	€ 2.010		€ 1.978
Diluted basis	€ 2.369		€ 2.331	€ 1.983		€ 1.951

During the year, the Group realised non-recurring income of € 16 million, being a net gain on the disposal of a retail property by Alfred Dunhill.

During the prior year, the Group realised non-recurring income of € 28 million, being principally a gain on the disposal of a retail property by Cartier and the Group's disposal of Hackett, a menswear business. Net of taxation, this non-recurring income amounted to € 22 million.

The non-recurring items included in the Group's share of the results of its associate, British American Tobacco, amounted to a net charge of € 38 million in the year under review. This primarily reflected restructuring charges, net of gains and losses on the disposal of businesses and brands. Non-recurring items include those of BAT's subsidiary companies as well as its own associated companies.

The presentation of BAT's non-recurring items has been revised. The non-recurring expense reported for the comparative period has been revised from a charge of € 58 million at the pre-tax level reported last

year to a post-tax charge of € 40 million. The overall contribution from BAT on an IFRS basis remains unchanged.

The presentational change has no effect on the Group's IFRS-reported results or balance sheet. The comparative, underlying net Group profit shown above has been amended, together with the underlying earnings per unit. The revised underlying net profit attributable to unitholders for the year ended 31 March 2006 is € 1 112 million. The amount previously reported was € 1 130 million.

Excluding non-recurring items from both years, attributable net profit in the year to 31 March 2007 would have been € 1 350 million compared to € 1 112 million in the prior year, an increase of 21 per cent.

Excluding non-recurring items, Richemont's basic earnings per unit would have increased by 20 per cent from € 2.010 to € 2.405 and diluted earnings per unit would have increased by 19 per cent from € 1.983 to € 2.369.

Cash flow

in € millions	March 2007	March 2006
Operating profit	916	741
Depreciation and other non-cash items	175	159
Increase in working capital	(121)	(126)
Cash generated from operations	970	774
Dividends received from associate	280	247
Net interest received	27	2
Taxation paid	(177)	(85)
Net acquisitions of tangible fixed assets	(201)	(166)
Net acquisitions of intangible assets	(20)	(23)
Other investing activities, net	(126)	(4)
Net cash inflow before financing activities	753	745
Dividends paid to unitholders	(612)	(553)
Ordinary dividend	(334)	(276)
Special dividend	(278)	(277)
Decrease in borrowings and other financing activities	(14)	(43)
Net proceeds from sale of treasury units	63	90
Exchange rate effects	17	(6)
Increase in cash and cash equivalents	207	233
Cash and cash equivalents at the beginning of the year	1 416	1 183
Cash and cash equivalents at end of year (1)	1 623	1 416
Borrowings	(482)	(532)
Net cash at the end of the year	1 141	884

The Group's net cash position at 31 March 2007 was € 1 141 million compared with € 884 million twelve months earlier. The increase in net cash largely reflected the net cash inflow before financing activities of € 753 million, partly offset by the payment of dividends to unitholders in September 2006.

The net cash inflow from operations totalled € 970 million for the year, the increase in earnings being partially offset by increases in inventories and debtors. The increase in trade debtors was lower than the level of wholesale sales growth.

Net acquisitions of tangible fixed assets amounted to € 201 million. This included investments in the boutique network, including flagship boutiques for Van Cleef & Arpels and Montblanc, as well as the further development of the Maisons' manufacturing facilities. Certain development costs associated with the implementation of the Group-wide IT-based, enterprise

resource planning system were also capitalised during the year.

Dividends received from BAT comprised the final dividend in respect of its financial year ended 31 December 2005 and the interim dividend for the 2006 financial year.

During the year, some 5.4 million treasury units were sold by the company in connection with the exercise of stock options by executives, resulting in a gross cash inflow of € 77 million. The Group currently uses over-the-counter call options over Richemont units to hedge its exposure to executives in terms of the stock option plan. The cost of such options is included in the net proceeds from sale of treasury units above.

(1) Cash and cash equivalents are as per the consolidated cash flow statement on page 19 of this report.

Summarised balance sheet

in € millions	<u>31 March 2007</u>	<u>31 March 2006</u>
Non-current assets		
Fixed assets	922	809
Investment in associated undertakings	3 506	3 347
Other non-current assets	546	450
	<u>4 974</u>	<u>4 606</u>
Net current assets	<u>1 594</u>	<u>1 476</u>
Net operating assets	<u>6 568</u>	<u>6 082</u>
Net cash	1 141	884
Cash and cash equivalents	1 623	1 416
Borrowings	(482)	(532)
Other non-current liabilities	(196)	(185)
	<u>7 513</u>	<u>6 781</u>
Equity		
Unitholders' equity	7 511	6 773
Minority interests	2	8
	<u>7 513</u>	<u>6 781</u>

The Group's principal associated undertaking is British American Tobacco, in which it held a 19 per cent interest at 31 March 2007. BAT's market capitalisation at that date, based on 2 055 million ordinary shares in issue, amounted £ 32 658 million. The fair value of the Group's investment in British American Tobacco therefore amounted to £ 6 197 million or € 9 130 million at 31 March 2007.

Net current assets were € 118 million above the level of the prior year-end at € 1 594 million. Net inventories increased by 7 per cent to € 1 732 million, although stock rotation rates improved to 15.1 months (2006: 15.5 months). Year-end trade debtors increased by some 7 per cent, reflecting both the seasonality of wholesale sales and the growth seen during the latter part of the year. The increases in inventories and debtors were partly offset by increases in current liabilities, primarily relating to trade and other creditors.

Net cash at 31 March 2007 amounted to € 1 141 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, euros, yen, US dollars, Hong Kong dollars and Swiss francs. Borrowings reflect the financing of net operating assets in the countries concerned.

The Group's equity amounted to € 7 513 million, net of the cost of repurchased treasury units and related instruments. These treasury units are held as a hedge against the exercise of executive unit options. At 31 March 2007, the group held 12.8 million treasury units, representing 2.5 per cent of the total number of the 'A' bearer units in issue.

Proposed dividend

The Board has proposed an ordinary dividend of € 0.65 per unit, an increase of 8 per cent over the prior year's level. In addition, the Board has proposed that a special dividend of € 0.60 should be paid to unitholders. The total gross dividend thus amounts to € 1.25 per unit (2006: € 1.10 per unit). Withholding tax is payable on the proposed dividend to be paid by Compagnie Financière Richemont SA, Switzerland as detailed in the table below.

The dividends will be payable following the Annual General Meeting in September 2007. The anticipated dividend payment dates are as follows:

'A' unit dividend: Monday, 17 September 2007

South African Depository Receipt dividend: Friday, 28 September 2007

The dividend in respect of Richemont 'A' units is payable in euros.

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 euros to non-CMA residents.

The dividend will be paid as follows:

	Gross dividend per unit	Withholding tax @ 35%	Net payable per unit
Ordinary dividend			
Richemont SA, Luxembourg	€ 0.5960	-	€ 0.5960
Compagnie Financière Richemont SA, Switzerland	€ 0.0540	(€ 0.0189)	€ 0.0351
	<u>€ 0.6500</u>	<u>(€ 0.0189)</u>	<u>€ 0.6311</u>
Special dividend			
Richemont SA, Luxembourg	€ 0.6000	-	€ 0.6000
	<u>€ 1.2500</u>	<u>(€ 0.0189)</u>	<u>€ 1.2311</u>

Annual General Meeting

The Annual General Meeting of shareholders of Compagnie Financière Richemont SA will be held at 10.00 a.m. on Thursday 13th September 2007 at the Company's head office in Bellevue, Geneva.

Norbert Platt
Chief Executive Officer

Richard Lepeu
Group Finance Director

Compagnie Financière Richemont SA
Geneva, 24 May 2007

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**Extracts from the audited
consolidated financial statements
at 31 March 2007**

Consolidated balance sheet at 31 March

	2007	2006
	€ m	€ m
ASSETS		
Non-current assets		
Property, plant and equipment	808	742
Intangible assets	114	67
Investments in associated undertakings	3 506	3 347
Deferred income tax assets	268	261
Financial assets held at fair value through profit or loss	113	25
Other non-current assets	165	164
	<u>4 974</u>	<u>4 606</u>
Current assets		
Inventories	1 732	1 623
Trade and other receivables	658	602
Derivative financial instruments	15	7
Prepayments and accrued income	121	127
Cash at bank and on hand	1 881	1 628
	<u>4 407</u>	<u>3 987</u>
Total assets	<u>9 381</u>	<u>8 593</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	334	334
Participation reserve	645	645
Treasury units	(264)	(408)
Hedge and unit option reserves	151	72
Cumulative translation adjustment reserve	113	38
Retained earnings	6 532	6 092
Total Unitholders' equity	<u>7 511</u>	<u>6 773</u>
Minority interest	<u>2</u>	<u>8</u>
Total equity	<u>7 513</u>	<u>6 781</u>
LIABILITIES		
Non-current liabilities		
Borrowings	203	158
Deferred income tax liabilities	32	33
Retirement benefit obligations	103	101
Provisions	61	51
	<u>399</u>	<u>343</u>
Current liabilities		
Trade and other payables	488	404
Current income tax liabilities	160	202
Borrowings	28	50
Derivative financial instruments	2	11
Provisions	90	85
Accruals and deferred income	192	181
Short-term loans	251	324
Bank overdrafts	258	212
	<u>1 469</u>	<u>1 469</u>
Total liabilities	<u>1 868</u>	<u>1 812</u>
Total equity and liabilities	<u>9 381</u>	<u>8 593</u>

**Consolidated income statement
for the year ended 31 March**

		2007	2006
	<i>Notes</i>	€ m	€ m
Sales	<i>1</i>	<u>4 827</u>	<u>4 308</u>
Cost of sales		<u>(1 753)</u>	<u>(1 588)</u>
Gross profit		3 074	2 720
Selling and distribution expenses		(1 090)	(1 000)
Communication expenses		(570)	(503)
Administrative expenses		(503)	(509)
Other operating income	<i>3</i>	5	33
After:			
Net gain from sale of subsidiary undertaking		<u>-</u>	<u>11</u>
Operating profit		<u>916</u>	<u>741</u>
Finance costs	<i>4</i>	(58)	(57)
Finance income	<i>4</i>	89	62
Share of post-tax profit of associated undertakings	<i>2</i>	540	486
Profit before taxation		<u>1 487</u>	<u>1 232</u>
Taxation	<i>5</i>	<u>(158)</u>	<u>(136)</u>
Net profit		<u>1 329</u>	<u>1 096</u>
Attributable to:			
Unitholders		1 328	1 094
Minority interest		<u>1</u>	<u>2</u>
		<u>1 329</u>	<u>1 096</u>
Earnings per unit for profit attributable to Unitholders during the year (expressed in € per unit)			
- basic	<i>6</i>	<u>2.366</u>	<u>1.978</u>
- diluted	<i>6</i>	<u>2.331</u>	<u>1.951</u>

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

	Equity attributable to Unitholders					Total	Minority interest	Total equity	
	Unitholders' capital	Treasury units	Other reserves	Cumulative translation adjustment reserve	Retained earnings				Total
Balance at 1 April 2005	979	(560)	64	24	5 768	6 275	6	6 281	
Currency translation adjustments	-	-	-	14	-	14	-	14	
Cash flow hedges:									
- net losses	-	-	(29)	-	-	(29)	-	(29)	
- recycle to income statement	-	-	3	-	-	3	-	3	
Net share of expense of associated undertakings recognised directly in equity	-	-	-	-	(18)	(18)	-	(18)	
Net income / (expense) recognised directly in equity	-	-	(26)	14	(18)	(30)	-	(30)	
Net profit	-	-	-	-	1 094	1 094	2	1 096	
Total recognised income / (expense)	-	-	(26)	14	1 076	1 064	2	1 066	
Net share of transactions of associated undertakings with their equity holders	-	-	-	-	(137)	(137)	-	(137)	
Net changes in treasury units	-	152	-	-	(62)	90	-	90	
Employee unit option scheme	-	-	34	-	-	34	-	34	
Dividends paid	-	-	-	-	(553)	(553)	-	(553)	
Balance at 31 March 2006	979	(408)	72	38	6 092	6 773	8	6 781	
Currency translation adjustments	-	-	-	75	-	75	-	75	
Cash flow hedges:									
- net gains	-	-	22	-	-	22	-	22	
- recycle to income statement	-	-	(3)	-	-	(3)	-	(3)	
Net share of expense of associated undertakings recognised directly in equity	-	-	-	-	(97)	(97)	-	(97)	
Deferred taxation on unit option scheme	-	-	29	-	-	29	-	29	
Net income recognised directly in equity	-	-	48	75	(97)	26	-	26	
Net profit	-	-	-	-	1 328	1 328	1	1 329	
Total recognised income	-	-	48	75	1 231	1 354	1	1 355	
Acquisition of minority interest	-	-	-	-	-	-	(7)	(7)	
Net share of transactions of associated undertakings with their equity holders	-	-	-	-	(98)	(98)	-	(98)	
Net changes in treasury units	-	144	-	-	(81)	63	-	63	
Employee unit option scheme	-	-	31	-	-	31	-	31	
Dividends paid	-	-	-	-	(612)	(612)	-	(612)	
Balance at 31 March 2007	979	(264)	151	113	6 532	7 511	2	7 513	

Consolidated cash flow statement for the year ended 31 March

	<i>Note</i>	2007 € m	2006 € m
Cash flows from operating activities			
Cash flow generated from operations	7	970	774
Interest received		60	37
Interest paid		(33)	(35)
Dividends from associated undertaking		280	247
Taxation paid		(177)	(85)
Net cash generated from operating activities		<u>1 100</u>	<u>938</u>
Cash flows from investing activities			
Acquisition of subsidiary undertakings, net of cash acquired		(19)	(7)
Proceeds from disposal of subsidiary undertakings		-	15
Acquisition of associated undertakings		(4)	-
Acquisition of minority interest		(20)	-
Acquisition of property, plant and equipment		(207)	(210)
Proceeds from disposal of property, plant and equipment		6	44
Acquisition of intangible assets		(40)	(24)
Proceeds from disposal of intangible assets		20	1
Acquisition of other non-current assets		(102)	(39)
Proceeds from disposal of other non-current assets		19	27
Net cash used in investing activities		<u>(347)</u>	<u>(193)</u>
Cash flows from financing activities			
Proceeds from borrowings		284	81
Repayment of borrowings		(295)	(120)
Dividends paid		(612)	(553)
Payment for treasury units		(14)	-
Proceeds from sale of treasury units		77	90
Capital element of finance lease payments		(3)	(4)
Net cash used in financing activities		<u>(563)</u>	<u>(506)</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1 416	1 183
Exchange gains/(losses) on cash and cash equivalents		17	(6)
Cash and cash equivalents at end of year		<u>1 623</u>	<u>1 416</u>

Notes to the consolidated financial statements 31 March 2007

Accounting policies and basis of preparation

These consolidated financial statements of the Company are for the year ended 31 March 2007. 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.

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 opted to use 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 Jaeger-LeCoultre, Baume & Mercier, IWC, Vacheron Constantin, A. Lange & Söhne, Piaget and Officine Panerai.
- Writing Instrument Maisons - businesses whose primary activity includes the design, manufacture and distribution of writing instruments. These are Montblanc and Montegrappa.
- 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 cannot be meaningfully attributed to the segments.

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments, jewellery 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	
	2007	2006	2007	2006	2007	2006
	€ m	€ m	€ m	€ m	€ m	€ m
Sales:						
Jewellery Maisons	2 435	2 227	1	15	2 436	2 242
Specialist Watchmakers	1 203	1 063	5	9	1 208	1 072
Writing Instrument Maisons	585	497	11	7	596	504
Leather and Accessories Maisons	307	283	-	8	307	291
Other Businesses	297	238	97	75	394	313
	<u>4 827</u>	<u>4 308</u>	<u>114</u>	<u>114</u>	<u>4 941</u>	<u>4 422</u>
					2007	2006
Operating result:					€ m	€ m
Jewellery Maisons					667	616
Specialist Watchmakers					274	227
Writing Instrument Maisons					110	83
Leather and Accessories Maisons					(11)	(38)
Other Businesses					20	22
Corporate					(144)	(169)
Operating profit					<u>916</u>	<u>741</u>
Finance costs					(58)	(57)
Finance income					89	62
Operating profit before share of results of associated undertakings					<u>947</u>	<u>746</u>
Share of post-tax profit of associated undertakings					540	486
Profit before taxation					<u>1 487</u>	<u>1 232</u>
Taxation					(158)	(136)
Net profit					<u>1 329</u>	<u>1 096</u>

Net segment assets at 31 March are as follows:

	Segment assets		Segment liabilities		Net segment assets	
	2007	2006	2007	2006	2007	2006
	€ m	€ m	€ m	€ m	€ m	€ m
Net segment assets:						
Jewellery Maisons	1 656	1 550	(259)	(215)	1 397	1 335
Specialist Watchmakers	843	778	(135)	(107)	708	671
Writing Instrument Maisons	362	313	(80)	(70)	282	243
Leather and Accessories Maisons	169	150	(67)	(54)	102	96
Other Businesses	211	155	(86)	(57)	125	98
Corporate	485	411	(206)	(229)	279	182
	<u>3 726</u>	<u>3 357</u>	<u>(833)</u>	<u>(732)</u>	<u>2 893</u>	<u>2 625</u>
Investments in associated undertakings	3 506	3 347	-	-	3 506	3 347
Cash and cash equivalents	1 881	1 628	(258)	(212)	1 623	1 416
Short-term loans and borrowings	-	-	(482)	(532)	(482)	(532)
Retirement benefit obligations	-	-	(103)	(101)	(103)	(101)
Deferred and current income tax, net	268	261	(192)	(235)	76	26
Net assets	<u>9 381</u>	<u>8 593</u>	<u>(1 868)</u>	<u>(1 812)</u>	<u>7 513</u>	<u>6 781</u>

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	
	2007	2006	2007	2006
	€ m	€ m	€ m	€ m
Jewellery Maisons	104	96	54	48
Specialist Watchmakers	49	36	26	23
Writing Instrument Maisons	33	18	19	18
Leather and Accessories Maisons	20	11	11	10
Other Businesses	20	17	10	8
Corporate	34	56	24	27
	<u>260</u>	<u>234</u>	<u>144</u>	<u>134</u>

	Unit option costs	
	2007	2006
	€ m	€ m
Other non-cash items:		
Jewellery Maisons	6	6
Specialist Watchmakers	4	4
Writing Instrument Maisons	2	2
Leather and Accessories Maisons	1	1
Other Businesses	1	1
Corporate	19	22
	<u>33</u>	<u>36</u>

(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	
	2007	2006	2007	2006	2007	2006
	€ m	€ m	€ m	€ m	€ m	€ m
Europe	2 042	1 811	2 587	2 363	178	167
France	462	409	470	424	26	37
Switzerland	211	195	1 364	1 272	88	95
Germany, Italy and Spain	671	607	445	401	33	18
Other Europe	698	600	308	266	31	17
Asia	1 801	1 622	690	578	54	42
China/Hong Kong	600	492	278	166	21	10
Japan	731	723	276	277	22	20
Other Asia	470	407	136	135	11	12
Americas	984	875	449	416	28	25
USA	771	685	393	352	25	24
Other Americas	213	190	56	64	3	1
	<u>4 827</u>	<u>4 308</u>	<u>3 726</u>	<u>3 357</u>	<u>260</u>	<u>234</u>

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 2005	3 218	-	3 218
Exchange adjustments	41	-	41
Share of post-tax profit	486	-	486
Dividends received	(247)	-	(247)
Transfer from unlisted undertakings	-	4	4
Other equity movements	(155)	-	(155)
At 31 March 2006	3 343	4	3 347
Exchange adjustments	90	-	90
Share of post-tax profit	539	1	540
Dividends received	(280)	-	(280)
Acquisition of associated undertakings	-	4	4
Other equity movements	(195)	-	(195)
At 31 March 2007	<u>3 497</u>	<u>9</u>	<u>3 506</u>

Investments in associated undertakings at 31 March 2007 include goodwill of € 2 583 million (2006: € 2 510 million).

British American Tobacco ('BAT')

The summarised financial information in respect of the Group's share of results, assets and liabilities of its principal associated undertaking, BAT, is as follows:

	2007	2006
	€ m	€ m
Operating profit	<u>748</u>	<u>668</u>
After:		
Share of other expense	<u>(41)</u>	<u>(64)</u>
Finance costs	(106)	(106)
Finance income	28	37
Share of post-tax profit of associates	<u>118</u>	<u>115</u>
Profit before taxation	<u>788</u>	<u>714</u>
Taxation	<u>(205)</u>	<u>(191)</u>
Net profit	<u><u>583</u></u>	<u><u>523</u></u>
Attributable to:		
Minority interest	44	37
Share of post-tax profit	<u>539</u>	<u>486</u>
	<u><u>583</u></u>	<u><u>523</u></u>

Richemont accounts for its effective interest in BAT under the equity method. At 31 March 2007, the Group held an effective interest of 19.0 per cent in BAT. The Group has joint control of R&R Holdings SA, Luxembourg ('R&R') which holds 29.4 per cent of BAT, and this joint venture has the ability to exert significant influence over BAT, including representation on the Board of Directors. Thus, Richemont considers BAT to be an associated undertaking.

The market capitalisation of BAT ordinary shares at 31 March 2007 was £ 32 658 million (2006: £ 29 161 million). The fair value of the Group's effective interest of 19.0 per cent in BAT ordinary shares at that date was € 9 130 million (2006: effective interest 18.6 per cent, fair value € 7 796 million).

3. Other operating income

	2007	2006
	€ m	€ m
Royalty income - net	<u>13</u>	<u>15</u>
Profit on sale of an interest in a leasehold property	19	-
Net gain on disposal of subsidiary undertaking	-	11
Other income/(expenses)	<u>(27)</u>	<u>7</u>
	<u><u>5</u></u>	<u><u>33</u></u>

4. Net finance income

	2007	2006
	€ m	€ m
Finance income:		
Interest income on bank and other deposits	62	32
Dividend income on financial assets at fair value through profit or loss	2	4
Net changes in fair value of financial assets at fair value through profit or loss	16	-
Net foreign exchange gains on monetary items	-	26
Net foreign exchange gains on derivatives	9	-
Finance income	89	62
Finance costs:		
Interest expense:		
- bank borrowings	(32)	(18)
- other financial expenses	(2)	(3)
Net changes in fair value of financial assets at fair value through profit or loss	-	(15)
Net foreign exchange losses on monetary items	(24)	-
Net foreign exchange losses on derivatives	-	(21)
Finance costs	(58)	(57)
Net finance income	31	5

Foreign exchange gains of € 3 million (2006: losses of € 3 million) were reflected in cost of sales during the year.

5. Taxation

Taxation charge in the income statement:

	2007	2006
	€ m	€ m
Current tax	144	168
Deferred tax charge/(credit)	14	(32)
	158	136

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 2007 and 2006 were 16.7 per cent and 18.2 per cent respectively.

For current and future years the Group has implemented procedures to increase further the tax effects of the costs of share-based payments. This together with other one-time benefits, has significantly contributed to the decrease in the effective tax rate for the year. IFRS restrict the tax benefit from share-based payments that can be recognised through the income statement; accordingly an amount of € 29 million (2006: nil) is recognised directly in equity.

6. Earnings per unit

Basic

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

	2007	2006
Profit attributable to Unitholders of the Company (€ millions)	1 328	1 094
Weighted average number of units in issue (millions)	561.4	553.2
Basic earnings per unit (€ per unit)	2.366	1.978

Diluted

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

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

	2007	2006
Profit attributable to Unitholders of the Company (€ millions)	1 328	1 094
Weighted average number of units in issue (millions)	561.4	553.2
Adjustment for unit options (millions)	8.4	7.7
Weighted average number of units for diluted earnings per unit (millions)	569.8	560.9
Diluted earnings per unit (€ per unit)	2.331	1.951

7. Cash flow generated from operating activities

	2007	2006
	€ m	€ m
Operating profit	916	741
Depreciation and impairment of property, plant and equipment	121	115
Amortisation of intangible assets	23	19
Profit on disposal of property, plant and equipment	-	(19)
Profit on disposal of intangible assets	(19)	-
Increase in provisions	14	15
Increase in retirement benefit obligations	2	4
Non-cash items	34	25
Increase in inventories	(145)	(118)
Increase in trade debtors	(56)	(67)
Increase in other receivables, prepayments and accrued income	(37)	(27)
Increase in current liabilities	117	86
Cash flow generated from operations	970	774

8. Share-based payment

Unit option scheme

The Group has a long-term unit-based compensation scheme whereby executives are awarded options to acquire units at a pre-determined price. Awards under the unit 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. During the year ended 31 March 2007, awards of 3 343 800 options (2006: 4 475 100 options) were granted at a weighted average exercise price of CHF 53.10 (2006: CHF 41.25) per unit. Options in respect of 5 405 424 units (2006: 5 793 352 units) were exercised during the year at an average exercise price of CHF 23.18 (2006: CHF 24.68) per unit.

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 2007	Year to March 2006
Average		
United States dollar	1.28	1.22
Japanese yen	150.00	137.70
Swiss franc	1.59	1.55
Pound sterling	0.68	0.68
	31 March 2007	31 March 2006
Closing		
United States dollar	1.33	1.21
Japanese yen	157.22	142.77
Swiss franc	1.62	1.58
Pound sterling	0.68	0.70

Statutory Information

Shares of Compagnie Financière Richemont SA are indivisibly twinned with participation certificates issued by its wholly-owned subsidiary, Richemont SA, to form Richemont 'A' units. Richemont 'A' units are listed on the SWX Swiss Exchange and traded on the virt-x market (Reuters 'CFR.VX'/Bloombergs 'CFR VX'/ISIN CH0012731458) and are included in the Swiss Market Index ('SMI') of leading stocks. The ISIN of Richemont 'A' units is CH0012731458 and the Swiss 'Valorenummer' is 1273145. Depository receipts in respect of Richemont 'A' units are traded on the Johannesburg Stock Exchange, operated by JSE Limited (Reuters 'RCHJ.J'/Bloombergs 'RCH SJ').

The closing price of a Richemont 'A' unit on 31 March 2007 was CHF 67.95 and the market capitalisation of the Group's 'A' units on that date was CHF 35 470 million (2006: € 21 895 million). Over the preceding twelve months, the highest closing price of an 'A' unit was CHF 72.60 (22 January 2007), and the lowest CHF 50.50 (8 June 2006).

Compagnie Financière Richemont SA

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