

RICHEMONT

COMPANY ANNOUNCEMENT

15 May 2014

Richemont, the Swiss luxury goods group, announces its audited consolidated results for the year ended 31 March 2014 and proposed cash dividend

Financial highlights

- Sales grew by 5 % to € 10 649 million; and by 10 % at constant exchange rates
- Satisfactory broad-based growth
- Operating profit in line with the prior year at € 2 419 million
- Operating margin down to 22.7 %, primarily reflecting unfavourable exchange rate effects
- Profit for the year up by 3 % to € 2 067 million, including currency hedging gains
- Solid cash flow from operations of € 2 875 million
- Proposed dividend of CHF 1.40 per share

Key financial data (audited)

year ended 31 March

	2014	2013	Change
Sales	€ 10 649 m	€ 10 150 m	+ 5 %
Gross profit	€ 6 751 m	€ 6 519 m	+ 4 %
Gross margin	63.4 %	64.2 %	- 80 bps
Operating profit	€ 2 419 m	€ 2 426 m	+ 0 %
Operating margin	22.7 %	23.9 %	- 120 bps
Profit for the year	€ 2 067 m	€ 2 005 m	+ 3 %
Earnings per share, diluted basis	€ 3.676	€ 3.595	+ 2 %
Cash flow generated from operations	€ 2 875 m	€ 1 944 m	+ € 931 m
Net cash position	€ 4 659 m	€ 3 215 m	+ € 1 444 m

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 risk 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.

Chairman's commentary

Richemont today reports a satisfactory set of results for the year ended 31 March 2014, supported by improvements in Asia Pacific, the Americas and Japan.

Strength in the jewellery and specialist watch segments offset the softness of certain fashion Maisons and Montblanc. As a result, and taking into account the substantial currency headwinds which weighed on the Group's overall performance, operating profit was in line with the prior year. It includes provisions related to the reorganisation of Montblanc, but excludes any hedging gains or losses which are reported 'below' the operating profit line of the income statement.

Net profit increased by 3 %, including a € 214 million positive effect of the exchange rate hedging activities.

The increase in cash flow from operations reflects not only the significant benefits of the exchange rate hedging programme, but also the Maisons' tight working capital management. It allowed the Group to maintain its investment programme while strengthening its financial position: the Group's net cash position at 31 March 2014 was up by € 1.4 billion to € 4.7 billion.

Dividend

Based upon the results for the year and in keeping with its stated objective to grow dividends steadily over the long term, the Board has proposed a dividend of CHF 1.40 per share; up from CHF 1.00 per share last year.

Outlook

In the month of April, sales increased by 1 % at actual exchange rates, and by 6 % at constant exchange rates. At actual rates, all regions reported sales growth except for Japan, where the sales tax increase became effective on 1 April. The retail channel continued to outperform wholesale in all regions except Japan. Excluding Japan, sales increased by 4 % at actual exchange rates, and by 8 % at constant exchange rates.

Richemont remains focused on long-term organic growth and value creation for its clients, shareholders and employees. We intend to achieve this objective by offering desirable high quality products and by enhancing our production, product development, and increasingly distribution, through the consistent deployment of our business model across all the Maisons of the Group. We will continue to invest in talent, creativity and innovation, with a particular emphasis on markets with promising growth potential.

As previously announced, Mr Johann Rupert will conclude his sabbatical year of absence in September. He will stand for election as Chairman of the Board at Richemont's annual general meeting, to be held on 17 September 2014.

Yves-André Istel, Chairman

Compagnie Financière Richemont SA

Geneva, 15 May 2014

Financial Review

Sales

The 5 % increase in sales at actual exchange rates and 10 % at constant exchange rates reflected, in particular, growth in the Group's own retail network, as well as improvements in domestic demand in Europe, North America, Japan and sustained tourism worldwide. Demand for jewellery and *haute horlogerie* timepieces was robust. Further details of sales by region, distribution channel and business area are given in the Review of Operations on pages 5 to 8.

Gross profit

Gross profit increased by 4 %, marginally lower than the increase in sales. Accordingly, the gross margin percentage was 80 basis points lower at 63.4 % of sales. This decrease was primarily related to a negative currency environment, particularly due to the weakness of the yen and to a lesser degree the US dollar. This negative environment was partly offset by product pricing and the growing proportion of sales made through the Maisons' own boutiques.

Operating profit

Operating profit was in line with the prior year at € 2 419 million. The operating margin declined by 120 basis points to 22.7 % for the year.

The increase in gross profit was offset by the planned growth in operating expenses. Selling and distribution expenses were 6 % higher. Communication expenses increased by 4 % and continued to represent some 9 % of sales. Administration and other expenses grew by 8 %. The main increases within operating expenses were linked to depreciation charges and rentals, reflecting an expansion of the Maisons retail networks and higher expenses linked to retail turnover.

Profit for the year

Taking into account € 214 million of mark-to-market gains from the Group's currency hedging programme (2013: losses of € 120 million), profit for the year increased by 3 % to € 2 067 million.

Earnings per share on a diluted basis increased by 2 % to € 3.676.

To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the year ended 31 March 2014 would be € 2 078 million (2013: € 2 020 million). Basic HEPS for the year was € 3.721 (2013: € 3.672). Diluted HEPS for the year was € 3.687 (2013: € 3.607). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 28 of the Group's consolidated financial statements.

Cash flow

Cash flow generated from operations was € 2 875 million, € 931 million above the prior year. The additional cash generation reflected working capital movements: inventory levels increased by just 3 %; and the settlement of foreign exchange cash flow hedging derivatives generated a net cash inflow during the year of € 118 million (2013: a net cash outflow of € 175 million).

The acquisition of fixed assets and other investments amounted to € 719 million, reflecting selected investments in the Group's worldwide network of boutiques and further investments in manufacturing facilities, notably in Switzerland. Those investments followed the Maisons' own manufacturing integration and capacity-building strategies.

The 2013 dividend, at CHF 1.00 per share, was paid to shareholders net of withholding tax in September. The cash outflow in the year amounted to € 452 million.

During the year, the Group acquired 1.1 million 'A' shares to hedge executive stock options. The cost of these purchases was more than offset by proceeds from the exercise of stock options by executives and other activities linked to the hedging programme, leading to a net cash inflow of € 91 million.

Financial structure and balance sheet

Tangible and intangible assets increased by € 192 million during the year, after depreciation and amortisation charges.

Inventories at the year-end amounted to € 4 455 million (2013: € 4 326 million). This figure represents 17 months of gross inventories: the rotation rate remained stable thanks to disciplined management by all Maisons.

At 31 March 2014, the Group's net cash position amounted to € 4 659 million (2013: € 3 215 million). The net cash position includes short-term liquid bond funds as well as cash and cash equivalents net of all borrowings. Liquid bond funds and cash balances were primarily denominated in euros and Swiss francs, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned. Total borrowings, including bank borrowings and short-term loans, amounted to € 394 million.

Richemont's financial structure remains strong, with shareholders' equity representing 75 % of total equity and liabilities.

Proposed dividend

The Board has proposed a cash dividend of CHF 1.40 per share.

The dividend will be paid as follows:	Gross dividend <u>per share</u>	Swiss withholding <u>tax @ 35%</u>	Net payable <u>per share</u>
Cash dividend	CHF 1.40	CHF 0.49	CHF 0.91

The dividend will be payable following the Annual General Meeting, which is scheduled to take place in Geneva on Wednesday 17 September 2014.

The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Thursday 18 September 2014. Both will trade ex-dividend from Friday 19 September 2014.

The dividend on the Compagnie Financière Richemont 'A' shares will be paid on Wednesday 24 September 2014. The dividend in respect of the 'A' shares is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Friday 3 October 2014. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in Swiss francs to non-CMA residents. Further details regarding the dividend payable to South African Depository Receipt holders, including information relating to withholding taxes, may be found in a separate announcement dated 15 May 2014 on SENS, the Johannesburg stock exchange news service.

Review of Operations

1. Sales by region

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	Movement at:	
			<u>Constant exchange rates*</u>	<u>Actual exchange rates</u>
Europe	3 919	3 611	+ 11 %	+ 9 %
Asia Pacific	4 235	4 162	+ 6 %	+ 2 %
Americas	1 603	1 473	+ 14 %	+ 9 %
Japan	892	904	+ 23 %	- 1 %
	<u>10 649</u>	<u>10 150</u>	+ 10 %	+ 5 %

* movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2013.

Europe, including Middle East and Africa

Europe accounted for 37 % of overall sales. Following the previous year's high comparative growth, sales in the region moderated to a high single-digit rate. The highest rates of growth were in the Maisons' own boutiques located in tourist destinations, including Geneva, Paris, London and cities in the Middle East. The Maisons noted an improvement in domestic purchases. Markets in the Middle East and Africa reported strong double-digit growth.

Asia Pacific

Sales in the Asia Pacific region accounted for 40 % of the Group total, with Hong Kong and mainland China the two largest markets. The overall rate of growth during the year marginally improved. Sales growth in Hong Kong and Macau was satisfactory, whereas sales in mainland China were below the prior year's level. The decrease in mainland China reflected the performance in the wholesale channel. Korea and Australia enjoyed strong double-digit growth.

Americas

The Americas region, which accounted for 15 % of Group sales, posted an accelerated growth compared to the prior year, primarily driven by domestic demand.

Japan

Sales growth in Japan was robust, benefiting from strong domestic consumption. The significant increase partly stemmed from the impact of the yen's devaluation compared to other countries as well advanced purchasing decisions towards the financial year-end, linked to sales tax changes. The yen's devaluation boosted inbound tourism to Japan and discouraged outbound travel by Japanese customers. Exchange rate effects more than offset the sales growth in yen terms.

2. Sales by distribution channel

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	Movement at:	
			<u>Constant exchange rates*</u>	<u>Actual exchange rates</u>
Retail	5 849	5 440	+ 14 %	+ 8 %
Wholesale	4 800	4 710	+ 6 %	+ 2 %
	<u>10 649</u>	<u>10 150</u>	+ 10 %	+ 5 %

* movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2013.

Retail

Retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 8 %. Retail sales growth continues to exceed the growth in wholesale sales and 55 % of Group sales were generated through the Maisons' boutique networks during the year.

The growth in retail sales partly reflected the addition of 42 internal boutiques to the Maisons' network, which reached 1 056 stores, and the performance of Net-a-Porter's e-commerce businesses. The openings during the year were primarily in high-growth markets and tourist destinations.

Wholesale

The Group's wholesale business, including sales to franchise partners, reported moderate growth. The year's performance reflected the caution of wholesale partners in general.

3. Sales and operating results by segment

Jewellery Maisons

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	<u>Change</u>
Sales	5 438	5 206	+ 4 %
Operating results	1 890	1 818	+ 4 %
Operating margin	34.8 %	34.9 %	- 10 bps

The Jewellery Maisons - Cartier and Van Cleef & Arpels - grew by 4 % in a subdued environment.

The Maisons' boutique networks reported good growth and also benefitted from further openings. Demand for jewellery was particularly strong; demand for Cartier's watch collections was moderate, tempered by lower wholesale orders.

The operating margin was in line with the prior year at 35 %.

Specialist Watchmakers

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	<u>Change</u>
Sales	2 986	2 752	+ 9 %
Operating results	778	733	+ 6 %
Operating margin	26.1 %	26.6 %	- 50 bps

The Specialist Watchmakers' sales increased by 9 % overall and all reported improved results, including Baume & Mercier.

Operating contribution was 6 % higher than the prior year, notwithstanding substantial currency headwinds. The contribution margin for the year remained stable at 26 %.

Montblanc Maison

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	<u>Change</u>
Sales	730	766	- 5 %
Operating result	43	120	- 64 %
Operating margin	5.9 %	15.7 %	- 980 bps

Unfavourable currency effects and soft sales across product categories and geographies, particularly in mainland China, led to a 5 % sales decrease.

Compared with other Group businesses, Montblanc relies more on local customers in both established and new markets and enjoys fewer sales from tourism. Down to 6 % of sales, the lower operating contribution also reflected restructuring provisions amounting to € 25 million and the closure of numerous points of sale.

With effect from 1 April 2014, Montblanc Maison will be reported within the 'Other' segment.

Other

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	<u>Change</u>
Sales	1 495	1 426	+ 5 %
Operating results	(80)	(38)	- 111 %
Operating margin	(5.3) %	(2.7) %	- 260 bps

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

The increase in reported operating losses reflected the performances at Alfred Dunhill, Chloé and Lancel. Sales growth at Net-a-Porter continued to exceed the Group's average and that business reported improved results.

Losses at the Group's watch component manufacturing facilities were in line with the comparative year.

Corporate costs

In € millions	<u>31 March 2014</u>	<u>31 March 2013</u>	<u>Change</u>
Corporate costs	(212)	(207)	+ 2 %
Central support services	(203)	(188)	+ 8 %
Other operating (expense)/income, net	(9)	(19)	n/a

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central support services), as well as other expenses and income which are not allocated to specific business areas. Excluding charges incurred for social security stemming from the Group's stock option programme, central support services decreased by 5 %.

The Group's consolidated financial statements of comprehensive income, of cash flows and of financial position are presented in Appendix 1. Richemont's audited consolidated financial statements for the year may be found on the Group's website at <http://www.richemont.com/investor-relations/reports.html>

Bernard Fornas, Co-Chief Executive Officer

Richard Lepeu, Co-Chief Executive Officer

Gary Saage, Chief Financial Officer

Presentation

The results will be presented via a live internet webcast on 15 May 2014, starting at 09:00 (CET). The direct link will be available from 07:30 (CET) at: <http://www.richemont.com>

- Live listen-only telephone connection: call one of these numbers 10 minutes before the start of the presentation:
 - Europe +41 58 310 50 00
 - USA +1 866 291 4166
 - UK +44 203 059 5862
 - South Africa 0800 992 635 (toll free)
- An archived video webcast of the presentation will be available from:
 - <http://www.richemont.com/investor-relations/results-presentations.html>
- A transcript of the presentation will be available from:
 - <http://www.richemont.com/investor-relations/results-presentations.html>

Annual report

The Richemont Annual Report and Accounts 2014 will be published on or around 3 June 2014 and will be available for download from the Group's website at <http://www.richemont.com/investor-relations/reports.html>; copies may be obtained from the Company's registered office or by contacting the Company via the website at <http://www.richemont.com/contact.html>

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Statutory information

Primary listing

SIX Swiss Exchange (Reuters 'CFR.VX' / Bloomberg 'CFR:VX' / ISIN CH0210483332). The Swiss 'Valorennummer' is 21048333. Richemont 'A' registered shares are included in the Swiss Market Index ('SMI') of leading stocks.

The closing price of the Richemont 'A' share on 31 March 2014 was CHF 84.40 and the market capitalisation of the Group's 522 million 'A' shares on that date was CHF 44 057 million. Over the preceding year, the highest closing price of the 'A' share was CHF 95.55 (14 August 2013) and the lowest closing price of the 'A' share was CHF 68.15 (22 April 2013).

Secondary listing

Johannesburg stock exchange operated by JSE Limited (Reuters 'CFRJ.J' / Bloomberg 'CFR:SJ' / ISIN CH0045159024). South African depository receipts in respect of Richemont 'A' shares.

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Appendix 1

Consolidated statement of comprehensive income for the year ended 31 March

	2014 € m	2013 € m
Sales	10 649	10 150
Cost of sales	(3 898)	(3 631)
Gross profit	6 751	6 519
Selling and distribution expenses	(2 396)	(2 265)
Communication expenses	(974)	(939)
Administrative expenses	(940)	(876)
Other operating (expense) / income	(22)	(13)
Operating profit	2 419	2 426
Finance costs	(181)	(158)
Finance income	245	111
Share of post-tax results of equity-accounted investments	(5)	(4)
Profit before taxation	2 478	2 375
Taxation	(411)	(370)
Profit for the year	2 067	2 005
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gains	2	5
Tax on defined benefit plan actuarial gains	-	-
	2	5
Items that are or may be reclassified subsequently to profit or loss		
Currency translation adjustments		
- movement in the year	12	(86)
- reclassification to profit or loss	2	-
Cash flow hedges		
- reclassification to profit or loss	-	1
Tax on cash flow hedges	-	-
	14	(85)
Other comprehensive income, net of tax	16	(80)
Total comprehensive income	2 083	1 925
Profit attributable to:		
Owners of the parent company	2 072	2 013
Non-controlling interests	(5)	(8)
	2 067	2 005
Total comprehensive income attributable to:		
Owners of the parent company	2 088	1 933
Non-controlling interests	(5)	(8)
	2 083	1 925
Earnings per share attributable to owners of the parent company during the year (expressed in € per share)		
Basic	3.711	3.659
Diluted	3.676	3.595

Consolidated statement of cash flows for the year ended 31 March

	2014 € m	2013 € m
Operating profit	2 419	2 426
Depreciation and impairment of property, plant and equipment	339	295
Depreciation and impairment of investment property	2	-
Amortisation and impairment of other intangible assets	90	88
Loss on disposal of property, plant and equipment	2	6
Loss on disposal of intangible assets	2	1
Increase in long-term provisions	46	49
Decrease in retirement benefit obligations	(11)	(5)
Non-cash items	20	22
Increase in inventories	(144)	(582)
Increase in trade receivables	(53)	(91)
Decrease/(Increase) in other receivables and prepayments	5	(60)
Increase/(Decrease) in current liabilities	136	(209)
Increase in long-term liabilities	22	4
Cash flow generated from operations	2 875	1 944
Interest received	16	12
Interest paid	(34)	(30)
Other investment income	2	3
Taxation paid	(365)	(361)
Net cash generated from operating activities	2 494	1 568
Cash flows from investing activities		
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	(43)	(474)
Acquisition of equity-accounted investments	-	(1)
Acquisition of property, plant and equipment	(577)	(541)
Proceeds from disposal of property, plant and equipment	35	17
Acquisition of intangible assets	(98)	(71)
Proceeds from disposal of intangible assets	-	1
Acquisition of investment property	(1)	(18)
Investment in money market and government bond funds	(1 231)	(709)
Proceeds from disposal of money market and government bond funds	1 104	391
Acquisition of other non-current assets	(65)	(51)
Proceeds from disposal of other non-current assets	30	15
Net cash used in investing activities	(846)	(1 441)
Cash flows from financing activities		
Proceeds from borrowings	58	437
Repayment of borrowings	(121)	(129)
Acquisition of non-controlling interest	-	(3)
Dividends paid	(452)	(250)
Payment for treasury shares	(81)	(206)
Proceeds from sale of treasury shares	172	155
Capital element of finance lease payments	(2)	(1)
Net cash (used in)/generated from financing activities	(426)	3
Net change in cash and cash equivalents	1 222	130
Cash and cash equivalents at the beginning of the year	990	870
Exchange gains/(losses) on cash and cash equivalents	2	(10)
Cash and cash equivalents at the end of the year	2 214	990

Consolidated statement of financial position

at 31 March

Assets

Non-current assets

	2014 € m	2013 € m
Property, plant and equipment	1 966	1 787
Goodwill	562	561
Other intangible assets	403	391
Investment property	345	367
Equity-accounted investments	13	11
Deferred income tax assets	479	441
Financial assets held at fair value through profit or loss	9	59
Other non-current assets	315	327
	4 092	3 944

Current assets

Inventories	4 455	4 326
Trade and other receivables	933	922
Derivative financial instruments	109	50
Prepayments	101	100
Financial assets held at fair value through profit or loss	2 839	2 712
Cash at bank and on hand	3 389	2 443
	11 826	10 553

Total assets

	15 918	14 497
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Equity and liabilities

Equity attributable to owners of the parent company

Share capital	334	334
Treasury shares	(326)	(556)
Hedge and share option reserves	309	288
Cumulative translation adjustment reserve	1 338	1 324
Retained earnings	10 309	8 826
	11 964	10 216

Non-controlling interests

	(6)	(1)
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Total equity

	11 958	10 215
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Liabilities

Non-current liabilities

Borrowings	318	345
Deferred income tax liabilities	60	39
Employee benefits obligation	86	99
Provisions	191	176
Other long-term financial liabilities	192	167
	847	826

Current liabilities

Trade and other payables	1 325	1 324
Current income tax liabilities	364	282
Borrowings	76	142
Derivative financial instruments	5	83
Provisions	168	172
Bank overdrafts	1 175	1 453
	3 113	3 456

Total liabilities

	3 960	4 282
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Total equity and liabilities

	15 918	14 497
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