Richemont

Annual Report and Accounts 2014

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

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

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

Financial and operating highlights

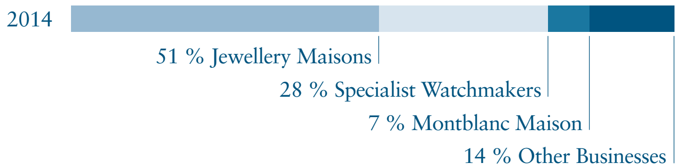
Group sales (€ m)

Operating profit (€ m)

Earnings per share, diluted basis (€)

Dividend per share

Sales by business area (% of Group)



Jewellery Maisons (€ m)

Specialist Watchmakers (€ m)

Montblanc Maison (€ m)

Other Businesses (€ m)

- 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

* Re-presented

Chairman's review

Yves-André Istel, Chairman

Overview of results

Richemont can report 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.

Business developments

The business review presented on pages 4 to 30 describes the year's developments in each of our Maisons, including the inauguration of Maison Giampiero Bodino.

Richemont's Maisons will continue to pursue their differentiated strategies and planned investment programmes. Those programmes, in their respective manufacturing facilities and distribution networks, are complemented by Richemont's shared service platforms in Switzerland and around the world.

During the year, Richemont completed its portfolio review and concluded that shareholders' interests would be best served through further investment in all of the Maisons to assure their long-term prosperity. Underlining this commitment, gross capital spending amounted to € 719 million, or 7 % of sales. This was primarily in European manufacturing, including Swiss watchmaking and French jewellery, and in the Maisons' worldwide network of boutiques. There were no material business acquisitions during the year.

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.

Annual General Meeting

At last year's Annual General Meeting ('AGM'), shareholders approved the proposed amendments to the Company's Articles of Incorporation. Consequently Richemont's 'A' bearer shares became 'A' registered shares. The 'A' registered shares enjoy the same rights as before, including dividend and voting rights. Voting rights may only be exercised if the owner, or its nominee, has come onto the share register. The former 'share blocking' requirements of bearer shares have disappeared following this change and have been replaced by a record date for voting at the 2014 AGM.

Our shareholders will be asked to approve the 2014 compensation report in a non-binding vote. Your Board has listened to the issues raised last year by certain investors and has incorporated additional disclosures on pages 51 to 59 of the report. The Board believes that the Company's compensation arrangements for non-executive and executive directors are well aligned with the interests of its shareholders. With regard to the 'Minder Initiative' voted by the Swiss people in March 2013, which has given rise to changes in Swiss company law, Richemont will implement the changes to its Articles of Incorporation at its 2015 AGM. Those changes will include a binding vote on the Company's compensation arrangements.

Mr Johann Rupert, formerly Chairman of the Board, did not stand for re-election at the 2013 AGM. Rather, he took a sabbatical year of absence from Richemont's affairs. During Mr Rupert's sabbatical year, your Board appointed me as Chairman and Mr Josua Malherbe as Deputy Chairman. Mr Johann Rupert will conclude his sabbatical year and stand for election as Chairman of the Board at Richemont's 2014 AGM.

Dr Franco Cologni, who has served the Group exceptionally well for over 40 years and been a member of the Board since 2002, will not be standing for re-election. However, we are fortunate that he will continue to support the Maisons in a range of creativity- and craftsmanship-related matters. Richemont's other independently-minded, non-executive directors are standing for re-election. The wealth of their combined business experience, including the design, production and distribution of luxury goods, continue to make a significant contribution to the Group's prosperity and to the superior returns enjoyed by all of Richemont's shareholders since 1988.

Management changes

Your Board includes three highly experienced and very able executive directors: Messrs Bernard Fornas and Richard Lepeu, Richemont Co-Chief Executive Officers; and Mr Gary Saage, Chief Financial Officer. These three, together with Dr Frederick Mostert and the members of the Group Management Committee, have continued to implement our strategic objectives in the field of luxury goods. Your Board thanks them and the 30 000 employees of the Group and its Maisons for their dedication and hard work.

A number of changes to the Group Management Committee took place during the year. Your Board again thanks those who no longer serve on the Committee, including Mr Lutz Bethge, formerly Chief Executive Officer of Montblanc, and Mr Albert Kaufmann, formerly General Counsel. Joining the Group Management Committee on 1 April 2014 are Mr Nicolas Bos, Chief Executive Officer of Van Cleef & Arpels; and Mr Daniel Riedo, Chief Executive Officer of Jaeger-LeCoultre.

Peace Parks Foundation and Laureus

On pages 39 and 40, you may read about the commendable work of the Peace Parks Foundation and the Laureus Sport for Good Foundation ('Laureus'). The Peace Parks Foundation has created and continues to protect a network of vast ecosystems that traverse Southern Africa's political borders. Laureus uses the power of sport to improve the lives of disadvantaged young people around the world. Laureus also celebrates sporting excellence at the annual Laureus World Sports Awards, held most recently in Kuala Lumpur, Malaysia. Richemont is proud to be associated with the inspiring vision of these Foundations and invites you to join us in supporting their work.

Also, each of Our Maisons support the activities of charitable bodies around the world. These are primarily in areas related to the arts, museums, medical research, child welfare and education.

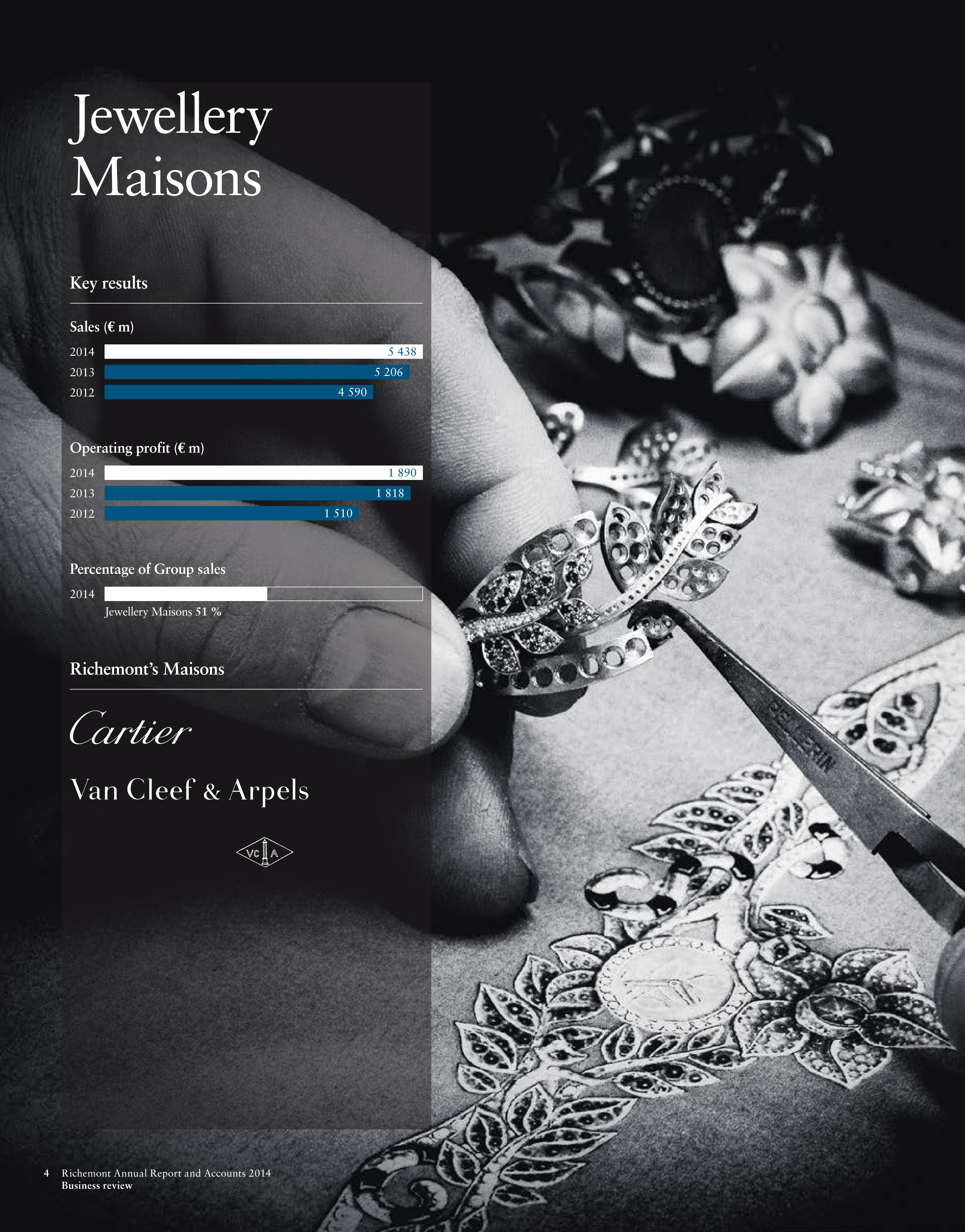
Outlook

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.

Yves-André Istel
Chairman

Compagnie Financière Richemont SA
Geneva, 15 May 2014



Jewellery Maisons

Key results

Sales (€ m)

2014	5 438
2013	5 206
2012	4 590

Operating profit (€ m)

2014	1 890
2013	1 818
2012	1 510

Percentage of Group sales

2014

Jewellery Maisons 51 %

Richemont's Maisons

Cartier

Van Cleef & Arpels

Cartier

Founded in 1847, Cartier is not only one of the most established names in the world of jewellery, it is also the reference of true and timeless luxury. Referred to as The Maison Cartier, it distinguishes itself by its mastery of all the unique skills and crafts used for the creation of a Cartier piece. Driven by a constant quest for excellence in design, innovation and execution, the Maison has successfully managed over the years to stand in a unique and enviable position, that of a leader and pioneer in its field.

5th Avenue boutique, New York

- In 2013, Cartier was hosted by two prestigious museums in China and France, displaying pieces either from the Cartier Collection or lent from private owners.
- The new Cartier Eyewear Manufacture was opened near Paris, confirming Cartier's position as one of the few Maisons with its own eyewear manufacture.
- The Cartier Charitable Foundation, created in 2012, has been developing important partnerships with eleven organisations and supporting projects in 18 countries.

The creativity and distinctive style, which are at the heart of the Maison's ongoing leadership in jewellery, were once again highlighted during the unveiling of the latest Cartier High Jewellery collection. *L'Odyssée de Cartier – Parcours d'un style* was presented to invited guests first in Lisbon, then in the Middle East and Asia regions. More than 150 unique pieces designed a creative path and opened new stylistic horizons. Other jewellery highlights included the new *Paris Nouvelle Vague* collection, an audacious collection inspired by Paris, its architecture and the Parisian way of life.

The Maison Cartier stands for creative watchmaking. For the 2014 edition of the Salon International de la Haute Horlogerie, Cartier expressed the excellence of its craftsmanship with the launch of innovative timepieces bearing the Maison's creative stamp such as the *Rotonde de Cartier Astrocalendaire* and the *Rotonde de Cartier Earth and Moon*. The *Tortue*, created in 1912, proved its ageless classicism and has gained new character and energy, refreshed with a touch of femininity. The *Calibre de Cartier* also opened a new chapter with a diving version: the *Calibre de Cartier Diver*. Savoir-faire and métiers d'art were also present, with watches such as the *Ballon Bleu de Cartier* floral-marquetry parrot watch. A newcomer in the *Ballon de Cartier* family is the feminine and precious *Ballon Blanc de Cartier*.

The new Cartier Eyewear Manufacture was opened near Paris. This confirmed Cartier's position as one of the few Maisons with its own eyewear manufacture, thereby ensuring compliance with Cartier's high standards in all fields.

Cartier's ability to showcase all of its creations in the ultimate retail environment has been, more than ever, at the centre of the Maison's priorities. As a result, its retail footprint has undoubtedly become one of its prime assets. Built around a stable network of 300 Cartier boutiques, the Maison constantly and tirelessly assesses its retail experience. A warm welcome, comfort, luxuriousness and appeal in the presentation of creations have all been areas of particular attention. 'Geneva 35' reopened in November. The result is a truly cosmopolitan destination, and the presence of the *Poinçon de Genève* workshops on site makes for a venue where Fine Watchmaking comes into its own. In December, Cartier opened its largest Russian boutique in a refined private mansion in Moscow. This non-exhaustive list of boutiques also includes Lisbon, Paris Capucines, Abu Dhabi Sowwah, and Singapore.

Cartier

To complement and support the appeal of the Maison's boutiques, Cartier can count on one of its major assets: its communication. With the red Cartier box as an underlining signature, Cartier's communication has achieved a level of recognition and impact equalled by few. In another area, the Cartier digital platform continues to enhance the friendliness of the Maison's online services whilst dramatically boosting its evocative appeal as in the new Winter Tale animation presented every year.

Since 1989, the year of its first exhibition at the Petit Palais in Paris, Cartier has been shown in 25 of the world's greatest museums. In 2013, Cartier was hosted by two prestigious museums in China and France, displaying pieces either from the Cartier Collection or lent from private owners. *A Story of Style and Heritage* was held in Shenyang's Liaoning Provincial Museum. *Cartier. Le Style et l'Histoire*, organised by the Réunion des Musées Nationaux – Grand Palais, Paris can be summed up in a few figures: 235 000 visitors, over 530 creations from the Cartier Collection, 64 objects lent by private collectors – among them Her Majesty, Queen Elizabeth II.

Widely recognised in the art world as an active and esteemed institution for three decades, this year the Fondation Cartier pour l'art contemporain welcomed Ron Mueck's works: a resounding success with 300 000 visitors who contemplated the Australian sculptor's unsettling human figures. *América Latina* offered a veritable immersion into the history of the South American continent from 1960 to the present.

In addition, the Cartier Charitable Foundation, created in 2012, has been developing important partnerships with eleven organisations, mostly non-governmental, and supporting projects in 18 countries.

In the year ahead, Cartier will unveil a spectacular collection of High Jewellery during the *Biennale de Paris* in September. The *Panthère* theme both in Jewellery and High Jewellery will also be in the limelight along with the *Amulette* jewellery collection. The Maison des Métiers d'Art in La-Chaux-de-Fonds, Switzerland will embody the values of artistry and craftsmanship, which are at the heart of Cartier's identity. The Cartier Collection will be exhibited in Shanghai and Denver and the 30th anniversary of the Fondation Cartier pour l'art contemporain will highlight the year.

Stanislas de Quercize
Chief Executive

Bond Street boutique, London

13 rue de la Paix boutique, Paris

Established 1847
13 rue de la Paix, Paris, France
Chief Executive Stanislas de Quercize
Finance Director François Lepercq
www.cartier.com

Van Cleef & Arpels

Created in 1906, Van Cleef & Arpels is a High Jewellery Maison incarnating the values of creation and the transmission of exceptional savoir-faire. Each new collection of jewellery and timepieces is inspired by the strong heritage of the Maison and tells a unique story invoking universal culture and eternal values.

Van Cleef & Arpels on Place Vendôme, Paris

- The Maison continues to enrich its signature collections through new unique creations: *Zip, Butterfly*, floral designs, *Mystery Setting* and *Pierres de Caractère*.
- The Maison opened nine boutiques this year, strengthening its presence in China, the Middle East and Switzerland, and leading to a network of 104 boutiques.
- In March 2013, the Maison took part for the first time in the prestigious TEFAF Maastricht Fair.

From the outset, the story of Van Cleef & Arpels has been punctuated by legendary stones and unique jewels. This year the Maison paid tribute to its own heritage with a High Jewellery thematic collection, *Pierres de Caractère – Variations*, which was revealed in Venice. The Maison also continues to enrich its signature collections through new unique creations: *Zip, Butterfly*, floral designs, *Mystery Setting* and *Pierres de Caractère*.

This year's jewellery launches included variations on some of the Maison's pillars: yellow gold *Perlée* creations and malachite for the *Alhambra* collection. The Maison also continued to support and assert ownership of *Between the Finger Rings* with ongoing communication. Bridal was also a major highlight, through creation of solitaires featuring distinctive designs and exceptional coloured stones and diamonds above one carat.

Van Cleef & Arpels' new timepieces epitomise the *Poetry of Time*, paying tribute to a harmonious nature, scattered with lucky charms, colourful butterflies or graceful ballerinas. The major highlights of 2013 were *the Lady Arpels Ballerine Enchantée Poetic Complication*, the *Lady Arpels Papillon Extraordinaire* and the *Charms Extraordinaires*. The Maison also continued enhancing the *Pierre Arpels* line, with a new masculine creation: the *Pierre Arpels Bracelet Or*.

Van Cleef & Arpels opened nine boutiques this year, strengthening its presence in China, the Middle East and Switzerland, and leading to a network of 104 boutiques. The Maison also celebrated the reopening of its New York 5th Avenue boutique.

Van Cleef & Arpels continued to reinforce its links to culture with two new exhibitions: 'A Quest for Beauty: The Art of Van Cleef & Arpels' at the Bowers Museum in California, and 'Van Cleef & Arpels, 50 ans d'histoires' in the Maison's Geneva boutique.

In March 2013, the Maison took part for the first time in the prestigious TEFAF Maastricht Fair. Additionally, the Maison initiated a long-term partnership with the L.A. DANCE Project and the choreographer Benjamin Millepied, leading to the *Reflections* ballet presented in Paris in May 2013.

In July, *l'ÉCOLE Van Cleef & Arpels* – with a nomadic concept – travelled for 15 days to Japan and, in January 2014, it inaugurated its permanent address close to Place Vendôme.

In order to create paths and content for its employees, the Maison developed training programmes based on three values: Care, Search for Excellence, and Transmission. A particular emphasis was placed on recruiting and training retail trainers.

For the coming year, projects include: continuing to upgrade and strengthen the boutique network; improving the Maison's signature collections; and spreading the experience of *l'ÉCOLE*.

Nicolas Bos
Chief Executive

Established 1906
22 place Vendôme, Paris, France
Chief Executive Nicolas Bos
Finance Director Burkhart Grund
www.vancleefarpels.com

Specialist Watchmakers

Key results

Sales (€ m)

2014	2 986
2013	2 752
2012	2 323

Operating profit (€ m)

2014	778
2013	733
2012	539

Percentage of Group sales

2014

Specialist Watchmakers 28 %

Richemont's Maisons

A. LANGE & SÖHNE GLASHÜTTE I/SA

OFFICINE PANERAI FIRENZE 1860

BAUME & MERCIER MAISON D'HORLOGERIE GENEVE 1830

PIAGET

IWC SCHAFFHAUSEN

ROGER DUBUIS HORLOGER GENEVOIS

JAEGER-LECOULTRE

VACHERON CONSTANTIN Manufacture Horlogère. Genève, depuis 1755.

Joint venture

RALPH LAUREN WATCH AND JEWELRY CO.

A. LANGE & SÖHNE
GLASHÜTTE I/SA

A. Lange & Söhne creates outstanding, hand-finished, mechanical timepieces with challenging complications that follow a clear and classical design line. Innovative engineering skills and traditional craftsmanship of the highest level guarantee state-of-the-art calibre design, the utmost mechanical precision, and meticulously hand-finished movements.


Old family home and manufacturing building, built in 1873

- The present generation of A. Lange & Söhne elegant timepieces includes 49 in-house calibres, each revealing its unmistakable origins in high-precision Lange pocket watches.
- The Maison took part in the first Hong Kong Watches & Wonders exhibition in September 2013 and will do so again in 2014.
- A. Lange & Söhne timepieces are now available in 60 countries.

The present generation of A. Lange & Söhne has developed 49 different in-house calibres, each revealing its unmistakable origins in high-precision Lange pocket watches. In 2013, the Maison received 20 international awards for its products and for the Maison itself.

This year, Lange's key note was precision beyond accuracy. The moon-phase display of the *Grand Lange 1 Moon Phase*, manufactured with a patented coating process for brilliant colours, will only have to be corrected by one day every 122.6 years. Even greater precision is achieved by the patent-pending orbital moon-phase display of the *Richard Lange Perpetual Calendar 'Terraluna'*, which for the first time in a Lange watch is integrated on the movement side. With the highest accuracy, it shows the phases and the location of the moon relative to the earth and the sun. The mechanism reproduces the synodic month so precisely that it takes 1 058 years before the display needs to be corrected by one day. The new *1815 Tourbillon* was also designed for superior precision. It combines Lange's proprietary stop-seconds mechanism for the tourbillon with the patented Zero-Reset handsetting device.

Besides the presentation of the new collection at the Salon International de la Haute Horlogerie in January, the Maison took part in the first Hong Kong Watches & Wonders exhibition in September 2013 and will do so again in 2014.

To support the education of the next generation of watchmakers, A. Lange & Söhne has organised the international F. A. Lange Scholarship & Watchmaking Excellence Award for the fourth time in 2013 and will continue with this programme.

The Maison is perpetuating sponsorships for the Dresden State Art Collections and the Concorso d'Eleganza Villa d'Este, a renowned contest for beauty and elegant design among classic automobiles.

A. Lange & Söhne timepieces are now available in 60 countries. The Maison opened a new boutique in Munich, its twelfth in the world, and in the year ahead, new boutiques will be opened in New York, Miami and Moscow.

On 24 October 2014, the Maison will celebrate the 20th anniversary of the present generation's first collection, including the *Lange 1*. In 2015, the 200th birthday of Ferdinand A. Lange will be celebrated. A new manufactory building is under construction and will be opened in summer 2015, creating ideal conditions for sustainable growth.

Wilhelm Schmid
Chief Executive

Established 1845
Ferdinand-A.-Lange-Platz 1, Glashütte, Germany
Chief Executive Wilhelm Schmid
Finance Director Beat Bührer
www.lange-soehne.com

BAUME & MERCIER

MAISON D'HORLOGERIE GENEVE 1830

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

Baume & Mercier headquarters in Geneva

- Baume & Mercier marked 2013 with the launch of the emblematic *Clifton* collection, a tribute to the Maison's watchmaking heritage.
- The year also saw the development of the Maison's visibility and recognition in Asia, through events such as the Watches & Wonders exhibition in Hong Kong.
- Well established on social networks, Baume & Mercier currently has 450 000 fans on Facebook.

Baume & Mercier marked 2013 with the launch of the emblematic *Clifton* collection, a tribute to the Maison's watchmaking heritage, symbolised by a contemporary look with a twist of classic elegance. Appreciated for the quality of design and reliable mechanisms, the *Clifton* enjoyed rapid acceptance. These creations, all inspired by an historical model, have been reinterpreted in order to focus on essentials and thus preserve the very spirit of the Maison: affordable luxury through perfect mastery of well-balanced shapes.

Firmly rooted in the history of our Maison, which is one of the oldest in the Swiss watch industry, the feminine segment has always been of particular importance and was enhanced by some additional models in the year. New variations in the *Linea* collection, with automatic movements, and the *Hampton* line, with more sensitive dimensions, joined the offer for ladies.

The year also saw the development of the Maison's visibility and recognition in Asia, through events such as the Watches & Wonders exhibition in Hong Kong. This event, where the Maison's heritage and expertise were presented, enabled Baume & Mercier to be recognised as a major presence in the Swiss watch industry, confirming the Maison's credentials. Within this context, Baume & Mercier has developed its point-of-sales network in China through a joint venture with Chow Tai Fook. This expansion is combined with a guarantee of quality established in each of our dedicated corners and shop-in-shops.

The coming year will focus on three priorities: to extend the *Clifton* collection with novelties; to communicate the feminine segment through the unveiling of a new collection, first shown at the Salon International de la Haute Horlogerie in January; and to revisit great lifetime celebrations through a Peter Lindbergh-photographed campaign.

In parallel, the Maison keeps its focus on the digital sphere. Well established on social networks, Baume & Mercier currently has 450 000 fans on Facebook, confirming that Baume & Mercier collections fully embody the values of quality, timeless aesthetics and affordability: values that enable the Maison to reach a broad public seeking to combine the art of living with timeless elegance.

Alain Zimmermann
Chief Executive

Established 1830
50 chemin de la Chênaie Bellevue, Geneva, Switzerland
Chief Executive Alain Zimmermann
Finance Director Jean-Baptiste Dembreville
www.baume-et-mercier.com

IWC
SCHAFFHAUSEN

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

IWC headquarters in Schaffhausen

- The completely remodelled *Ingenieur* watch collection from IWC Schaffhausen was supported by the partnership with Mercedes AMG Petronas Formula One™ Team.
- IWC continues as Official Timekeeper of the Volvo Ocean Race for the twelfth edition in 2014-15.
- IWC Schaffhausen pursued its selective distribution strategy by opening nine boutiques in key cities worldwide.

The completely remodelled *Ingenieur* watch collection from IWC Schaffhausen, revealed at the 2013 Salon International de la Haute Horlogerie, was supported by the partnership with Mercedes AMG Petronas Formula One™ Team. IWC's design engineers took their inspiration from materials typically used in motorsport, such as carbon fibre, ceramic and titanium. The collection features *haute horlogerie* complications which confirm the reputation of IWC Schaffhausen as a company that has been engineering innovative timepieces for more than 140 years.

IWC continues as Official Timekeeper of the Volvo Ocean Race for the twelfth edition in 2014-15, and also renewed its commitment as Official Sponsor of Abu Dhabi Ocean Racing. This co-operation will provide a communication platform for the *Portuguese* line.

IWC Schaffhausen pursued its selective distribution strategy by opening nine boutiques in key cities worldwide. Highlights were the opening of the new boutiques in Zürich and Rome.

On the occasion of the first Watches & Wonders exhibition in Hong Kong, IWC celebrated the 70th birthday of Antoine de Saint-Exupéry's highly popular novella The Little Prince with the launch of two limited special editions. A unique watch in platinum was sold for CHF 173 000 at the Sotheby's Geneva auction of Important Watches to finance the construction of a new school building and library in Cambodia and contribute to the fight against illiteracy.

As sponsor of the Dubai International Film Festival, the Beijing International Film Festival and Official 'Festival-Time' Partner at the Tribeca Film Festival in New York, IWC Schaffhausen expressed its passion for the art of cinema.

The 2014 *Aquatimer* collection comes with inspired technical features, in-house calibres and, for the first time, a perpetual calendar. Bronze also made its debut as a metal for the watch case. IWC Schaffhausen launched four special editions in support of the work of the Charles Darwin Foundation and the Cousteau Society.

In the coming years, IWC Schaffhausen will pursue its selective distribution strategy. The Maison will continue to invest strongly in its production capacity in Schaffhausen with a strong focus on the development and production of IWC-manufactured movements and new *haute horlogerie* complications.

Georges Kern
Chief Executive Officer

Established 1868
Baumgartenstrasse 15, Schaffhausen, Switzerland
Chief Executive Officer Georges Kern
Chief Financial Officer Christian Klever
www.iwc.com

Since its founding in 1833, Jaeger-LeCoultre has created over 1 200 calibres and registered more than 400 patents, placing the Manufacture at the forefront of invention in fine watchmaking. Its leading position stems from its full integration with over 180 savoir-faires gathered under one roof, in the heart of the Vallée de Joux.

Boutique Bahnhofstrasse, Zürich

- After celebrating its 180th year of tireless invention, Jaeger-LeCoultre surpassed itself with a new exceptional collection: the *Hybris Artistica*.
- *Hybris Artistica* further enhances the Maison's iconic masterpieces, which have continued to enjoy strong demand.
- Enhancing its visibility, Jaeger-LeCoultre sponsored the 120th Argentine Polo Open in Palermo, Buenos Aires.

After celebrating its 180th year of tireless invention, Jaeger-LeCoultre surpassed itself not only in the field of *Grandes Complications* (eleventh opus the *Hybris Mechanica*), but with a new exceptional collection: the *Hybris Artistica*. Composed of twelve unique and precious timepieces, the *Hybris Artistica* is a reinterpretation of some of the Maison's fine watchmaking pieces combined with transcendent creativity and brought to life by the 180 savoir-faires of the Manufacture. *Hybris Artistica* further enhances the Maison's iconic masterpieces, which have continued to enjoy strong demand. Meanwhile, demand for the feminine line – *Rendez-Vous* – continues to grow and complements the demand for the Maison's other jewellery time pieces.

Pursuing its strategy of 'less partners for more partnerships', the Maison has continued to focus on a smaller number of partners while strengthening the relationship with them. In retail, Jaeger-LeCoultre inaugurated boutiques in Zürich, Frankfurt, Seoul, Macau, Rome, Madrid and Vienna. In parallel the Maison is applying its new architectural concept to all boutiques, shop-in-shops and corners.

Enhancing its visibility, Jaeger-LeCoultre sponsored the 120th Argentine Polo Open in Palermo, Buenos Aires. Alongside its ambassadors Eduardo Novillo Astrada, Luke Tomlinson and Clare Milford Haven, Jaeger-LeCoultre paid tribute to a sport that is written into the Maison's history. Jaeger-LeCoultre also renewed its contribution to the Seventh Art, with the sponsorship of several cinematographic events such as the Venice Mostra, the Abu Dhabi Film Festival and the Shanghai International Film Festival.

In the year to come, Jaeger-LeCoultre will continue to invest in its distribution network and selectively open new boutiques. New timepieces will be unveiled, enriching the prestigious collections which are the bedrock of Jaeger-LeCoultre.

Daniel Riedo
Chief Executive

Established 1833
Rue de la Golisse 8, Le Sentier, Switzerland
Chief Executive Daniel Riedo
Finance Director Peggy Le Roux
www.jaeger-lecoultre.com

OFFICINE PANERAI
FIRENZE 1860

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

Officine Panerai boutique in Piazza San Giovanni, Florence

– The development of the *Radiomir 1940* case was the focal point of the year.

– The sponsorship of the largest international circuits of regattas for vintage yachts continues to underline the Maison's maritime heritage, its connection with the sea and the values associated with Panerai watches.

– In January 2014, production began at the new Manufacture in Neuchâtel, Switzerland.

The development of the *Radiomir 1940* case was the focal point of the year. This is the re-edition of a historic Panerai case, whose structure offers many possibilities for the future extension of the range. Utilising *Manifattura Panerai* movements, this new case was presented to the public at the Watches & Wonders exhibition in Hong Kong and enjoyed a highly favourable reception. Also proposed during the year was the new in-house *P.5000* calibre, which is fitted into the Luminor case. The *Luminor 1950* collection has been enhanced with new models, which are innovative and consistent with the expectations of the public.

Panerai continued to upgrade its distribution network of highly-qualified dealers and exclusive boutiques. With the opening of new boutiques over the course of the year, Panerai has reached a retail network of 64 boutiques around the world.

Panerai communication continues to work on three foundations: the Sea, History and Design. The sponsorship of the largest international circuits of regattas for vintage yachts, including the 2013 edition of the Panerai Classic Yachts Challenge, continues to underline the Maison's maritime heritage, its connection with the sea and the values associated with Panerai watches.

Panerai, as always active in the area of corporate responsibility, has numerous projects to respond effectively to issues of a social and ethical nature: a new zero-impact manufacturing plant; FSC® certified paper; reducing the quantity of printed material; non-profit projects like Captain for a Day and other events held on board *Eilean*, the classic yacht that is Panerai's ambassador. Regarding the Responsible Jewellery Council, Panerai's certification process was completed in January.

In 2013 Panerai consolidated its presence on the digital scene, developing video content for use on social networks capable of raising awareness of Panerai at a global level. Amongst the digital activities especially worthy of attention are the Panerai application for mobile devices, a new website for the Panerai Classic Yachts Challenge and the YouTube channel.

In January 2014, production began at the new Manufacture in Neuchâtel, Switzerland. This major investment allows Panerai to control all stages in the development and production of movements and finished watches. The new plant will permit Panerai to further develop its technical know-how and quality control.

Officine Panerai's past and future come face to face in Florence, the birth town of the Bottega Panerai in 1860 and the location of choice for the Maison's communication. The incomparable cultural and scientific heritage the city has offered to the world since the Renaissance is relived in every collection. It is also communicated through sponsorship projects and patronage initiatives that contribute to reinforcing the *Made in Italy* identity of the Maison. The transformation of the historic Panerai watch-making shop into a flagship store will contribute to making Florence *the* place of the Panerai experience for all Panerai lovers.

Angelo Bonati
Chief Executive

Established 1860
Piazza San Giovanni 16, Palazzo Arcivescovile, Florence, Italy
Chief Executive Angelo Bonati
Finance Director Giorgio Ferrazzi
www.panerai.com

PIAGET

Piaget enjoys unrivalled credentials as both a Watchmaker and Jeweller. The fully integrated Manufactures enable the Maison to reaffirm its unique expertise in ultra-thin movements and gold crafting. Among its technical skills, Piaget is known for its boundless creativity shown in each new breathtaking thematic collection.

Piaget's manufacture and headquarters, Geneva

- Piaget confirmed again its position as the master of ultra-thin movements with the *Piaget Altiplano 38 mm 900P*.
- The new *Rose Passion High Jewellery* collection was revealed during a showcase party in January 2014.
- The Piaget boutique network reached 96 boutiques, of which one third are already decorated with the Maison's new concept.

Piaget confirmed again its position as the master of ultra-thin movements with the *Piaget Altiplano 38 mm 900P*. Merging the hand-wound calibre with the case elements in a single entity, this innovative concept allowed Piaget to break another record for slenderness for a mechanical watch at just 3.65 mm.

The *Limelight Blooming Rose* watches blossomed in the enchanted garden of the Yves Piaget rose. The barely open rosebud, with four gem-set petals, blooms entirely to reveal four new diamond-paved petals thanks to an invisible mechanism. Secret watches that blend so perfectly the art of watchmaking and jewellery have been a speciality of Piaget for decades.

Piaget participated in the Watches & Wonders exhibition in Hong Kong in September 2013, reaching a larger Asian audience. It was also the perfect occasion to present the fully-set version for the *Piaget Emperador Minute Repeater*.

Simultaneously, the new *Mythical Journey* thematic collection was presented in the Hong Kong Mandarin Oriental Boutique. Midway between the silk route and the spice route, the astonishing *Mythical Journey* collection draws us into a marvellous voyage between Asia and India. This collection of art and excellence comprises 32 watch models on which micromosaic, embroidery, bullino engraving and enamel rub elbows; and 16 jewellery pieces created from exceptional stones.

In jewellery, the *Piaget Rose* was the year's featured collection. A Piaget Rose Day, with worldwide events and a competition on social media networks held the same day, was founded and will be repeated annually. The new *Rose Passion High Jewellery* collection was revealed during a showcase party in January 2014 including a Melody Gardot concert and the presence of Bar Refaeli and Bianca Brandolini d'Adda.

For the seventh time, Piaget sponsored the Spirit Awards ceremony. This perennial presence provides Piaget with high visibility on film stars such as Matthew McConaughey, July Delpy, Anna Kendrick, Michael B. Jordan and Piaget's charming ambassador Gong Li both at the Spirit Awards and at the Oscars. Piaget also sponsored the Hong Kong International Film Festival for the fourth time, and for the first time, the Golden Horse Film Award in Taipei.

The Piaget boutique network reached 96 boutiques, of which one third are already decorated with the Maison's new concept, including the opening of nine new boutiques during the year. In parallel, Piaget e-commerce and contact centres in Germany, France and Spain were expanded.

Going forward, Piaget will consolidate its watch business on its dual expertise both as Master of ultra-thin watches and Jeweller of watchmakers. It will seek to capitalise on opportunities in branded jewellery, in particular in High Jewellery where it will launch two major collections in the same year and exhibit at the Biennale des Antiquaires in Paris.

Philippe Léopold-Metzger

Philippe Léopold-Metzger
Chief Executive

Established 1874
37, chemin du Champ-des-Filles, Geneva, Switzerland
Chief Executive Philippe Léopold-Metzger
Deputy Managing Director Christophe Grenier
www.piaget.com

RALPH LAUREN
WATCH AND JEWELRY CO.

"To design something legendary that has a sense of timelessness; that is what I aspire to do."

"The watches I've been drawn to represent a passion for design and a respect for tradition and craftsmanship. A watch also represents something personal. It reflects your individuality and taste, from its functionality to its aesthetic." Ralph Lauren

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

– Ralph Lauren Watch & Jewelry Co. continues to build on its strong foundation with fresh interpretations that demonstrate Ralph Lauren's enduring passion for fine craftsmanship.

– Ralph Lauren's Salon International de la Haute Horlogerie 2014 product introductions are an ode to femininity, with new styles and sizes for ladies.

– Ralph Lauren watches are distributed in more than 25 countries, with 90 points of sale.

At the Salon International de la Haute Horlogerie in January 2009, Ralph Lauren Watch & Jewelry Co. launched three collections of iconic timepieces: the Ralph Lauren *Stirrup Collection*, the Ralph Lauren *Slim Classique Collection* and the Ralph Lauren *Sporting Collection*. Respecting tradition and watchmaking heritage, Ralph Lauren watches are of the finest quality and craftsmanship, combining extraordinary design and innovative materials.

In 2010, Ralph Lauren *Fine Jewelry* was introduced in selected boutiques. Featuring brilliance, movement and the iconic glamour from the world of Ralph Lauren, the *Fine Jewelry* collections are handcrafted with the most exceptional materials and intricate finishing techniques.

Today, Ralph Lauren Watch & Jewelry Co. continues to build on its strong foundation with fresh interpretations that demonstrate Ralph Lauren's enduring passion for fine craftsmanship, and pay tribute to the designer's iconic equestrian, art deco, automotive and safari inspirations. The attention to details, materials and finishes brings a comprehensive and unique offering that combines Ralph Lauren's hallmark sensibilities of luxury and timelessness with the exceptional tradition of Swiss watchmaking.

Ralph Lauren's Salon International de la Haute Horlogerie 2014 product introductions are an ode to femininity, with new styles and sizes for ladies: The *Stirrup Petite Link*, which celebrates the grace and beauty of the equestrian heritage, and the 32 mm *Slim Classique*, a classic reflection of Ralph Lauren's signature aesthetic.

Ralph Lauren watches are distributed in more than 25 countries, with 90 points of sale. The company plans to expand its distribution network with a focus on the US, Japan and Asia Pacific. Ralph Lauren timepieces are available at select Ralph Lauren stores and top independent retailers worldwide, in major metropolitan cities including New York, Beverly Hills, Paris, London, Milan, Tokyo, Hong Kong and Shanghai.

Callum Barton
Executive Chairman

Established 2007
24, route de la Galaise, Plan-les-Ouates, Geneva
Executive Chairman Callum Barton
Finance Director Stéphane Boukertaba
www.ralphlaurenwatches.com
www.ralphlaurenjewelry.com

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

ROGER DUBUIS

HORLOGER GENEVOIS

Representing an irresistible blend of character and expertise in Haute Horlogerie, Roger Dubuis has been at the forefront of the contemporary watchmaking scene since 1995. As the only 100 % Poinçon de Genève-certified Manufacture, it offers a range of audacious, handmade, all-mechanical timepieces bearing that unmistakable hallmark of Fine Watchmaking.

Roger Dubuis' manufacture and headquarters, Geneva

- Roger Dubuis offers exceptional complications highlighted by *Excalibur*, embodying a world of mastery and power. *Velvet*, with its glamorous design, combines a stunning mechanism and exceptional charisma.
- The most recent collection – the newly invigorated *Hommage* – was introduced at the SIHH 2014 and pays eloquent tribute to horology and to the most admirable exponents of this discipline, as well as showcasing a wide range of handcrafted skills.
- Following extensive development in recent years, the Maison now has an exclusive distribution network with 160 points of sale and 19 boutiques.

By fully mastering in-house limited production in its Geneva Manufacture, Roger Dubuis builds on this highly complex expertise to secure total independence and guarantees the exclusive nature of its 31 calibres, which are solely produced by and for Roger Dubuis. Its outstanding mechanical specialities, including sensitive components such as the regulating organ and sprung balance, successfully blend traditional watchmaking codes with contemporary interpretations.

2013 was dubbed 'The Year of Excalibur' for Roger Dubuis and got off to a flying start at the SIHH 2013 with the launch of the stunning *Excalibur Quatuor*, featuring several world-premiere technical innovations. The collection's technical excellence and powerful design is driving Haute Horlogerie towards new horizons. With their recognisable design and stunning mechanism, the brand's *Velvet* timepieces offer an entertaining new take on the Maison's identity codes.

Moving into 2014, Roger Dubuis opted to focus firmly on its reinvigorated *Hommage* collection, which represents the quintessence of its *Incredible Mechanics*. Introduced at the SIHH 2014 through a high-impact and theatrical staging, *Hommage* pays eloquent tribute to horology and its inventors.

Key events in 2013 included the renovation of its flagship boutique in Moscow; taking part in the first edition of the Watches & Wonders exhibition in Hong Kong; and opening new boutiques in Abu Dhabi and Macau. The steadily growing distribution network is testament to Roger Dubuis' successful combination of strong character and Fine Watchmaking expertise.

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

Jean-Marc Pontroué
Chief Executive

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

Established 1995
2 rue André de Garrini, Meyrin, Geneva, Switzerland
Chief Executive Jean-Marc Pontroué
Finance Director Patrick Addor
www.rogerdubuis.com

VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

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

The Maison Vacheron Constantin on an island in Lake Geneva

- The year was dedicated to the launch of several ladies' timepieces as well as the presentation of the new *Patrimony Ultra-thin calibre 1731.*
- The Maison's 43 dedicated boutiques, now including London, Shanghai and Moscow, are complemented by a network of smaller distribution partnerships.
- The Maison hosts no less than 28 apprentices, highlighting its commitment to the perpetuation of savoir-faire and craft skills.

The year was dedicated to the launch of several ladies' timepieces as well as the presentation of the new *Patrimony Ultra-thin calibre 1731*, the world's thinnest manual minute repeater. The *Patrimony* collection remains the most important in the Maison's portfolio and is increasingly sought after by watch connoisseurs. The *Atelier Cabinotiers*, the Maison's special order service, is also in demand among collectors of highly complicated pieces.

Vacheron Constantin's reputation as a master craftsman was further strengthened with the presentation of its new *Métiers d'Art Florilège* collection.

The Maison is a patron of the arts and culture and primarily supports cultural institutions around the world in the fields of artistic crafts – notably with the National Institute for Arts & Crafts in France, Walpole in Britain and the Fondazione dei Mestieri d'Arte in Italy – to promote and preserve this important immaterial heritage. As such, Vacheron Constantin is the main patron of European Artistic Crafts Days.

The Maison enjoyed worldwide success, most notably in the USA where it recorded strong growth as well as in Europe, South-East Asia and Japan.

Vacheron Constantin is the longest established submitting company and produces the largest number of watches certified by the prestigious, independent quality seal: *le Poinçon de Genève*. The Maison has followed this commitment to the highest quality timepieces since 1901.

The Maison's 43 dedicated boutiques, now including London, Shanghai and Moscow, are complemented by a network of smaller distribution partnerships. A new building for component production activities in the Vallée de Joux – encompassing cutting-edge technologies alongside exclusive manual traditions – was inaugurated in October 2013. The Manufacture extension in Geneva is progressing and is scheduled to open in 2015. The Maison hosts no less than 28 apprentices, highlighting its commitment to the perpetuation of savoir-faire and craft skills.

Thanks to its 250-year heritage, the success of its collections and its indisputable reputation as a master craftsman, all three forged in accordance with François Constantin's motto "Do better if possible, and that is always possible", Vacheron Constantin looks to the future with confidence.

Juan-Carlos Torres
Chief Executive

Established 1755
7 Quai de l'Ile, Geneva, Switzerland
Chief Executive Juan-Carlos Torres
Finance Director Robert Colautti
www.vacheron-constantin.com

Montblanc Maison

Key results

Sales (€ m)

2014	730
2013	766
2012	723

Operating profit (€ m)

2014	43
2013	120
2012	119

Percentage of Group sales

2014	Montblanc Maison 7 %

MONTBLANC

MONT BLANC

For over a century, Montblanc writing instruments have been the symbol of the art of writing and the favourite companions of the successful individuals who changed our perception in the world of art, politics and science. Moved by its passion for craftsmanship, Montblanc elevated itself to become the Maison of the Fine Lifetime Companions, providing elegant and sophisticated creations in the fields of Haute Horlogerie, Fine Leather and Jewellery.

Montblanc Montres, Le Locle, Switzerland

- Montblanc celebrated the 90th anniversary of its iconic writing instrument creation, the *Meisterstück*.
- The Maison unveiled a new watch collection during the 2014 edition of the SIHH, with the introduction of the *Meisterstück Heritage* line, reflecting Montblanc's philosophy of 'Sharing Passion for Fine Watchmaking'.
- Montblanc's *Signature for Good* collection has contributed US$ 5 million to UNICEF's educational projects.

This year marked the 90th anniversary of the Maison's iconic creation, the *Montblanc Meisterstück*. For 90 years, this timeless writing instrument has crossed time and borders, witnessing and telling the tale of events and individuals that shaped our world.

To pay tribute to this luxury icon during the SIHH 2014, the Maison unveiled a new watch collection named *Meisterstück Heritage*, celebrating the spirit of the *Meisterstück* as well as embodying the Maison's philosophy 'Sharing Passion for Fine Watchmaking'. Indeed, by introducing timepieces featuring refined aesthetics as well as strong technical contents at an attractive position, the Maison shares its passion for fine timepieces with all watch enthusiasts. The SIHH 2014 was also an opportunity for the Maison to present its new global ambassador, the award-winning actor Hugh Jackman.

For its writing instrument category, the Maison introduced a *Carbon* edition of its *Starwalker* line. Further unveiling its master craftsmanship in the art of writing, it presented exquisite limited edition creations, such as the *Leonardo Da Vinci*, inspired in its detail by that genius' revolutionary sketches and inventions.

In distribution, the Maison further expanded its retail network with, among other boutique openings, the integration of the Galleries Lafayette boutique in Paris as well as the re-opening of the Madison Avenue boutique in New York. The Maison also managed to conquer new territories through the takeover of Brazilian operations, and online, as shown by the joint venture agreement in India, to better control its image and business operations in this promising market while consolidating its position in its bastion markets.

The Maison reaffirmed its support of arts and culture by financing cultural projects through the Montblanc de la Culture programme, as well as through the launch of the *Signature for Good* collection to actively support UNICEF's educational projects. The programme, which initially pledged to raise US$ 1.5 million in 2013, has already raised US$ 5 million.

Next year, Montblanc will pursue the *Meisterstück's* anniversary homage through an active events programme, the launch of a new international campaign as well as the introduction of new and unique creations. Geographically, the Maison will consolidate its position in Europe and Asia and anchor its presence in the southern hemisphere.

Jérôme Lambert
Chief Executive

Established 1906
Hellgrundweg 100, Hamburg, Germany
Chief Executive Jérôme Lambert
Finance Director Roland Hoekzema
www.montblanc.com

Other Businesses

Key results

Sales (€ m)

2014	1 495
2013	1 426
2012*	1 232

Operating loss (€ m)

2014	(80)
2013	(38)
2012*	(27)

* Re-presented

Percentage of Group sales

2014

Other Businesses **14 %**

Richemont's Maisons

ALAÏA PARIS

THE NET-A-PORTER GROUP

dunhill LONDON

PETER MILLAR

Chloé

PURDEY

Giampiero Bodino

SHANGHAI TANG 滩海上

LANCEL PARIS 1876

ALAÏA
PARIS

A living legend in the fashion world, Monsieur Alaïa continues to create exceptional pieces that pay homage to the female form and are recognised globally for their exquisite design and beauty.

7 rue de Moussy, Paris

- The highlight of this year has been the extraordinary retrospective exhibition at the newly renovated Galliera Museum and at the Matisse Room in the Museum of Modern Art, Paris.
- The Maison opened a new flagship boutique adjacent to Avenue Montaigne and now has two Paris addresses.
- The Maison continued to progress, working on selected projects for the years ahead which will enhance and communicate the Maison's image.

In what has been an exceptional year – from strong sales growth, to costumes for the Los Angeles Philharmonic in an artistic collaboration with Jean Nouvel, to museum exhibitions in Paris and Dusseldorf, to a new store opening in Paris – the Maison continued to progress, working on selected projects for the years ahead which will enhance and communicate the Maison's image.

The highlight of this year has been the extraordinary retrospective exhibition at the newly renovated Galliera Museum and at the Matisse Room in the Museum of Modern Art, Paris. With a record-breaking number of visitors, this outstanding show paid homage to Monsieur Alaïa and his timeless work. For more than 40 years Monsieur Alaïa has had a long-lasting impact on fashion's evolution, and continues to have a major influence on fashion today.

Concurrent to the exhibition opening, the Maison opened a new flagship boutique adjacent to Avenue Montaigne and now has two Paris addresses. The new location houses a three-storey boutique as well as offices. The original Maison stays at rue de Moussy in the Marais district and remains the heart of the Maison, combining under a single roof the ateliers, couture, boutique and Monsieur Alaïa's studio.

On the distribution side of the business, it has been a year of consolidation, with certain doors closing, taking into consideration the Maison's integrity and uniqueness. This approach was validated by the stability of overall sales, albeit through fewer doors. There was particular strength in mature markets, including the US and Europe, and strong growth in China, where the Maison is less well established. The footwear business has grown well since it was brought in-house two years ago. Similarly, the accessories business continues to grow well, mirroring the growth of the ready-to-wear offering and bolstered by a number of accessories-only corners opened across the US and Europe.

In other projects, considerable efforts have been invested in an Alaïa website, which will focus on the Maison and its founder and the development of an Alaïa fragrance.

The year ahead will see a strengthening of the internal organisation in order to accommodate the continuing growth of the Maison. Additionally, the Maison will work on more image-focused projects, including the launch of the fragrance, the launch of the website, and cultural retrospective exhibitions.

Established 1983
7 rue de Moussy, Paris, France
Creative Director Azzedine Alaïa

dunhill
LONDON

Since 1893, the name Alfred Dunhill has always been synonymous with the British gentleman. Today like then, masculinity, innovation and functionality remain the core values of the Maison. With a wider offer, which goes from bespoke tailoring to sportswear, Alfred Dunhill is set to become the ultimate luxury menswear destination.

Bourdon House, the London Home of Alfred Dunhill

- Starting with the *Autumn/Winter 2014* collection, an increasing focus has been placed on lifestyle products.
- Inspired by the Alfred Dunhill Links Championship the new *dunhill Links* golf collection has been created.
- Optimisation of distribution, through the opening of bigger directly operated stores, new franchise partners and the further rationalisation of the wholesale network.

From its founder Alfred Dunhill, whose entrepreneurial spirit led him to invent useful and functional objects for the man of his time, to its current Creative Director, John Ray, innovation has always been at the Maison's heart. Whether in design, new materials or interpretations of the Maison's heritage, these have been masterfully balanced, with the most classic traditions of British tailoring and craftsmanship. Alfred Dunhill today honours its namesake by ensuring that it continues to challenge what is expected. It embraces the new with honesty, impeccable service and quality in materials and design.

Starting with the *Autumn/Winter 2014* collection, an increasing focus has been placed on lifestyle products. A stronger identity and a more recognisable style has been created for the formal collection, with unique details and fitting, exclusive fabrics and materials that highlight the British DNA of the brand. New focus has been placed on knitwear, offering different styles, weights and functions of use. The leather goods collection has been elevated with hardware and details inspired by the Alfred Dunhill archive, with leather coming from the best tanneries. *Made to Measure* and *Bespoke* will be more widely available and will encompass different product categories, not just suiting. Smart casual and sportswear will also become integral parts of the collection.

Inspired by the annual Alfred Dunhill Links Championship, the leading Pro-Am tournament in the world of golf, the *dunhill Links* collection has been created. With the aim of developing the world's most luxurious and technically advanced golf product offering, which is both functional and stylish, it will be sold in a selection of Alfred Dunhill stores and exclusive golf clubs globally.

The coming year will see an optimisation of distribution, through the opening of larger directly operated stores, new franchise partners and the further rationalisation of the wholesale network.

To reflect the product offering and distribution strategy, a new boutique concept is being developed which will house the collections in the most appropriate way. The boutiques will reflect the values of the Maison with a nod to the Alfred Dunhill Homes, in particular Bourdon House in London and Twin Villas in Shanghai, which fully embody the Maison's values.

The year ahead will showcase to our customers around the world the results of the work carried out thus far, with exciting developments in the collection, a new store concept and an updated website, which will give a global audience the opportunity to shop the dunhill collection.

From June 2014, the Alfred Dunhill seasonal collection presentation will become one of the highlights during 'London Collections: Men'.

Fabrizio Cardinali
Chief Executive

Established 1893
Bourdon House, 2 Davies Street, London, England
Chief Executive Fabrizio Cardinali
Finance Director Gary Stevenson
www.dunhill.com

Chloé

Chloé is the most naturally feminine Parisian fashion Maison, located at the intersection of couture savoir-faire and youth attitude. The Maison was founded 60 years ago by Gaby Aghion who rejected the stiff formality of the '50s, and created soft, body-conscious clothes from fine fabrics, calling them 'luxury prêt-à-porter'. Today, Chloé continues to epitomise values of femininity, modernity, effortless grace and free spirit.

Chloé Flagship, rue St. Honoré, Paris

- Chloé published Chloé—*Attitudes*, a coffee-table book celebrating 60 years of style.
- Chloé's runway presence was amplified by both its debut event in America and through the choice of two new venues in Paris.
- The *Baylee* bag was launched on the Fall/Winter 2013 runway and has since enjoyed strong demand.

Riding high on the success of last year's anniversary exhibition, Chloé concluded the celebrations with the publication of Chloé—*Attitudes*, a coffee-table book celebrating 60 years of style. Written by fashion journalist Sarah Mower and art directed by Marc Ascoli, the book is a testimony to the Maison's values, codes and personality.

Following its publication, the Maison arranged a worldwide events tour for Chloé—*Attitudes*, including Paris, London and Los Angeles. Los Angeles hosted two events: first a glamorous reimagining of the *Spring/Summer 2014* runway show, attended by Chloé's creative director Clare Waight-Keller, Vogue editor Lisa Love and actress January Jones. The event drew together special guests from the fashion world for the runway show and a live performance by Haim. The following night, Chloé held an intimate book-signing at its Melrose Place boutique for select West Coast guests.

Chloé's runway presence was amplified by both the debut event in America and through the choice of two new venues in Paris. Under Clare Waight-Keller's direction, the Paris fashion show changed location for the first time in more than ten years. Looking for atmospheric spaces that better reflected the Maison's roots in feminine daywear; she chose the Lycée Carnot and the Salon d'Honneur at the Grand Palais for the *Spring/Summer 2014* and *Fall/Winter 2014* shows, respectively. Both venues shared an architectural feature: dramatic glass ceilings that filled the space with natural sunlight, reinforcing the Maison's codes of lightness and warmth.

The *Baylee* bag was launched on the *Fall/Winter 2013* runway. Since then, it has enjoyed strong demand and became the star of the *Spring/Summer 2014* campaign, which also saw the renewal of Chloé's creative partnership with photographers Inez & Vinoodh.

The year ahead will continue to build on these successes, with a focus on leather goods craftsmanship. The Chloé fragrance portfolio will also receive a boost with the launch of a new perfume in September and the unveiling of Chloé's first dedicated e-commerce site. This global, digital flagship will offer a consistent articulation of the Maison and a product offer that will reach new audiences. The launch will steer the Maison into new and exciting territories.

Geoffroy de La Bourdonnaye
Chief Executive

Established 1952
5-7 Avenue Percier, Paris, France
Chief Executive Geoffroy de La Bourdonnaye
Chief Financial Officer Carole Chevron
www.chloe.com

Giampiero Bodino

Giampiero Bodino is a new signature High Jewellery Maison hinged on the highest form of creativity inspired by the Italian culture and arts. An explosion of colour, sinuous shapes and superb savoir-faire bring to life the artist's contemporary vision.

Villa Mozart, Milan

– The start of a new story in the contemporary High Jewellery world, a composite of the unique vision of a leading and experienced artist and the hands of master craftsmen.

– The Maison's design studio is established in Milan's historic Villa Mozart, the destination to welcome clients by appointment.

– The Maison will attend '*La Biennale Paris*' in September, presenting new one-of-a-kind pieces.

The first Giampiero Bodino High Jewellery creations for the eponymous new Maison were unveiled in November 2013 in Milan to select Italian and international media and connoisseurs.

The *Capo d'Opera* one-of-a-kind pieces evoke an exclusive form of art where the artist creates jewels infused with exquisite workmanship, talent and a personal vision. Nine themes – *Cammeo, Chimera, Corona, Rosa dei Venti, Barocco, Mosaico, Tesori del Mare, Passamaneria* and *Primavera* – voluntarily untranslated as they are sparked by Italy's unrivalled art and cultural heritage, interpreted and reinvented with originality to forge a precise stylistic code that transcends time.

Primarily an ode to colour, the jewels are inspired by the richness of Byzantine mosaics, the vitality of Renaissance counterpointed by the sumptuousness of Sicilian Baroque, and the coral of the Mediterranean. A fusion of tradition and contemporary style, each piece is harmoniously created by master craftsmen using diamonds, sapphires, rubies, emeralds and carefully selected '*pierres fines*'.

Within each theme are different collections dedicated to the image of the *femme idéale*, powerful and fascinating muses exemplified by Paolina Borghese, Lucrezia Borgia and Caterina de' Medici, to name a few.

The Maison's design studio is housed inside the newly-refurbished Villa Mozart in Milan, a discreet Art Deco landmark site from the Thirties featuring marble columns and frescoed ceilings, framed by unexpected lush greenery. More than a location, Villa Mozart is a destination, an environment where Giampiero Bodino studies, sketches and creates, as well as being an atelier to engage discerning customers, by appointment only, to offer a unique lifestyle experience. Here, Giampiero Bodino also creates the *Ad Personam* pieces, transforming lifelong dreams into real creations, inspired by the client's own personality and desires.

The first important international appointment for the Maison will be in Paris at 'La Biennale' in September 2014 where Giampiero Bodino will present his latest designs, revisiting and enriching the launch themes with fresh inspirations to recount new and intriguing stories.

Established 2013
Villa Mozart, via Mozart 9, Milan, Italy
Creative Director Giampiero Bodino

LANCEL

PARIS 1876

As an iconic French Maison with a distinguished heritage, Lancel has captured and celebrated Parisian chic through maroquinerie since 1876.

Lancel headquarters, Paris

- Lancel welcomed Nicole Stulman as its Creative Director. Her expertise in leather goods innovation and creation with global luxury fashion houses is an invaluable asset to the Maison.
- Reconstructed and renovated, the Lancel.com website was re-launched, revealing a modern and user-friendly facet of the Maison.
- The Maison enhanced its international presence with the opening of a boutique in Shanghai's Citic mall.

The year was characterised by the Maison's continued elevation in the domain of luxury leather goods. The elegance and sobriety present in all aspects of the products marks a turning point in its history in terms of design and the quality of materials. Leathers and precious skins from the finest tanneries in France and Italy have been transformed into collections that reflect the enduring traditions of the Maison.

The women's offering was enriched with the *L de Lancel* collection. Launched in March 2013, the *L* is a story that is still unfolding. An embodiment of the Lancel codes, the tri-color shopper can already be counted among the icons of the Maison. This modern classic has been adopted by chic Parisians and celebrities around the world.

Alongside the *L de Lancel*, the Maison pursued its journey into its heritage, revisiting timeless classics that have marked the past yet still have a deep resonance with the Lancel woman of today. Firmly rooted in our history, models like the *Josephine* and *Les Rendez-vous*, creations inspired by our archives, were warmly received and have now taken their place in the Lancel repertoire.

In September 2013 Lancel welcomed Nicole Stulman as its Creative Director. Her expertise in leather goods innovation and creation with global luxury fashion houses is an invaluable asset to the Maison. The new collections bear witness to her talent and unique style. To accompany this new chapter in the history of the most Parisian of *Maroquiniers*, the Maison's communication strategy has evolved in time with the collections. The advertising campaigns shot in symbolic Parisian locations provided the perfect backdrop to showcase the quality and beauty of the bags, underlining the theme of Parisian chic.

Going beyond Lancel's habitual customer base and connecting with a broader public, developments in digital have been numerous. Reconstructed and renovated, the Lancel.com website was relaunched in November 2013, revealing a modern and user-friendly facet of the Maison, accessible through mobile devices.

The Maison enhanced its international presence with the opening of a boutique in Shanghai's Citic mall, a prime luxury location.

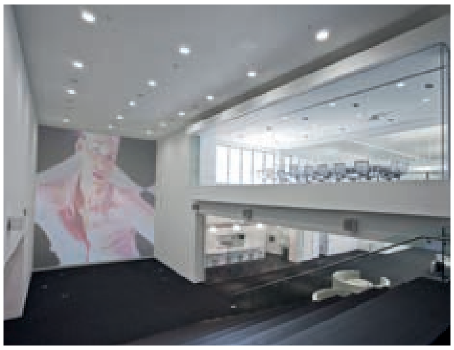
The year ahead will see a renewal of the store concept, enriching the in-store experience, and the development for our men's and travel lines as well as gifts and accessories. The launching of e-commerce will open up new horizons for the Maison.

Marianne Romestain
Chief Executive Officer

Established 1876
48–50 rue Ampère, Paris, France
Chief Executive Officer Marianne Romestain
Finance Director Ekaterina Falkovich
www.lancel.com

THE
NET-A-PORTER
GROUP

Since 2000 THE NET-A-PORTER GROUP has revolutionised luxury fashion retail through technology, global logistics and the merging of content and commerce. Its three brands, NET-A-PORTER, the world's premier women's luxury fashion online retailer; THE OUTNET, the most fashionable fashion outlet, and MR PORTER, the men's style destination, market and distribute the most sought-after fashion labels, and communicate monthly to over nine million fashion-conscious consumers.



THE NET-A-PORTER GROUP headquarters, London

– PORTER magazine, the first of its kind, was launched on newsstands in 60 countries.

– The launch of the *Beauty* category has been a marked success with the addition of 80 beauty brands featuring the quintessential beauty edit.

– The opening of the group's third state-of-the-art Distribution Centre in Hong Kong now allows for same-day shipping in Hong Kong.

This year marked important milestones in the rapid growth of THE NET-A-PORTER GROUP with the launch of the *Beauty* and *Grooming* category for women and men on NET-A-PORTER and MR PORTER respectively, the launch of its Media and Publishing Division, and the global launch of *PORTER* magazine on newsstands in 60 countries. *PORTER* is the first of its kind in the global luxury magazine space: a shoppable, bi-monthly woman's print magazine. Mobile commerce continued to be a top focus and resulted in strong year-on-year growth of users and sales through the development and update of 5-star-rated mobile apps for all three brands, for *PORTER* and for *THE NETBOOK*, a social networking and shopping app.

The Edit, NET-A-PORTER's weekly global fashion publication, is the first digital fashion magazine to deliver the authority and quality of a monthly magazine. It is published in English, French, German and Mandarin and has seen a significant increase in advertising. MR PORTER's weekly digital shoppable magazine, *The Journal*, also saw an increase in advertising and *The Mr Porter Post* is now printed bi-monthly and is distributed through subscription and dedicated partnerships.

The launch of the Beauty category has been a marked success with the addition of 80 beauty brands featuring the quintessential beauty edit, which received the Best New Launch and Best Packaging Awards from the In Style Magazine (UK) Beauty Awards in July 2013.

The opening of the group's third state-of-the-art Distribution Centre in Hong Kong now allows for same-day shipping in Hong Kong, complementing the customer service in London, Manhattan and much of the tri-state area. Award-winning customer service is delivered in-house with a team of over 200 servicing over one million calls per year in 23 languages.

This year has been marked by substantial improvements in the group's virtual shops within the web, mobile and apps with photography and product display (NET-A-PORTER), the addition of a new Size and Fit overlay (MR PORTER), and the transition from mannequins to live models (THE OUTNET).

THE NET-A-PORTER GROUP will be focusing on expanding its three brands in all its key markets in the coming year, with particular emphasis on providing an even faster delivery service to its worldwide customers and improving user experience across fixed and mobile channels.

Natalie Massenet
Founder and Chairman

Established 2000
1 The Village Offices, Westfield, London, England
Founder and Chairman Natalie Massenet
Chief Executive Mark Sebba
Finance Director Richard Mills
www.net-a-porter.com
www.theoutnet.com
www.mrporter.com
www.theoutnet.cn
www.porter.com

PETER MILLAR

Peter Millar designs classic, luxury sportswear embracing timeless style with a modern twist. Displaying superior craftsmanship, unexpected details, and the highest quality materials from the finest mills in the world, Peter Millar lifestyle apparel offers a distinctive vision of casual elegance.

Peter Millar boutique, 313 Worth Avenue, Palm Beach, Florida

- The Maison continued to execute its growth strategy, including the launch of six additional shop-in-shops in premier haberdasheries in the United States.
- Peter Millar achieved significant consumer engagement, supported by the launch of its inaugural direct-to-consumer catalogue in conjunction with a more comprehensive social media and overall digital marketing campaign.
- Peter Millar signed three European Tour golf players to become Peter Millar Style Ambassadors on the PGA Tour.

One of the fastest growing and most respected brands in luxury apparel, Peter Millar enjoys distribution through the finest specialty retail stores, prestigious resorts, and most exclusive country clubs in the world. Strong relationships, exceptional product offerings and a premier level of customer service have cultivated an extraordinarily loyal clientele around the world.

The Maison continued to execute its growth strategy over the past year, highlighted by a renovation and expansion of its Palm Beach boutique, the successful operation of a pop-up boutique in New York City throughout the key holiday season, and the launch of six additional shop-in-shops in premier haberdasheries in the United States. Furthermore, growth within the Maison's sartorially focused, European-inspired *Pick Stitch* collection drove demand in existing accounts.

Peter Millar achieved significant consumer engagement over the past year, supported by the launch of its inaugural direct-to-consumer catalogue in conjunction with a more comprehensive social media and overall digital marketing campaign. These initiatives led to measurable growth in brand awareness, as evidenced by record website traffic and sales, and is expected to continue to yield favourable returns as the Maison uses this information to enhance the Peter Millar experience online and in boutiques.

Continuing its rich association with the game of golf while broadening its international presence, Peter Millar signed three European Tour players to become Peter Millar Style Ambassadors on the PGA Tour: Richard Sterne, Branden Grace and George Coetzee. The Maison also extended the contracts with its three American golfers: Brandt Snedeker, Bill Haas and Harris English. With an expanded roster of both American and international Style Ambassadors, Peter Millar is poised to share its unique message around the world for years to come.

In the year ahead, Peter Millar will continue to develop and refine its seasonal collections, including its rapidly growing *Pick Stitch* line, and support these collections with elevated advertising campaigns. Further investments will be made to upgrade and optimise the online shopping experience, and plans are under way for an expansion into more premium retail spaces. Finally, investments will be made to build the foundation for a larger international presence. As always, a focus on outstanding quality and world-class customer service will underpin these initiatives.

Scott Mahoney
Chief Executive Officer

Established 2001
1101 Haynes Street, Suite 106
Raleigh, North Carolina, United States
Chief Executive Officer Scott Mahoney
Chief Financial Officer Kim Mattoon
www.petermillar.com

PURDEY

The name James Purdey is synonymous with artistry and heritage. The company has been crafting the finest quality shotguns, rifles and shooting equipment in London since 1814 when James Purdey the Elder opened a small shop in Princes Street. Since 1838, James Purdey & Sons has been privileged to enjoy the patronage of the British Royal family and today is the proud holder of three Royal warrants reflecting the excellence of its guns and rifles.

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

- In 2013, James Purdey & Sons revealed their latest innovation in bespoke gun making in the creation of their first side-by-side gun made from Damascus steel.
- This year also saw the launch of a new range of clothing and accessories reflected in a core collection of heritage tweeds woven in Hawick, Scotland.
- In 2014, Purdey celebrates 200 years of excellence. For the occasion, an extraordinary trio of guns has been created celebrating the heritage of the house and the excellence of their craftsmanship.

In 2013, James Purdey & Sons revealed their latest innovation in bespoke gun making in the creation of their first side-by-side gun made from Damascus steel. This distinctively patterned steel, once reforged by hand to Purdey's specifications to suit the making of their guns and rifles, offers a distinctive and unique piece to the owner, never made before and never to be repeated in the future.

This year also saw the launch of a new range of clothing and accessories reflected in a core collection of heritage tweeds woven in Hawick, Scotland. In keeping with its British heritage, many of Purdey's clothing and accessory suppliers are small, artisan, UK-based craftsmen and women.

In 2014, Purdey celebrates 200 years of excellence. For the occasion, an extraordinary trio of guns has been created celebrating the heritage of the house and the excellence of their craftsmanship. The *Bicentenary Trio* comprises: a classic 12 gauge side-by-side; a double rifle in .470 Nitro Express, each with superlative engraving concepts; and a 20 gauge over-under game gun. A small selection of limited edition *Bicentennial* accessories has also been created. The collection includes silverwear from rare antique moulds made in workshops across England; three pairs of miniature silver shotguns crafted and engraved in Purdey's London workshop and based on the 1914 Purdey miniature side-by-side gun made for King George V for the Silver Jubilee in 1935; and limited edition *Shoot Break* china telling the story of James Purdey the Elder's journey from Scotland to London and the creation of Audley House.

Today, Purdey remains committed to preserving its rarefied nature and heritage whilst investing in innovation and quality in manufacturing. The Purdey factory in West London is being rebuilt and will be completed in early 2015. The Apprentice Academy, started in 2012 to preserve the art and skill of bespoke gun making, continues to grow and attract new talent under the auspices of our Master Craftsmen.

Nigel Beaumont.

Nigel Beaumont
Chairman

Established 1814
Audley House
57-58 South Audley Street, London, England
Chairman Nigel Beaumont
Head of Finance Kristine Pressney
www.purdey.com

SHANGHAI TANG

上海滩

As the global curator of modern Chinese chic, Shanghai Tang champions its belief in the beauty and richness of Chinese culture through lifestyle products and experiences.

The Shanghai Tang Cathay Mansion, Shanghai

– The Shanghai Tang Cathay Mansion marks the opening of its monumental home in Shanghai, the city that inspired the birth of the Maison.

– The opening of *Duddell's*, a Michelin-starred restaurant and art salon at the Shanghai Tang Mansion in Hong Kong, completes it as a retail lifestyle destination.

– The Maison will further strengthen its retail presence with a new flagship store in Macau.

The Maison continues to strengthen its positioning as the pioneering Chinese luxury brand by establishing flagship stores of scale in Asia and transforming the brand's products and imagery.

A monumental milestone for the Maison has been the opening of its largest flagship store in the world – the Shanghai Tang Cathay Mansion in Shanghai, the city that inspired the birth of the brand. This grand restoration of the historic Cathay Cinema building from the 1930s is an exciting showcase of the Maison's modern interpretation of Chinese heritage and culture.

The opening of *Duddell's*, a Michelin-starred restaurant and art salon, enhanced the Shanghai Tang Mansion in Hong Kong as a retail lifestyle destination and art hub.

To further strengthen an image of glamour and luxury, the Maison launched its *Imperial Collection* capsule collection. The collection features luxurious, ready-to-wear pieces that exude evening glamour, as envisioned by Shanghai Tang's contemporary Chinese aesthetics.

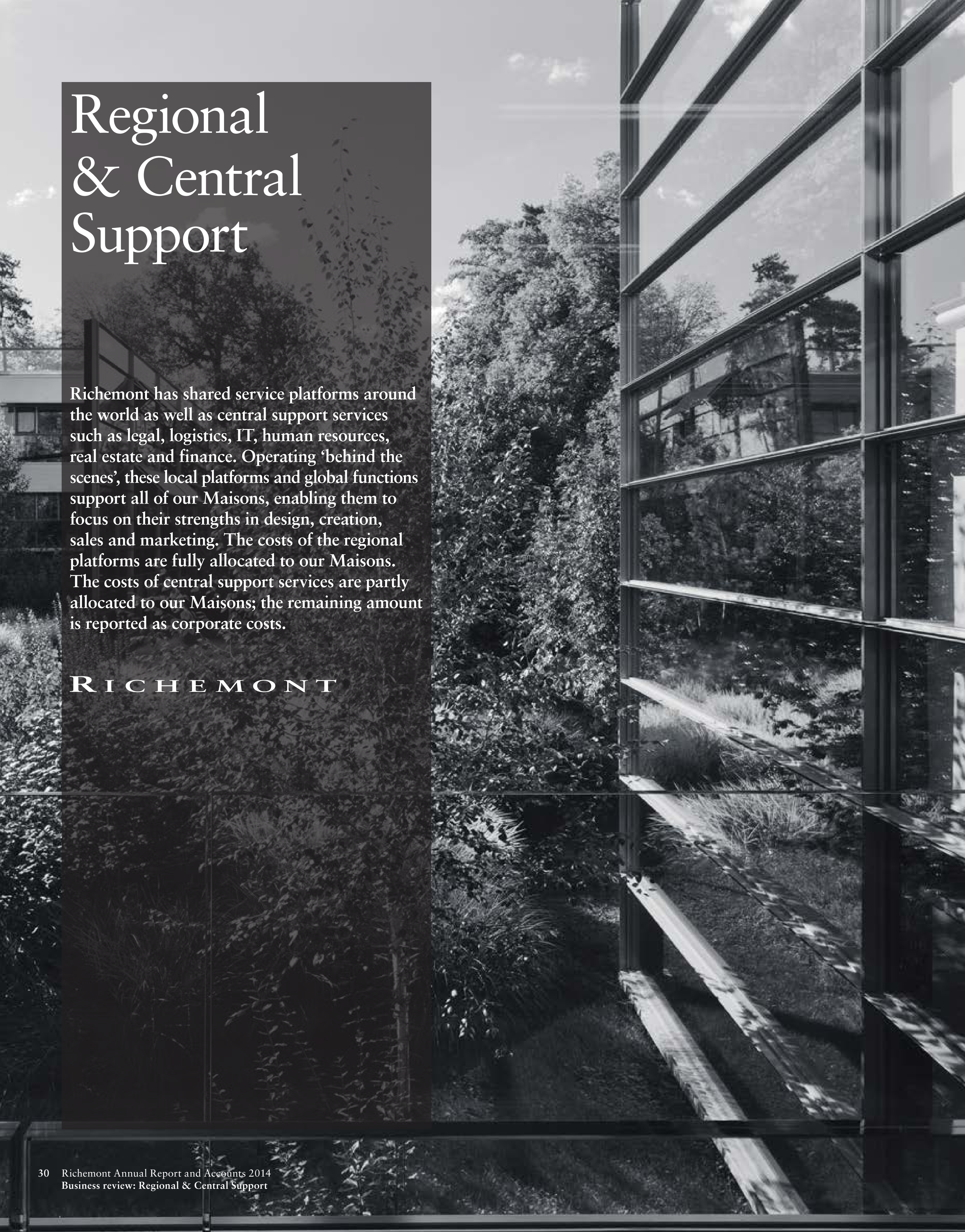
The strategic transformations in distribution, products and imagery have contributed to the growth of mainland Chinese customers, who are now the Maison's predominant patrons.

2014 marks the 20th anniversary of Shanghai Tang. The Maison will begin a year-long celebration with exciting content and brand experiences that include collaboration with Chinese artists and a film director to create original artwork and a short film, as well as Limited Edition capsule collections. A grand showcase celebration event will be held at the Shanghai Tang Cathay Mansion in autumn 2014.

To enhance the global awareness and glamour of Shanghai Tang, the Maison will launch a new fragrance range. Shanghai Tang will also strengthen its retail presence with the expansion of a new flagship store in Macau.

Raphael Le Masne de Chermont
Executive Chairman

Established 1994
1 Duddell Street, Hong Kong, People's Republic of China
Executive Chairman Raphael Le Masne de Chermont
Finance Director Annie Paray
www.shanghaitang.com



Regional & Central Support

Richemont has shared service platforms around the world as well as central support services such as legal, logistics, IT, human resources, real estate and finance. Operating 'behind the scenes', these local platforms and global functions support all of our Maisons, enabling them to focus on their strengths in design, creation, sales and marketing. The costs of the regional platforms are fully allocated to our Maisons. The costs of central support services are partly allocated to our Maisons; the remaining amount is reported as corporate costs.

RICHEMONT

Richemont

Richemont's local and global support services enable our Maisons to enter new markets more easily and, aided by in-house tools, support teams and development initiatives, to grow more efficiently. With some 4 000 employees directly employed by our subsidiaries, these services make a regular and significant contribution to the Group's sales growth and operating margins. The following section highlights specific developments during the year under review.

European platform, including Middle East and Africa

Richemont's European distribution company successfully concluded its regional roll-out, enabling high-quality customer service and improved delivery times. The region is now well equipped to benefit operationally from the advantages brought by the European Union. After a successful debut, the European contact centre in Amsterdam has seen further expansion to better serve client needs. Richemont Dubai was strengthened operationally and, combined with retail expansion, is meeting the potential for growth in this important region.

Asia Pacific platform

The Asia Pacific region strengthened all areas of its shared services platform, specifically in the areas of compliance and security in response to regulations being implemented in numerous countries. The first group of graduates from the China Institute of Swiss Watchmaking were integrated into the customer service platforms and make a valuable contribution as the region experiences year-on-year increases in service volumes. The region has also been preparing for the roll-out of a number of important Group information technology projects in order to improve the efficiency of operations and to enhance the Maisons' contact centre capabilities. In September, the first Watches & Wonders exhibition was held in Hong Kong over four days. The exhibition showcased the heritage and craftsmanship of eleven of the Group's Maisons to a wide audience of collectors and watch enthusiasts. Watches & Wonders was a great success and has already become a 'must attend' event for watch collectors in Asia.

Americas platform

Richemont North America supported the further integration of the Maisons by securing long-term office space, allowing all of the Maisons' management to be located in one location in New York. The Americas platform also assisted in substantial transactions relating to real estate where more than a dozen new boutique locations were secured. In Latin America, new subsidiaries were created in Brazil and boutiques were subsequently opened, bringing our Maisons closer to their customers.

Japan platform

The region made good progress in retail developments, working very closely with the Maisons. Also the platform is implementing the switch-over of its legacy Enterprise Resource Planning system to the Group standard. Substantial improvements at customer touch-points, including the establishment of a contact centre for the Maisons, aim to deliver superior customer services.

Central support services

Richemont continued to strengthen its internal manufacturing sites at the service of the Maisons, to consolidate the Group's autonomy on critical watch components and secure manufacturing know-how. The Manufactures have invested in operational excellence, process innovation and industrial compliance to anticipate the requirements of the upcoming 'Swissness' regulation and the various corporate social responsibility initiatives in which the Group is voluntarily engaged. Notably, the internal Manufactures and their suppliers are now members of the Responsible Jewellery Council.

In information technology ('IT'), the Group finalised the roll-out of its integrated IT systems in Europe, including Euro-logistics. The roll-out in Asia has been started and the first country to 'Go Live' will be Japan in autumn 2014. Furthermore the Group continues the roll-out of its IT systems to the Maisons' manufacturing sites with the 'Go Live' of Piaget. Separately, the Group supports the digital projects of our Maisons: e-commerce was launched in Europe and is managed using a common IT platform.

In the Supply Chain and Procurement function, logistics re-engineering programmes and key investments were made to develop and improve distribution centres and logistics operations in all regions, to increase overall efficiency and anticipate future business and services needs. In parallel, global supply chain compliance further developed its skills and networks across the Group, enhancing best practices and placing Richemont at the forefront of the industry. Procurement organisation and purchasing co-ordination were progressively strengthened across all regions, sharing and implementing best practices and delivering sustainable costs savings.

The central Real Estate function supported the Maisons in their acquisition of boutiques, which now exceeds 1 000 worldwide, and in major construction projects, primarily in Switzerland where their watchmaking facilities are being expanded to meet demand. This year, the main manufacturing building projects were in: Switzerland at Campus Meyrin, Cartier Couvet, Panerai and Vacheron Constantin; in Germany at A. Lange & Söhne; and in France at Cartier Eyewear.

Richemont took further steps to address our investors' concerns regarding environmental, social and governance matters. The consequences of those steps, including Richemont's participation in the United Nations Global Compact, may be found throughout the 2014 Annual Report.

Financial review

in € millions	March 2014	March 2013	% change
Sales	10 649	10 150	+5 %
Cost of sales	(3 898)	(3 631)	
Gross profit	6 751	6 519	+4 %
Net operating expenses	(4 332)	(4 093)	+6 %
Operating profit	2 419	2 426	–
Net financial costs	64	(47)	
Share of post-tax results of equity-accounted investments	(5)	(4)	
Profit before taxation	2 478	2 375	+4 %
Taxation	(411)	(370)	+11 %
Profit for the year	2 067	2 005	+3 %
Analysed as follows:			
Attributable to owners of the parent company	2 072	2 013	
Attributable to non-controlling interests	(5)	(8)	
Profit for the year	2 067	2 005	+3 %
Earnings per share – diluted basis	€ 3.676	€ 3.595	+2 %

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 34 to 37.

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 per share	Swiss withholding tax @ 35 %	Net payable per share
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.

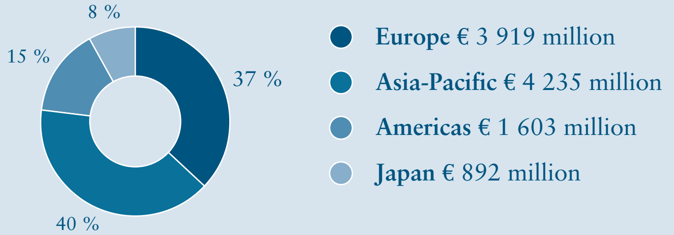
The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Thursday 18 September 2014. Both will trade ex-dividend from Friday 19 September 2014.

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

Sales by region



			Movement at	
in € millions	31 March 2014	31 March 2013	Constant exchange rates*	Actual exchange rates
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 %
	10 649	10 150	+10 %	+5 %

* Movements at constant exchange rates are calculated by 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.

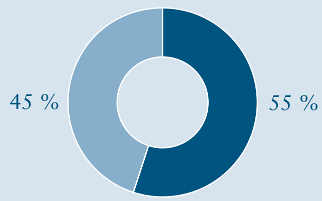
Americas

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 currencies as well as advanced purchasing decisions towards the Group's 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.

Sales by distribution channel



Retail € 5 849 million

Wholesale € 4 800 million

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

* Movements at constant exchange rates are calculated by 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

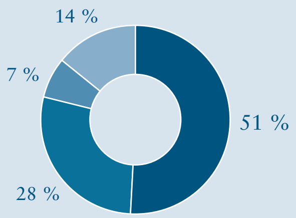
Retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 8 %. Retail sales growth continues to exceed the growth in wholesale sales and 55 % of Group sales were generated through the Maisons' boutique networks during the year.

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 boutique 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.

Sales and operating results by segment



- Jewellery Maisons € 5 438 million
- Specialist Watchmakers € 2 986 million
- Montblanc Maison € 730 million
- Other € 1 495 million

Jewellery Maisons

in € millions	31 March 2014	31 March 2013	Change
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 benefited 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	31 March 2014	31 March 2013	Change
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	31 March 2014	31 March 2013	Change
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.

Sales and operating results by segment continued

Other

in € millions	31 March 2014	31 March 2013	Change
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	31 March 2014	31 March 2013	Change
Corporate costs	(212)	(207)	+2 %
Central support services	(203)	(188)	+8 %
Other operating income/(expense), 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 %.

Bernard Fornas
Co-Chief Executive Officer

Richard Lepeu
Co-Chief Executive Officer

Gary Saage
Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 15 May 2014

Corporate social responsibility

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

The Group's activities are guided by a common framework which helps Richemont managers, employees, suppliers and associates to understand our expectations. The framework includes our Code of Business Ethics and Corporate Social Responsibility Guidelines, as well as codes of conduct for employees, suppliers and for environmental management. The Group also consults with its largest shareholders to determine their concerns and priorities regarding corporate responsibility issues and disclosures.

Richemont people

Richemont directly employs some 30 000 people in manufacturing, distribution, retail and administrative functions. Two-thirds of Richemont's employees are based in Europe, primarily in Switzerland, France, the UK and Germany, reflecting the location of our Maisons' manufacturing bases.

Training

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

To preserve the skills of master craftsmen from one generation to the next, our Maisons' engage a number of apprentices each year. Some 450 apprentices and trainees are currently employed.

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

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

Separately, the Richemont Retail Academy in Shanghai provides a platform for recruiting and training personnel for our Maisons' boutiques across China.

Supply chain

The Group's full supply chain often lies beyond our direct control. We therefore seek to influence the behaviour of our suppliers through our model Supplier Code of Conduct and by collaborating with peers via the Responsible Jewellery Council. Each year, between 50 and 100 suppliers are audited as part of their regular relationship with the Maisons.

Responsible Jewellery Council

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

Richemont is a long-term supporter of the RJC. All of our Maisons using gold and diamonds are now full members. Together, those Maisons account for over 90 % of the Group's total sales. The great majority of them are now certified as being in compliance with the RJC's stringent Code of Practices.

Environment

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

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

Community

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

United Nations Global Compact ('UNGC')

In December 2013, Richemont became a participant in the UNGC and will 'Communicate on Progress' annually. The Company is also involved in the UNGC's Swiss Network.

2014 corporate social responsibility report

Richemont's full annual corporate social responsibility report will be available from July 2014 at www.richemont.com/corporate-social-responsibility

Peace Parks Foundation

Southern Africa's peace parks today incorporate over half of the declared conservation estate in the region.

At over a million square kilometres, the peace parks rival the combined landmass of France and Spain. These parks are as astounding in their extent as in their natural magnificence, the immense richness of their biodiversity and the importance of their cultural heritage. Peace Parks Foundation facilitates the development of Africa's peace parks. Our approach combines conservation with socio-economic development, to ensure the long-term preservation of protected areas.

In December 2013, it was with great sadness that we bade farewell to our founding patron, Nelson Mandela, surely the most celebrated and iconic elder statesman and peacemaker of our time. Madiba's vision for an Africa at peace with itself, and his belief in the catalytic role of Africa's peace parks in achieving this vision, will remain a well of inspiration in our work.

The region's governments and the donor community made many milestones possible in 2013, which included the following:

In Zambia, the first ever wildlife translocation to the Simalaha Community Conservancy was undertaken. Simalaha is an important area in KAZA TFCA (the Kavango Zambezi Transfrontier Conservation Area) for re-establishing wildlife populations and their migration routes, while stimulating community benefits through wildlife and tourism development. Following the implementation of a project to improve the Simalaha people's human rights, including their food security by training them in better farming methods, a conservation agriculture project was launched. The project aims to reach at least 350 farmers in and around the conservancy.

In the Lubombo TFCA, the Mozambican government continued its multi-year translocation programme to develop Maputo Special Reserve as a tourist destination with wildlife kindly donated by Ezemvelo KZN Wildlife of South Africa. A community development facility was also established to serve as a long-term financing mechanism to unlock community enterprise and socio-economic development opportunities.

South Africa, home to 83 % of Africa's wild rhino, lost 1 004 animals to poaching in 2013
Image: Michael Viljoen

In response to the illegal wildlife trade that is decimating Africa's elephant and rhino populations, the foundation launched a programme to combat wildlife crime. One of the first interventions it supported was Ezemvelo KZN Wildlife trialling the devaluation of rhino horn to render it of no value for purported medicinal or ornamental purposes. Thanks to the positive outcome of the devaluation trial, there will be a much wider application in 2014. The pilot project is also facilitating additional research into the best devaluation options and procedures.

To further the work of Peace Parks Foundation, donors may make contributions via its charities in Germany, the Netherlands, Sweden, Switzerland, the UK and the USA. With the launch of the Peace Parks Foundation Legacy Society, supporters now have the opportunity of including the foundation as a beneficiary of their estate, or of establishing a living legacy whereby annual contributions are made to the foundation's operational expenses or to a specified project or programme.

We invite you to become a protagonist in this African story of hope and progress.

Contact

Werner Myburgh, CEO, Peace Parks Foundation
Tel: +27 (0)21 880 5100 / Fax: +27 (0)21 880 1173
E-mail: parks@ppf.org.za / Website: www.peaceparks.org

Laureus

The pioneering work of the Laureus Sport for Good Foundation is a source of pride to all at Richemont.

Conceived by former Richemont Chairman Johann Rupert and based on the underlying conviction that sport can build bridges in society, Laureus was set up in 1999 as a joint venture with German auto manufacturer Daimler.

For more than a decade now, Laureus has been using the power of sport to improve the lives of disadvantaged young people around the world and also to celebrate sporting excellence at the annual Laureus World Sports Awards, held most recently in Kuala Lumpur in March 2014.

At the heart of the charity is the Laureus World Sports Academy, a unique collection of 46 of the greatest living sports legends, under the chairmanship of Edwin Moses, who were inspired at the very first Laureus Awards in 2000 by the stirring words of Laureus Patron, Nelson Mandela.

The late President Mandela said: "Sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else does. It speaks to youth in a language they understand. Sport can create hope, where once there was only despair."

Since that day in 2000, the sportsmen and sportswomen of the Laureus Academy, backed by a growing number of sporting ambassadors, have been making this happen. In that time Laureus has supported sports-based community projects which have benefited millions of young people around the world.

Children from the Laureus-supported project OrphanAid, Ghana

From the favelas of Rio, where young people are at constant risk of being drawn into a life of drugs and criminal violence, to Northern Ireland where youth continue to live in communities divided by sectarianism and political divide, to the slums and townships of Africa, where thousands of kids live without basic amenities or access to education, Laureus, through the positive power of sport, is helping children to overcome challenges and gives them hope for the future. In American and European inner cities too, Laureus aims to offer young people an alternative to lives blighted by violence, drugs, gangs and discrimination.

The Laureus network now reaches more than 140 projects in 34 countries and tackles a wide range of social challenges faced by children at grass roots level. In addition to direct funding, Laureus is a recognised leader in research and dissemination of best practice, demonstrating to community leaders and governments the value of investing in sports projects as an alternative and highly effective way of tackling social problems. Additionally, Laureus has applied its experience over many years to develop a modern curriculum which can be used to develop youth-based sport development projects around the world.

The Laureus World Sports Awards event, which honours the greatest sportsmen and sportswomen, is the annual highlight of the year. It showcases the work of the Laureus Sport for Good Foundation to a global television audience and is a unique gathering of hundreds of athletes who volunteer their time to this charitable cause.

The Laureus Awards event acknowledges the contribution made by individuals who use sport to help society by the presentation of the prestigious Laureus Sport for Good Award. It also promotes equal recognition for disability and action sports. Over the past decade, proceeds from the Awards have directly benefited and financially underpinned the work of the Laureus Sport for Good Foundation.

Laureus Chairman Edwin Moses says: "I would like to thank Richemont for their vision and unwavering commitment in supporting the Academy in its mission through Laureus in using the power of sport to improve the lives of so many children. We have come a long way and achieved a great deal, but the work goes on and we still have so much to do."

IWC Schaffhausen is Richemont's nominated business which partners with Laureus and supports Laureus events.

For more information, go to www.laureus.com

Corporate governance

Introduction

The Board believes that the Company's corporate governance arrangements have served its shareholders well.

Amongst the non-executive directors, Mr Yves André Istel has served as Chairman of the Board and Mr Josua Malherbe as Deputy Chairman since September 2013, when the former Chairman, Mr Johann Rupert, began a year of sabbatical leave. Lord Renwick of Clifton continued to serve as the Lead Independent Director. The non-executive directors are, without exception, indisputably independent in character and judgement. They bring to the Board a formidable array of expertise and experience. In many cases they have served on the Board for a considerable period of time or have special expertise in relation to the luxury goods businesses. As a result, they have an in-depth understanding of the Group. The Board considers that this combination of experience and expertise has been a significant factor in contributing to the superior returns for shareholders generated by the Group since the listing of Richemont on the Swiss Stock Exchange 26 years ago. Other changes to the Board membership during the year are detailed on page 49.

As regards the executive directors of the Board, Messrs Bernard Fornas and Richard Lepeu have served as Co-Chief Executive Officers of the Group since April 2013. Mr Fornas is responsible for overseeing the Maisons; Mr Lepeu is responsible for overseeing Richemont's central functions. The other executive directors are Mr Gary Saage, Chief Financial Officer, and Dr Frederick Mostert, Chief Legal Counsel.

Following the 2013 Annual General Meeting ('AGM'), Richemont's publicly traded 'A' shares became registered. The 'A' shares were previously bearer shares. The move, which preserved the dividend and voting rights of shareholders, brings the Company closer to its shareholders, enabling direct communication with those who have chosen to come onto the register in their own name. The move enables the Company to use a 'record date' for voting at its 2014 AGM, thus removing the previous, unpopular requirement to block shares in the days immediately preceding an AGM.

In March 2013, the Swiss people voted in favour of the 'Minder Initiative', a referendum proposing revisions to the governance of Swiss public companies, in particular regarding 'excessive pay'. Richemont's Board has duly noted the subsequent revisions to Switzerland's legislation which followed that referendum and will propose certain resolutions for shareholder approval at the AGM, to be held on 17 September 2014. As in previous years, the shareholders will be asked to approve the compensation report in a non-binding vote. Other measures in respect of Switzerland's new legislation will be proposed at the 2015 AGM, in line with other leading Swiss public companies.

General principles

Richemont (the 'Group') is committed to maintaining a high standard of corporate governance. It subscribes to the principles laid down in the Swiss Code of Best Practice for Corporate Governance published by 'economiesuisse', the Swiss Business Federation. It also adheres to the requirements of the 'Directive on Information Relating to Corporate Governance' ('DCG'), issued by SIX Swiss Exchange. In addition to Swiss law, the Group complies with the Listing Rules of SIX Swiss Exchange. It also complies with the rules of the Johannesburg stock exchange, to the extent that they apply to companies with a secondary listing there.

The Group's corporate governance principles and practices are reviewed by the Audit Committee and the Board on a regular basis in the light of prevailing best practices.

The Group's principles of corporate governance are embodied in the Articles of Incorporation of Compagnie Financière Richemont SA (the 'Company'), in its Corporate Governance Regulations and in the terms of reference of the Audit, Compensation, Strategic Security and Nominations Committees of the Company's Board. The Corporate Governance Regulations are available on the Group's website: www.richemont.com/about-richemont/corporate-governance.html

This section of the annual report follows the recommendations of SIX Swiss Exchange DCG. Headings follow the format of the DCG and cross-references to other sections of the report are provided where appropriate. In certain instances, where the issues contained in the directive do not apply to Richemont or where the amounts involved are not material, no disclosure may be given.

1. Group structure and significant shareholders

Structure

Compagnie Financière Richemont SA is a Swiss company with its registered office at 50, chemin de la Chênaie, CH 1293 Bellevue, Geneva, Switzerland. The Company's Board of Directors (the 'Board') is the Group's supervisory board, composed of a majority of non-executive directors.

The Group's luxury goods businesses are separated into four segments for presentation purposes: (i) Jewellery Maisons; (ii) Specialist Watchmakers; (iii) Montblanc Maison; and (iv) Other Businesses. Each of the Maisons in the Group enjoy a high degree of autonomy, with its own management group under a chief executive officer. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services in terms of distribution, finance, legal, IT and administration services.

Details of the principal companies within the Group are set out in note 38 to the Group's consolidated financial statements. The market capitalisation and International Security Identification Number ('ISIN') of the Richemont 'A' shares are given in section 2 of this corporate governance report, which deals with the capital structure.

Compagnie Financière Rupert
Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1 % of the equity of the Company and controlling 50 % of the Company's voting rights. Mr Johann Rupert, formerly Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Professor Jürgen Schrempp and Mr Ruggero Magnoni, both non-executive directors of the Company, are partners of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2014.

As at 31 March 2014, Compagnie Financière Rupert is the only significant shareholder in the Company, i.e. with at least 3 % of the voting rights in the Company.

Cross shareholdings
Richemont does not hold an interest in any company which is itself a shareholder in the Group.

2. Capital structure

Shares
There are 522 000 000 'A' registered shares and 522 000 000 'B' registered shares in issue. Richemont 'A' registered shares are listed and traded on SIX Swiss Exchange. The 'B' registered shares are not listed and are held by Compagnie Financière Rupert, as detailed above. Each 'A' registered share has a par value of CHF 1.00 and each 'B' registered share has a par value of CHF 0.10. Further details are given in note 18 to the Group's consolidated financial statements.

During the three years ended 31 March 2014, there was one change to the Company's capital structure. With effect from 27 September 2013, the Company replaced its former 'A' bearer shares with 'A' registered shares. There was no change in respect of the 'B' registered shares. The change followed shareholder approval, with the required majorities, of changes to the Company's Articles of Incorporation at the AGM held on 12 September 2013. The move has brought Richemont further into line with other leading Swiss companies. The economic rights, including dividend and voting rights, attaching to the 'A' shares were not changed as a consequence of the move. However, the 'A' registered shares were assigned a new ISIN and a new Swiss security number ('Valorennummer'). 'CFR', the 'ticker' of the former 'A' bearer shares, was preserved.

At 31 March 2014, Richemont's market capitalisation, based on a closing price of CHF 84.40 per share and a total of 522 000 000 'A' shares in issue, was CHF 44 057 million. The overall valuation of the Group at the year end, reflecting the value of both the listed 'A' shares and the unlisted 'B' shares, was CHF 48 462 million.

Over the preceding year, the highest closing price of the 'A' share was CHF 95.55 on 14 August 2013, and the lowest closing price of the 'A' share was CHF 68.15 on 22 April 2013.

The ISIN of Richemont 'A' shares is CH0210483332 and the Valorennummer is 21048333.

Dividend
Holders of 'A' and 'B' shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, 'B' shareholders receive one tenth of the dividend per share paid to holders of the 'A' shares.

In respect of the financial year ended 31 March 2014, an ordinary dividend of CHF 1.40 per 'A' share and CHF 0.14 per 'B' share has been proposed.

Share buy-back programmes
Over the course of the preceding fourteen-year period ended 31 March 2013, the Group had repurchased a total of 34 552 934 former 'A' units and 32 196 876 'A' shares through the market to meet obligations under stock option plans for executives. During the year under review, the Group repurchased a further 1 100 000 'A' shares through the market.

Taking into account the exercise of options by executives during the course of the year and other activities linked to the hedging programme, the balance held in treasury at 31 March 2014 was 11 267 201 'A' shares.

On 16 May 2012, Richemont announced a programme envisaging the buy-back of 10 000 000 of its own 'A' shares over a two-year period, linked to the requirements of the executive stock option plan. That plan expired on 15 May 2014. On the same date, Richemont announced a new programme envisaging the buy-back of 10 000 000 of its own 'A' shares over a three-year period, also linked to the requirements of the executive stock option plan. Richemont's strategy is to maintain a hedge ratio of at least 90 % of outstanding options. The new programme received the requisite approval from the Swiss Takeover Board and Richemont undertakes to publish transactions on its website in accordance with that approval.

Details of the Group's stock option plan are set out in section 5 of this report and in note 35 to the Group's consolidated financial statements. The operating expense charged to the consolidated statement of comprehensive income in respect of the fair value of options granted to executives is set out on page 112 of this report.

When ‘A’ shares or former ‘A’ units are bought back, a reserve for treasury shares, equal to the cost value of the shares purchased in the market, is established as an element of shareholders’ equity in the Group’s consolidated statement of financial position. The cost of acquiring over-the-counter call options is also charged to this reserve. As shares are sold as a consequence of the exercise of options by executives, the reserve is correspondingly reduced. During the year under review, the reserve for treasury shares decreased by a net € 230 million as a consequence of the exercise of options by executives and the consequent delivery of ‘A’ shares from the Group to those executives, partly offset by the purchase of ‘A’ shares, as described above. Further details are given in note 18 to the Group’s consolidated financial statements.

Voting rights

Holders of Richemont shares may attend and vote at meetings of shareholders of the Company. They may attend in person or may appoint the Company or a third party to represent them at the meeting.

There is no limit on the number of shares that may be held by any given party nor any restriction on the voting rights attaching to those shares.

Richemont ‘A’ and ‘B’ shares have equal rights to share in the dividends and capital of the Company; ‘B’ shareholders are entitled to receive 10 % of the dividend per share paid to ‘A’ shareholders and 9.1 % of the Company’s capital. However, despite the differing nominal values of the ‘A’ and ‘B’ shares, each ‘B’ share conveys the same voting rights as each ‘A’ share, in normal circumstances, at shareholder meetings. Richemont ‘B’ shareholders therefore control 50 % of the votes at shareholder meetings. The ‘B’ registered shares are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions, notably those relating to the objects of the Company, its capital structure, the transfer of its registered office or its dissolution, require the approval of two thirds of the shares and an absolute majority of the nominal share capital represented at a general meeting of shareholders.

Statutory quorums

The general meeting of shareholders is the Company’s ultimate decision-making forum. Resolutions of the general meeting are generally passed by an absolute majority of the votes represented at the meeting. As detailed above, certain resolutions may require the approval of two thirds of the shares and an absolute majority of the nominal share capital represented at a general meeting of shareholders.

The AGM in respect of the financial year ended 31 March 2014 will be held on 17 September 2014 at the Four Seasons Hotel des Bergues, Geneva, Switzerland. The agenda for that meeting is set out on page 124 of this report. The notice period and agenda in respect of the meeting follow the requirements of Swiss company law. Holders of a minimum of one million ‘A’ shares in the Company with a nominal value of CHF 1 million may request that an item be placed on the agenda for the meeting. Such requests must be submitted, in writing, at least 20 days in advance of the deadline for publication of the formal notice convening the meeting.

South African Depository Receipts

Richemont Securities SA (‘Richemont Securities’), a wholly-owned subsidiary of the Company, acts as Depository for the issuance, transfer and cancellation of Richemont South African Depository Receipts (‘DRs’), which are traded on the Johannesburg stock exchange operated by JSE Limited. DRs trade in the ratio of ten DRs to each Richemont ‘A’ share. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities, as Depository, and the Company, as Issuer.

In its capacity as Depository, Richemont Securities holds one ‘A’ share in safe custody for every ten DRs in issue. Richemont Securities SA’s interest in the ‘A’ shares that it holds is therefore non-beneficial. At 31 March 2014, Richemont Securities held 104 510 832 ‘A’ shares in safe custody in respect of the DRs in issue. This amount represents some 20 % of the ‘A’ shares.

Dividends received by Richemont Securities are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities and remitted to the holders of DRs. Non-South African resident holders of DRs may receive the dividends in Swiss francs, subject to their residence status.

Holders of DRs issued by Richemont Securities are not entitled to attend the shareholders’ meeting of Compagnie Financière Richemont SA or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Richemont Securities, which then represents the holders as their proxy at shareholder meetings.

Neither the amendment of the Company’s Articles of Incorporation at the 2013 AGM, nor the transformation of the ‘A’ shares to registered form and the creation of a share register in Switzerland, had any economic impact on the DRs.

Transferability of shares

Richemont’s ‘A’ shares are issued as uncertificated securities within the meaning of the Swiss Code of Obligations and as intermediated securities within the meaning of the Swiss Federal Act on Intermediated Securities (‘ISA’). Following entry in the Share Register, shareholders may request a statement in respect of their ‘A’ shares from the Company at any time. Shareholders do not have the right to request the printing and delivery of certificated ‘A’ shares. Certificates (individual share certificates or certificates representing several ‘A’ shares) may however be printed and delivered if considered appropriate by the Company. The transfer and encumbering of ‘A’ shares are carried out according to the provisions of the ISA. There are no restrictions on transfers of shareholdings.

Transfers of the unlisted ‘B’ registered shares in the Company, which are held solely by Compagnie Financière Rupert, must be approved by the Board.

3. Board of Directors

Responsibilities and membership

The Board is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business. The Board is responsible for the preparation of the financial statements of the Company and of the Group and for the organisation of shareholders' meetings.

The introduction to this report provides a commentary about the composition of the Board's membership and the qualities of its members. The Board is composed principally of non-executive directors with diverse professional and business backgrounds. Seven nationalities are represented on the Board, which was composed of 19 members at 31 March 2014. Board members are proposed for election on an individual basis at each year's AGM for a term of one year. All directors are eligible to stand for re-election each year, details of nominations being given in the notice of the AGM published on page 124. There is no restriction on the number of times a director may seek re-election and no formal age limit for directors. Neither age nor the number of years served on the Board is deemed to affect a director's independence. Certain independent directors have served for more than ten years.

In terms of its regular business, the Board generally meets for half a day to a full day, five times per annum. Further meetings on specific topics are held on an ad hoc basis. During the year under review, the Board of Directors held five meetings. These included a two-day meeting with senior management of certain Maisons at which strategy, marketing plans and new products were presented. The Chairman, the Co-Chief Executive Officers and Chief Financial Officer establish the agendas for the meetings of the Board. Directors may ask that an item be placed on the agenda for any meeting. Financial reports and supporting information in respect of agenda items are circulated to members of the Board in advance of each meeting. Members of senior management may be invited to attend periodically to address specific subjects. The Board may invite external advisors to attend meetings.

The Board and each of its Committees conduct an annual assessment of their own role and effectiveness. The respective Committee's conclusions are communicated to the Board.

Board Committees

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

Each Board Committee has its own written charter outlining its duties and responsibilities and a Chairman elected by the Board. The Chairman of each Committee presents a summary of the proceedings of each Committee meeting to the Board. All Board Committees are entitled to invite members of senior management and external specialists to attend meetings for specific matters on an ad hoc basis.

Audit Committee

The five members of the Audit Committee are: Mr Josua Malherbe (Chairman); Mr Yves-André Istel; Mr Ruggero Magnoni; Lord Renwick of Clifton; and Maître Jean-Blaise Eckert. They are all non-executive directors and, without exception, indisputably independent in character and judgement. The Chief Financial Officer attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditor.

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

The Audit Committee's principal tasks are to:

- satisfy itself that the consolidated financial statements follow approved accounting principles and give a true and fair view of the Group's financial position and results;
- recommend to the Board the appointment, reappointment or dismissal of the external auditor and keep under review its independence and objectivity as well as its level of compensation;
- examine and review, with both the external and internal auditor, the adequacy and effectiveness of the Group's management information systems as well as accounting, financial and operational controls;
- oversee the effectiveness of the Group's Internal Audit function and liaise with the Head of Internal Audit on all matters of significance arising from the department's work;
- oversee the adequacy and effectiveness of risk management practices in the Group and advise the Board on its responsibility to perform regular risk assessments;
- examine and review the adequacy, effectiveness and integrity of the processes to assure the Group's compliance with all applicable laws and regulations; and
- ensure compliance with the Group's internal Corporate Governance Regulations, including the Code of Conduct for Dealings in Securities, and its Group Investment Procedures.

The Chairman of the Audit Committee reports the findings of each Committee meeting to the Board and makes recommendations to management on behalf of the Board.

Section 3 of the corporate governance report continues on page 50

Board of Directors

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1. Yves-André Istel
Chairman
American, born 1936

Mr Istel was appointed to the Board in 1990. He became its Deputy Chairman in 2010 and Chairman in September 2013. A Non-Executive Director, he is a member of the Audit, Compensation and Nominations Committees.

Mr Istel graduated from Princeton University and has had an extensive career in investment banking. He was Managing Director, and member of the Board, of Lehman Brothers from 1977 to 1983; Co-Chairman of First Boston International from 1984 to 1988; Chairman of Wasserstein Perella & Co International from 1988 to 1992; and Vice Chairman of Rothschild Inc. from 1993 to 2002.

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

Mr Istel is Chairman of the Center for French Civilisation and Culture, New York University, and of the European Institute and the Fondation Saint-John Perse. He is a member of the Economic Club of New York and the Bretton Woods Committee.

2. Josua Malherbe
Deputy Chairman
South African, 1955

Mr Malherbe was appointed to the Board in 2010 as a Non-Executive Director and has served as Deputy Chairman since September 2013. He also serves as Chairman of the Audit Committee and is a member of the Strategic Security and Nominations Committees.

Mr Malherbe qualified as a Chartered Accountant in South Africa and worked with the predecessor firm of PricewaterhouseCoopers before joining Rand Merchant Bank in 1985. In 1990 he joined Rembrandt Group Limited and was involved with Richemont at that time. Since its formation in 2000, he served first as Chief Executive Officer and then as Deputy Chairman of VenFin Limited until 2009 when that company was acquired by Remgro Limited.

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

3. Bernard Fornas
Co-Chief Executive Officer
French, born 1947

Mr Fornas was appointed to the Board in September 2013. He is a member of the Senior Executive Committee and the Group Management Committee.

Mr Fornas graduated from Lyon Business School and holds an MBA from the Kellogg School of Management, Northwestern University. Prior to joining Cartier, he worked with a number of companies in the consumer products sector, including Procter & Gamble and the International Gold Corporation, where he was Jewellery Division Manager. He then moved to Guerlain, where he was International Marketing Director and Advisor to the President from 1984 to 1993.

Mr Fornas joined Cartier as International Marketing Director in 1994. He became Chief Executive of Baume & Mercier in 2001 and was appointed Chief Executive of Cartier and a member of the Group Management Committee in 2002, positions he held until 2012. From January to March 2013, he was Joint Deputy Chief Executive Officer with Mr Lepeu under Mr Rupert, the former Group Chairman. Mr Fornas and Mr Lepeu were appointed Co-Chief Executive Officers of the Group with effect from April 2013.

Mr Fornas also serves as a Non-Executive Director of Holding Benjamin et Edmond de Rothschild, Pregny S.A.

4. Richard Lepeu
Co-Chief Executive Officer
French/Swiss, born 1952

Mr Lepeu was appointed to the Board in 2004. He is a member of the Senior Executive Committee and the Group Management Committee.

Mr Lepeu is a graduate of the Institut d'Etudes Politiques de Paris and the Universite de Sciences Economiques de Paris X. He worked in international corporate finance before joining Cartier in 1979 as assistant to the President. Within Cartier, he was appointed Company Secretary in 1981 and became Director of Finance and Administration in 1985. He was nominated as Chief Executive Officer of Cartier in 1995 and held the post until March 2001. He served as Chief Operating Officer of Richemont from April 2001 until April 2004 and was nominated as Group Finance Director in May 2004, a post he held until March 2010. From April 2010 to December 2012 he served as Deputy Chief Executive Officer, and from January to March 2013 alongside Mr Fornas as Joint Deputy Chief Executive Officer under Mr Rupert. Mr Lepeu and Mr Fornas were appointed Co-Chief Executive Officers with effect from April 2013.

Board of Directors continued

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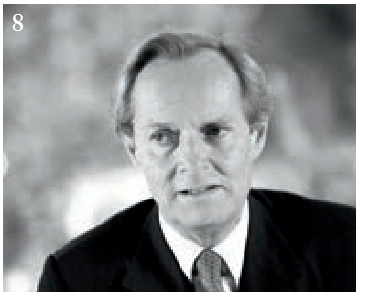


5. Gary Saage
Chief Financial Officer
American, born 1960
Mr Saage was appointed to the Board in 2010. He is a member of the Senior Executive Committee and the Group Management Committee.

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

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

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

Dr Mostert holds a Master's degree from Columbia University School of Law in New York City and a doctorate from the University of Johannesburg. He is a member of the New York Bar, a solicitor of England and Wales, and practised corporate law at Shearman and Sterling and international intellectual property law at Fross, Zelnick, Lehrman & Zissu in New York. He joined Richemont in 1990 and was appointed to the Group Management Committee in 1994.

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

7. Franco Cologni
Italian, born 1934
Dr Cologni was appointed to the Board in 2002 and now serves as a Non-Executive Director and member of the Nominations Committee.

He is a graduate of the University of Milan, where he later became a professor. As a writer, he has published several books and articles, in particular on luxury goods, jewellery and watches, most recently *The Tank Watch. Timeless Style.*

He joined Cartier in 1969 and served as Managing Director and Chairman of Cartier International. Dr Cologni has also been closely involved with the Group's watchmakers: he served as Chairman of the Fondation de la Haute Horlogerie from 2005 to 2010 and continues to serve as Chairman of its Cultural Committee.

Dr Cologni is founder of the Richemont Creative Academy, which offers Master's degrees in design and creative management. He is also founder and Chairman of the non-profit institution 'Fondazione Cologni dei Mestieri d'Arte'. Amongst other distinctions, he is a Commander of the Order of Arts and Letters and, in 2012, Dr Cologni was awarded the Prix Gaia for Esprit d'Entreprise.

At 80 years of age, Dr Cologni has decided not to stand for re-election at the AGM in September 2014 but will continue to serve the group as an Advisor.

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

Lord Douro holds an MA degree from Oxford University. He has broad experience in banking and finance, serving as Chairman of Sun Life and Provincial Holdings from 1995 to 2000 and of the Framlington Group from 1994 to 2005. He is a director of Sanofi and RIT Capital Partners, and is a member of the International Advisory Board of Abengoa. He is Chairman of the Council of King's College, London. He was a member of the European Parliament from 1979 to 1989.

From 1990 to 1993 he was Chairman of Dunhill Holdings and from 1993 to 1998 Deputy Chairman of Vendome Luxury Group, both former subsidiaries of the Group. Since 1998 he has served as Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests and provides consultancy services to the Group.

9. Jean-Blaise Eckert
Swiss, born 1963

Maître Eckert was elected as a Non-Executive Director in September 2013 and is a member of the Audit and Nominations Committees.

Maître Eckert graduated from Neuchâtel University, Switzerland, and holds an MBA from Berkeley, University of California, USA.

Maître Eckert has been a practising lawyer since 1989 and a Partner of Lenz & Staehelin since 1999, advising on national and international corporate, commercial and tax law.

Maître Eckert serves on the Board of several Swiss companies, including Ladurée International SA and UL (Underwriters Laboratories) AG, and on the Board of several not-for-profit organisations, including Fondation pour la Musique et la Culture, Genève. He teaches in the Master programmes of the University of Geneva and of Lausanne. He is also a member of a number of Swiss and international professional organisations.

10. Ruggero Magnoni
Italian, born 1951

Mr Magnoni was elected as a Non-Executive Director in 2006 and is a member of the Audit and Nominations Committees. In 2006 he became a partner of Compagnie Financière Rupert.

Mr Magnoni graduated from Bocconi University, Italy and holds an MBA from Columbia University, USA.

Mr Magnoni joined Lehman Brothers in 1977 and held a number of senior roles across that firm's international activities. In 2000, Mr Magnoni became Head of the European Private Equity division and Vice Chairman of Lehman Brothers Inc and in 2002, Chairman of Lehman Brothers International Italy. Between 2008 and 2013, Mr Magnoni served as Chairman of Nomura International plc's Investment Banking division for Europe, Middle East and Africa. Since 2013, he is Senior Global Advisor to Nomura. He was a member of the Board of Overseers of Reinet Investments S.C.A. ('Reinet') up to September 2009 and has indirect interests in certain investments held by Reinet.

Mr Magnoni is involved with various philanthropic activities, including Fondazione Laureus Italia. He is a member of the Advisory Committee of the Bocconi Foundation.

11. Simon Murray
British, born 1940

Mr Murray became a Non-Executive Director in 2003 and is a member of the Nominations Committee.

He was educated at Bedford School in England and attended SEP Stanford Business School in the United States. He began his business career at Jardine Matheson, with ultimate responsibility for the company's engineering and trading operations. In 1980, he formed Davenham, an advisory company for capital-intensive engineering projects in the Asia-Pacific region. In 1984 he became the Group Managing Director of the Hong Kong-based conglomerate Hutchison Whampoa, leading that company's entry into the mobile telecommunication business and developing its energy business. He joined Deutsche Bank Group as Executive Chairman Asia-Pacific in 1994. In 1998 he founded Simon Murray & Associates.

Mr Murray is currently: Chairman of GEMS Limited; Chairman of Gulf Keystone Petroleum Ltd., Vice Chairman and Independent Non-Executive Director of Essar Energy plc (to 19 May 2014 only); and Independent Non-Executive Director of Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited, Wing Tai Properties Limited, and Spring Asset Management Ltd. (manager of the listed entity Spring REIT). He is also a Non-Executive Director of the Greenheart Group Limited and IRC Limited.

12. Alain Dominique Perrin
French, born 1942

Mr Perrin was appointed to the Board in 2003. A Non-Executive Director, he is a member of the Nominations Committee.

Mr Perrin is a graduate of the Ecole des Cadres et des Affaires Economiques, Paris (E.D.C.). He joined Cartier in 1969, assuming a series of roles and serving as President of Cartier International SA between 1981 and 1998. Overseeing the Group's luxury goods businesses from 1999 to 2003, he was Chief Executive of Richemont SA (Luxembourg) from 2001 to 2003 and served as an Executive Director of Compagnie Financière Richemont until March 2010. He created the Fondation Cartier pour l'Art Contemporain in Paris and the annual Salon International de la Haute Horlogerie.

Mr Perrin serves on the management committees of a number of non-profit organisations. He is President of the Ecole de Dirigeants et Créateurs d'entreprise and President of the European Foundation for Management Development (E.F.M.D.), which delivers EQUIS and EPAS accreditations to business schools and universities around the world. He is also President of the Fondation Cartier pour l'Art Contemporain and the Jeu de Paume Museum, Paris.

Board of Directors continued

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

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

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

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

He graduated with a BSc in precision mechanical engineering from the University of Frankfurt/Main and has studied business and management topics at Harvard Business School and at INSEAD. He worked for a number of years in the field of precision instruments, working with Rollei in Germany and internationally, becoming CEO of Rollei Singapore and Managing Director of Rollei Fototechnic in Germany.

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

Mr Platt currently serves as a Non-Executive Director of Espirit Holdings Limited.

15. Alan Quasha
American, born 1949
Mr Quasha was elected as a Non-Executive Director in 2000 and is a member of the Nominations Committee.

He is a graduate of Harvard College, Harvard Business School, Harvard Law School and New York University Law School. After practising law, he moved into commerce and since 1987 has been President of Quadrant Management Inc.

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

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

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

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

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

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

17. Lord Renwick of Clifton
British, born 1937

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

He is a graduate of Cambridge University and served in the British diplomatic service, rising to become Ambassador to South Africa from 1987 to 1991 and Ambassador to the United States from 1991 to 1995.

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

18. Jan Rupert
South African, born 1955

Mr Jan Rupert was appointed to the Board in 2006. He serves as a Non-Executive Director and a member of the Nominations Committee.

From 1999, when he joined the Group, until 2012, he was Manufacturing Director with overall responsibility for the Group's manufacturing strategy.

Mr Jan Rupert is a graduate in mechanical engineering from Stellenbosch University, South Africa and has had an extensive career in production management in the tobacco and watchmaking industries. Prior to joining Richemont, he was Manufacturing Director of Rothmans International.

19. Jürgen Schrempp
German, born 1944

Mr Schrempp was elected as a Non-Executive Director in 2003. He is Chairman of the Strategic Security Committee and a member of the Nominations Committee. He became a partner of Compagnie Financière Rupert in 2006.

Mr Schrempp holds a professorship of the Federal State of Baden-Wurttemberg and honorary doctorates from the University of Graz and the University of Stellenbosch.

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

He is the Executive Chairman of Katleho Capital GmbH, Chairman of Iron Mineral Beneficiation Services Limited, Independent Lead Director of SASOL as well as a Shareholder and Director of MERKUR BANK KGaA, Munich. He is also a member of the International Investment Council of the President of the Republic of Togo.

Mr Schrempp is Chairman Emeritus of the Global Business Coalition on HIV/AIDS and Honorary Consul-General of the Republic of South Africa. Amongst other distinctions, he is a Commander of the French Legion of Honour and holds South Africa's highest civilian award, the Order of Good Hope.

Former members of the Board

Mr Johann Rupert served as Chairman of the Board and its Nominations Committee until September 2013, when he began a sabbatical year. He continues to be the Managing Partner of Compagnie Financière Rupert.

Maître Dominique Rochat served as a Non-Executive Director and a member of the Nominations and Audit Committees until September 2013.

Ms Martha Wikstrom served as Chief Executive Officer, Richemont Fashion and Accessories until May 2013 and as a Non-Executive Director until September 2013.

Continued from page 44

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact and subsequently prioritised by management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

Compensation Committee

The Compensation Committee is composed of three non-executive directors: Lord Renwick of Clifton (Chairman); Lord Douro; and Mr Yves-André Istel. They are all non-executive directors and, without exception, indisputably independent in character and judgement. To assist it in its deliberations, the Committee may draw on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary but at least twice per annum and typically last one to two hours. During the year under review, the Committee met on three occasions.

The purpose of the Committee is to advise the Board in all aspects of compensation policy insofar as it relates to members of the Board, the Group Management Committee and senior executives and to establish a framework for the compensation of executive management. The Committee is responsible for setting the compensation of the non-executive directors, for approving the compensation of the other members of the Board and for reviewing the compensation of all other members of senior management.

The Committee oversees the administration of the Group's long-term, share-based compensation plan for executive members of the Board and, inter alia: approves the awards granted to executive directors; approves the awards made to other executives in aggregate, recognising that the Senior Executive Committee has the authority to make awards to executives other than those serving on the Board. In addition, the Committee oversees any other material long-term compensation plans for executives of the Group and approves awards under such plans as appropriate.

Nominations Committee

The Nominations Committee consists of the 15 non-executive directors meeting under the chairmanship of the Chairman of the Board. During the year under review, five meetings took place.

The principal functions of the Committee are to advise the Board in areas such as the composition and size of the Board and the criteria to be applied in the selection of new members of the Board and management. In addition, the Committee is responsible for the nomination of directors to serve on Board Committees.

Succession planning is established throughout the Group's operations. At the level of Board membership, the Nominations Committee is responsible for continuity as directors reach retirement or indicate their intention to resign.

The Group's succession plans seek to preserve the current balance of executive directors, former executive directors in a non-executive capacity, and directors who have not held operational responsibilities within the Group. While this balance will be preserved in the long term, as the continuity it brings to strategic discussions is one of the Group's strengths, the profile of individual appointments may vary from time to time. Such variations take account of the Board's evolving requirements in terms of experience and diversity.

Strategic Security Committee

The Strategic Security Committee is composed of three non-executive directors: Professor Jürgen Schrempp (Chairman); Mr Josua Malherbe; and Lord Renwick of Clifton. To assist it in its deliberations, the Committee draws on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary and typically last half a day. The Committee met four times during the year under review.

The purpose of the Committee is to advise the Board in all aspects of security policy. It aims to protect the Company's assets, including confidential business information and intellectual property, and its operations against intrusive actions. It also oversees the protection of Richemont's employees and physical assets.

Management Committees

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

Management is responsible for implementing the strategic policies determined by the Board. Members of management are empowered to conduct the day-to-day strategic and operational administration of the Group including, inter alia, financial management. Management is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board. Management operates within the guidelines as set out in the Group Investment Procedures and such other policies and procedures as may from time to time be laid down by the Board. In addition, management provides the Board with appropriate support to consider and evaluate strategic alternatives.

Senior Executive Committee
During the year under review, the Senior Executive Committee comprised the Chairman of the Board, the Co-Chief Executive Officers and the Chief Financial Officer. Senior managers were invited to participate on an ad hoc basis at the discretion of the Chairman. The Committee meets on an ad hoc basis to review matters associated with the implementation of the Group's strategic policies. During the year under review the Committee met five times.

Executive members of the Senior Executive Committee are charged by the Board with implementing the strategic policies determined by the Board. It is empowered to conduct the day-to-day strategic and operational management including, inter alia, the financial management of the Group. It is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board.

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

4. Senior management

Members of the Group Management Committee participate in various operational committees, as well as interacting with one another and with the Maisons and regional platforms as necessary. Certain members also served on the Board during the year under review. The Group Management Committee did not meet formally during the year. Appointments to the Group Management Committee are made by the Board upon the recommendation of the Nominations Committee. Changes to the Group Management Committee during the year are detailed on page 53.

The Group Management Committee's membership as at 31 March 2014 is presented on pages 52 and 53.

The Board employs various reporting means and control mechanisms in order to monitor the way in which senior management exercises the authority delegated to it.

- Prior to each Board meeting, members of the Board receive a financial report, summarising recent Group, segmental and Maison financial performance as well as operational developments.
- The Co-Chief Executive Officers and the Chief Financial Officer report to the Board at each meeting. Supplementary reports are provided, as required, by the Chief Legal Counsel and the Company Secretary.
- The Group's employee performance review process requires that members of senior management are given clearly defined targets at the beginning of each financial year. The executive directors of the Board monitor performance against these targets on an on-going basis and report progress to the Board.
- There is regular interaction between members of the Board and the Group Management Committee, for example, through the presence of certain executive directors on a regular or ad hoc basis at Board meetings and other Board Committee meetings, as outlined above. Members of the Board are also exposed to the decision-making process at the level of each Maison through their involvement with the annual reviews of the Maisons' strategies.
- The Group's Internal Audit function provides an objective means of assessing how the Group's risks are being managed and controlled. This function's independent status is reinforced by the direct reporting line from the Head of Internal Audit to the Chairman of the Audit Committee. The function performs financial and operational audits in accordance with a programme approved annually by the Audit Committee. This risk-based programme is designed to ensure that all business units as well as Group-wide issues are given sufficient audit coverage within an appropriate timeframe. Findings from each audit, together with any related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee and discussed at Audit Committee meetings. Progress with implementation of corrective actions is monitored by senior management and the Audit Committee on a regular basis.

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

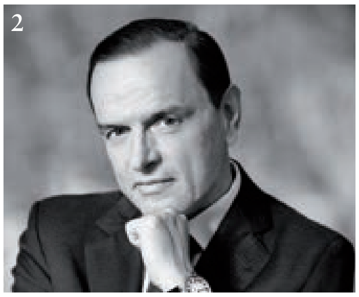
5. Compensation, shareholdings and loans

Compensation-setting philosophy
The Group's compensation policies are designed to ensure that Group companies attract and retain management of the highest calibre and motivate them to perform to the highest standards, recognising the international nature of their businesses. The Group sets high standards in the selection of executives who are critical to the long-term development of the business.

The Compensation Committee of the Board is responsible for setting the compensation of the non-executive directors and the Group Chairman, for approving the compensation of the executive directors of the Board and for reviewing the compensation of all other members of senior management. The Compensation Committee considers the recommendations of the Group Chairman regarding compensation awards for the executive directors. For the Group Management Committee, the recommendations of the Co-Chief Executive Officers and the Group Human Resources Director are also considered. The Compensation Committee may amend or reject these recommendations. Executive directors and members of the Group Management Committee do not have the right to attend any meeting where decisions are taken regarding their compensation. The Chairman of the Compensation Committee reports to the full Board on the discussions and decisions taken at each meeting of the Compensation Committee.

Section 5 of the corporate governance report continues on page 54

Group Management Committee



Bernard Fornas
Co-Chief Executive Officer
(For biographical details see page 45)

Richard Lepeu
Co-Chief Executive Officer
(For biographical details see page 45)

Gary Saage
Chief Financial Officer
(For biographical details see page 46)

Frederick Mostert
Chief Legal Counsel
(For biographical details see page 46)

1. Hans-Peter Bichelmeier
Group Operations Director
German, born 1960
Mr Bichelmeier was appointed to the Group Management Committee in 2012.

Mr Bichelmeier holds a Master in Economics from the University of Lausanne in Switzerland. From 1989, he held a variety of management roles in the Cosa Liebermann Group in Asia. In 1994, he joined Cartier in Japan and subsequently oversaw Cartier's commercial operations in Germany and across Northern Europe.

Between 2002 and 2005, Mr Bichelmeier was CEO of Richemont Northern Europe. From 2005, he was Regional CEO of Richemont Europe, which also includes Russia, the Middle East, Latin America and South Africa. He was appointed Group Operations Director in 2010 with responsibility for worldwide information technology, logistics and after sales service as well as Richemont Europe.

2. Stanislas de Quercize
Chief Executive of Cartier
French, born 1957
Mr de Quercize was appointed to the Group Management Committee in 2012.

Mr de Quercize is a graduate of Ecole Supérieure de Commerce in Rouen. Following an early career with Procter & Gamble, he joined the Group in 1989 as General Manager of Alfred Dunhill and Montblanc in France. From 1994 he was CEO of Montblanc North America and from 1997 he was International Marketing Director of Alfred Dunhill. Mr de Quercize served as General Manager of Cartier France from 1999 and President of Cartier New York from 2002.

From 2005 until 2012, Mr de Quercize served as President and CEO of Van Cleef & Arpels International in Paris. In January 2013, he was appointed Chief Executive of Cartier.

He is a member of the board of the Comité Colbert and of the Fondation de la Haute Horlogerie.

3. Georges Kern
Chief Executive of IWC Schaffhausen
Swiss/French/German, born 1965
Mr Kern was appointed to the Group Management Committee in 2012.

Mr Kern is a graduate in Business Administration from the University of St Gallen. Prior to joining Richemont in 2000, he held positions at Kraft Jacobs Suchard and TAG Heuer.

First serving as Executive Director, Distribution of Richemont's Specialist Watchmakers, Mr Kern was appointed CEO of IWC Schaffhausen in 2002. The Maison became certified as carbon neutral upon his initiative. In 2009, he was additionally appointed Chairman of Baume & Mercier and of Roger Dubuis, where he also served as interim Chief Executive.

Mr Kern was a member of the World Economic Forum's Young Global Leaders from 2005 to 2010 and in 2011 was a Founding Curator of its Global Shapers Community in Zurich. Mr Kern serves as a board member of the Swiss-American Chamber of Commerce, the Laureus Foundation, and the Fondation de la Haute Horlogerie.

4. Jérôme Lambert
Chief Executive of Montblanc
French/Swiss, born 1969
Mr Lambert was appointed to the Group Management Committee in 2012.

Mr Lambert graduated from ESG Management School, Paris and completed post-graduate studies at the Swiss Graduate School of Public Administration ('IDHEAP'). Prior to joining the Group, he held financial roles in Switzerland's public postal and telecommunications service.

Mr Lambert joined Jaeger-LeCoultre in 1996 as the Manufacture's financial controller and became Chief Financial Officer three years later. In 2002, he was appointed its Chief Executive Officer and served in that role until June 2013. Since then, Mr Lambert serves as Chief Executive Officer of Montblanc.

In addition, Mr Lambert has served as Chairman of A. Lange & Sohne since 2009 and served as its Chief Executive for two years.

5. Philippe Léopold-Metzger
Chief Executive of Piaget
Swiss, born 1954
Mr Leopold-Metzger was appointed to the Group Management Committee in 2012.

Mr Leopold-Metzger graduated from EDHEC Business School of Management and holds an MBA from the Kellogg School of Management, Northwestern University. Prior to joining the Group, he worked for two years for American Cyanamid.

Mr Leopold-Metzger joined Cartier in 1981, initially as a product manager. He subsequently managed Cartier companies in Canada, the UK and in Asia. In December 1999, he was appointed Chief Executive of Piaget.

Mr Leopold-Metzger serves as a member of the board of the Responsible Jewellery Council and the Fondation de la Haute Horlogerie.

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

Mr Lindemann is a graduate in economics from Mannheim University. From 1989, he held a variety of human resources and commercial roles in the consumer products company, Wella Group, before joining Montblanc in 1998 as Human Resources Director. He assumed the role of Director of Human Resources for Richemont Northern Europe in 2002 and was appointed Group Human Resources Director in 2005.

7. Albert Kaufmann
General Counsel
Swiss, born 1947
Mr Kaufmann served on the Group Management Committee from 2000 until his retirement, effective 1 April 2014. Further biographical details may be found in the 2013 annual report.

Former members
Mr Johann Rupert, formerly Chairman of the Board, Mr Lutz Bethge, formerly Chief Executive of Montblanc, and Ms Martha Wikstrom, formerly Chief Executive Officer of Richemont Fashion and Accessories, resigned from the Group Management Committee during the year under review.

New members
Mr Nicolas Bos, Chief Executive of Van Cleef & Arpels, and Mr Daniel Riedo, Chief Executive of Jaeger-LeCoultre, were nominated to the Group Management Committee with effect from April 2014.

Continued from page 51

From time to time the Group uses external consultants for advice on remuneration matters. During the year, external advice on specific compensation-related matters was received from Towers Watson. PricewaterhouseCoopers and Deloitte provided advice on share option related matters. None of these firms received any additional mandates from those consultations. PricewaterhouseCoopers is the Company and Group's external auditor, as described in Section 8 of this report.

To ensure that the Group remains competitive in its compensation arrangements, benchmarking surveys, providing details on all elements of total compensation and the mix thereof, for a wide range of executive roles including Chairman, Chief Executive Officer and other executives, are regularly considered. During the year the Compensation Committee engaged Towers Watson to provide benchmarking for specific Board and Group Management Committee roles. The benchmarking survey considered a population base of some 30 entities of similar size, location and business. The Compensation Committee reviewed the survey's findings and concluded that Richemont remains competitive in its compensation arrangements.

Elements of compensation for executive directors and members of the Group Management Committee

Executives are rewarded in line with the level of their authority and responsibility within the organisation. In general, an executive's total compensation will comprise both fixed and variable elements. In addition to a fixed base salary and post-employment benefits, an executive may receive a variable short-term cash incentive and an award in one of the three long-term benefit plans described below. The split of fixed and variable compensation varies by individual, reflecting their role and local market conditions. In the year under review variable compensation represented 57 % of total compensation.

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

The Group does not provide for any sign-on or transaction-specific success fees for executives.

Fixed components

Base salary

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

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

Variable components

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

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

Short-term variable component

The determination of the level of short-term incentive comprises both quantitative and qualitative components, each with a pre-set target and a maximum percentage of base salary. The short-term incentive targets vary according to function from 40 % to 75 %, with a maximum cap set at 150 % of base salary. In general, the quantitative component should represent at least 60 % of the target.

For those executive directors and members of the Group Management Committee who are not CEOs of Maisons, the quantitative component is assessed on actual Group sales, operating profit and net changes in cash for the year compared against the current year's budget and the prior year's actual financial results. The qualitative component is assessed on performance against individual strategic targets. The achieved quantitative percentage will apply equally to each executive; the qualitative percentage will vary by executive. The percentages are decided by the Compensation Committee for the executive directors and by the Senior Executive Committee for members of the Group Management Committee.

For the members of the Group Management Committee who are also CEOs of Maisons, the quantitative component is assessed based on that Maison's actual sales, operating profit and cash contribution for the year against the current year's budget and the prior year's actual financial results. The achievement percentage, to be determined by the Senior Executive Committee, will vary by executive.

In the year under review an expense of € 11 million (2013: € 13 million) was recognised for short-term cash incentives in respect of executive directors and members of the Group Management Committee. This accrued amount relates to the performance during the year under review and will be finalised and paid only when the annual results are available. The accrued amount represents 61 % of the total salary and other short–term benefits of those individuals entitled to receive a short-term cash incentive (2013: 72 %).

Long-term variable components

Share options

Executives may be eligible to participate in the Group's share option plan, details of which are set out on page 59 of this report. The Compensation Committee approves both the maximum aggregate number of options to be awarded and the award to each executive director and member of the Group Management Committee. The Committee's approval is given after considering the forecast expense to the Group; the ratio of unexercised options to issued share capital; the cost of hedging the award and the long-term benefit to the executives. As a general rule, no options are awarded should the number of unexercised options exceed 5 % of the issued share capital of the Company. At the individual level, the estimated value of a share option award, determined in accordance with International Financial Reporting Standards, should not exceed 200 % of the executive's base salary. The Group does not operate any schemes to issue shares to executives as part of their compensation package.

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

In the event that an option holder retires, all outstanding share options vest immediately. In the event that an option holder terminates employment with the Group for another reason, unvested share options are forfeited. Accelerated vesting of share options is never granted to any executive director of the Board. The consequences of a change of control are described in Section 7 of this report.

During the year under review 575 000 share options were awarded to executive directors and members of the Group Management Committee at an exercise price of CHF 90.11.

On 1 July 2013, two option awards vested. In accordance with the plan rules, the Compensation Committee compared the performance of the Company's share price with those of the comparative group, as detailed above, over the appropriate vesting periods. In both cases the Company's share price had out-performed all of the comparative group constituents and the Committee agreed that the options due to vest should vest at 100 %.

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

Long-term Retention Plan

As an alternative long-term benefit to the share options plan described above, the Group introduced a Long-term Retention Plan ('LRP') in June 2010. The LRP is a cash incentive plan. For each eligible participant, the awards are set at the grant date at between 50 % and 150 % of the target short-term cash incentive awarded for the previous year and become payable, typically after three further years of service. In exceptional circumstances a higher percentage may be awarded. The cash settlement will be subject to a comparison of the performance of the Company's share price relative to a comparative group of luxury goods businesses, similar to the vesting conditions that apply to the Group's share option plan. During the year, Mr Bernard Fornas received two LRP awards: an amount of CHF 1 750 000 vesting in 2015 and an amount of CHF 3 000 000 vesting in 2016. No other member of the Board or Group Management Committee received an LRP award in the year.

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

Long-term incentive plan

The Group also operates a cash-settled long-term incentive plan ('LTIP'). The purpose of this plan is to motivate and reward Maison executives by linking a major part of their compensation package to the increase in value of the business area for which they are responsible. LTIP awards are made annually and typically vest after a three-year vesting period. The value of a Maison is consistently determined as the average of multiples of sales, operating profit and cash contributions achieved for the previous year. The executive receives a percentage of the increase in value of the Maison from the date of grant to the vesting date, the vesting value being an average of the preceding two years' valuations. The percentage granted to each executive takes into consideration the size of the Maison and the estimated compensation that could be derived from this programme as a percentage of total compensation. Should the value of a Maison fail to increase during the vesting period, no LTIP pay-out is made and the grant lapses.

Awards under this plan were made to four members of the Group Management Committee in the year under review, with all awards vesting in 2016.

For all future awards, the expected LTIP pay-out, as determined at the grant date, will be capped at a maximum of four times the executive's base salary at the grant date. In general, the expected pay-out ratio will be substantially below this limit.

The final pay-out may be more or less than target, depending upon the Maison's actual performance over the vesting period.

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

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

A number of changes in executive directors and members of the Group Management Committee in the year under review are detailed on pages 49 and 53, respectively.

Clawback
The Board intends to introduce clawback clauses to the employment contracts of all executive directors, members of the Group Management Committee and all other senior managers, allowing the Group to hold back or seek to recoup incentive compensation in the event of material fraud or misconduct by the executive or senior manager.

Non-executive directors' fees
Non-executive directors are entitled to receive an annual base fee of CHF 100 000, plus a fee of CHF 20 000 for each Board meeting attended. This fee is reduced to CHF 4 800 for participation by telephone.

Mr Yves-André Istel assumed the role of Group Chairman following the Annual General Meeting held in September 2013. Considering the demands of the role, the Compensation Committee, excluding Mr Istel, agreed that an additional annual fee of € 600 000 should be paid to Mr Istel.

Non-executive directors who are also members of the Audit Committee; the Compensation Committee or the Strategic Security Committee are entitled to receive further fees. For the Audit Committee, its Chairman receives a fee of CHF 20 000 per meeting attended and the other members a fee of CHF 15 000 per meeting. For the Compensation Committee, its Chairman receives a fee of CHF 15 000 per meeting attended and the other members a fee of CHF 10 000 per meeting. For the Strategic Security Committee its Chairman receives an annual fee of CHF 200 000 and other members a fee of CHF 10 000 per meeting attended.

The amounts above may be paid in local currency equivalents.

Ms Martha Wikstrom did not attend any Board meetings during the period from 1 April 2013 to 12 September 2013. All other executive directors attended all Board meetings during their period of service.

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

The attendance of each non-executive director at Board and committee meetings was as follows:

	Board	Audit Committee	Compensation Committee	Strategic Security Committee
Number of meetings held during the year	5	3	3	4
Yves-André Istel	5	3	3	–
Franco Cologni	5	–	–	–
Lord Douro	5	–	3	–
Jean-Blaise Eckert	4	2	–	–
Ruggero Magnoni	5	3	–	–
Josua Malherbe	5	3	–	4
Simon Murray	4	–	–	–
Alain Dominique Perrin	5	–	–	–
Guillaume Pictet	5	–	–	–
Norbert Platt	5	–	–	–
Alan Quasha	5	–	–	–
Maria Ramos	4	–	–	–
Lord Renwick	5	3	3	4
Dominique Rochat	1	1	–	–
Jan Rupert	5	–	–	–
Jürgen Schrempp	5	–	–	4

Directors' compensation

The total level of compensation paid to members of the Board and the Group Management Committee, including pension contributions, benefits in kind and all other aspects of compensation, amounted to € 56.9 million during the year under review. In determining the value of each component of compensation, the Group has followed the valuation and measurement principles of International Financial Reporting Standards ('IFRS') and therefore the amounts presented include accruals. The amounts are in agreement with other IFRS information provided elsewhere in this Annual Report. All amounts are stated gross before the deduction of any related tax or amounts due by the employee. The employer's social security contribution is excluded from total compensation. These costs vary in rate by country and transaction type, diluting the comparability by individual and over time.

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits €	Share option cost[1] €	Total[2] €
Board of Directors						
Johann Rupert	(91 216)	760 520	–	–	–	**669 304**
Yves-André Istel	552 142	–	–	–	–	**552 142**
Bernard Fornas total compensation	3 567 114	104 555	2 548 057	1 765 277	20 858	**8 005 861**
Included in total compensation of:						
Board of Directors	1 856 314	57 291	1 336 995	967 275	11 429	**4 229 304**
Group Management Committee	1 710 800	47 264	1 211 062	798 002	9 429	**3 776 557**
Richard Lepeu	3 575 932	109 253	2 141 388	73 427	2 958 042	**8 858 042**
Gary Saage	2 191 041	122 329	900 327	28 241	1 635 738	**4 877 676**
Franco Cologni[3]	251 611	–	–	–	–	**251 611**
Lord Douro	284 141	–	–	–	–	**284 141**
Jean-Blaise Eckert[5]	130 134	–	–	–	–	**130 134**
Ruggero Magnoni[3]	–	–	–	–	–	**–**
Josua Malherbe	244 002	–	–	–	–	**244 002**
Frederick Mostert	1 479 565	38 762	857 703	49 404	983 955	**3 409 389**
Simon Murray	146 401	–	–	–	–	**146 401**
Alain Dominique Perrin[3]	2 085 411	–	–	–	–	**2 085 411**
Guillaume Pictet	162 668	–	–	–	–	**162 668**
Norbert Platt	225 193	–	–	–	–	**225 193**
Alan Quasha	162 668	–	–	–	–	**162 668**
Maria Ramos	121 675	–	–	–	–	**121 675**
Lord Renwick of Clifton	268 402	–	–	–	–	**268 402**
Dominique Rochat[4]	69 134	–	–	–	–	**69 134**
Jan Rupert	162 668	–	–	–	–	**162 668**
Jürgen Schrempp	325 336	–	–	–	–	**325 336**
Martha Wikstrom[4]	922 513	2 165	494 797	33 759	(923 910)	**529 324**
Total	15 125 735	1 090 320	5 731 210	1 152 106	4 665 254	**27 764 625**
Group Management Committee						
Total	7 753 992	710 666	5 057 439	11 853 284	3 769 337	**29 144 718**
Total key management compensation	22 879 727	1 800 986	10 788 649	13 005 390	8 434 591	**56 909 343**

1. The cost for share options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are to be found in note 35 to the consolidated financial statements.

2. The employer social security contribution is not included.

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

4. Compensation for the period from 1 April 2013 to 12 September 2013.

5. Compensation for the period from 13 September 2013 to 31 March 2014.

Mr Bernard Fornas was elected to the Board during the year under review. Accordingly his total compensation amounting to € 8 005 861, is attributed to the Board and the Group Management Committee.

Compared to the prior year, changes in the level of compensation awarded to members of the Board and the Group Management Committee primarily reflect changes in membership. The comparative analysis of the table above is presented in note 34(d) of the Group's consolidated financial statements.

The compensation of the executive directors of the Board who are also members of the Group Management Committee is excluded from the total compensation of the Group Management Committee, except for Mr Fornas for the reason given above. The members of the Group Management Committee are presented on pages 52 and 53.

In addition to their duties as non-executive directors, Dr Franco Cologni, Mr Alain Dominique Perrin and Mr Norbert Platt provided consultancy services to the Group during the year. Fees for those services, amounting to € 0.3 million, € 2.1 million and € 0.1 million respectively, are included in the compensation disclosures above.

Richemont appointed Nomura International PLC ('Nomura') to act as adviser in a recent transaction. M&M Capital Limited is a consultancy vehicle engaged by Nomura to assist with senior level board contacts at potential clients and introduce new relationships and new business to Nomura where appropriate. Mr Ruggero Magnoni is Chairman and a shareholder of M&M Capital Limited. In relation to a recent Group transaction, M&M Capital Limited received a fee of € 80 000.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.5 million from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of € 1.1 million to the Fondazione Cologni dei Mestieri d'Arte. The Foundation promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni is the President of the Foundation.

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

In addition to his non-executive director's fees, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 million in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

In accordance with the terms of the modification to the Group's executive share option plan in October 2008, executive directors and members of the Group Management Committee received vested options over shares in British American Tobacco PLC ('BAT') and Reinet Investments S.C.A. ('Reinet'). All of the outstanding options over BAT shares were fully exercised in the year. At 31 March 2014, the Group recognised a liability of € 2 million in respect of its obligation to deliver shares in Reinet on exercise of the options which remained outstanding at that date. The Group holds shares in Reinet which fully hedge the liability.

Highest compensation paid to a member of the Group Management Committee

The total level of compensation of the highest paid director of the Group Management Committee was € 8 858 042, which was paid in respect of Mr Lepeu. Mr Lepeu's compensation is disclosed as a member of the Board. It is therefore excluded from the total compensation of the Group Management Committee.

Compensation of advisory committees

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

Compensation for former members of governing bodies

In the period from 12 September 2013, the Group contributed € 0.8 million to post-employment benefit plans for Mr Johann Rupert, the former Chairman of the Board.

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

Allotment of shares

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

Share ownership

The share ownership of members of the Board, the Group Management Committee and parties closely linked to them are disclosed in note 34(d) of the consolidated financial statements.

As described above, the Company's 'B' shares are held by Compagnie Financière Rupert. They represent 9.1 % of the capital and receive an equivalent amount of the overall dividend pay-out. This significant share ownership provides a strong alignment of interests between the former Chairman, who effectively remains the controlling shareholder of the Group, and all other shareholders.

Hedging of the Group's share option plan obligations

Richemont agrees with the principle that share options form a significant part of compensation and that the issue of new shares to meet the obligations under share option plans results in dilution. For this reason, Richemont has implemented a series of buy-back programmes since 1999 to acquire former 'A' units and 'A' shares to meet the obligations arising under its share-based compensation plans. By using its own capital to acquire these shares, Richemont has reflected the financing cost of the share option plans in the consolidated statement of comprehensive income. The shares held provide a comprehensive hedge of the Group's anticipated obligations arising under its share option plan.

Awards under the Group's share option plan will not result in the issue of new capital and, in consequence, there will be no dilution of current shareholders' interests.

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

The exercise of options and transactions in Richemont shares and related securities by any current director or member of the Group Management Committee and their related parties is promptly notified to SIX Swiss Exchange ('SIX'). SIX simultaneously publishes such notifications at http://www.six-exchange-regulation.com/obligations/management_transactions/notifications_en.html

Details of options held by directors of the Board and members of the Group Management Committee under the Group's share option plan at 31 March 2014 are as follows:

	Number of options						
	1 April 2013	Granted in year	Exercised in year	31 March 2014	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors							
Bernard Fornas	173 249	–	–	**173 249**	29.47	Apr 2014-Jul 2014	June 2017
Richard Lepeu	1 709 612	250 000	(398 089)	**1 561 523**	46.93	Apr 2014-Jul 2019	June 2022
Gary Saage	369 629	150 000	–	**519 629**	61.74	Apr 2014-Jul 2019	June 2022
Frederick Mostert	407 827	75 000	–	**482 827**	46.12	Apr 2014-Jul 2019	June 2022
Jan Rupert	219 476	–	(76 350)	**143 126**	21.20	Apr 2014	June 2017
Group Management Committee							
Hans-Peter Bichelmeier	197 062	50 000	(33 945)	**213 117**	58.34	Jul 2014-Jul 2019	June 2022
Stanislas de Quercize	24 815	–	(21 952)	**2 863**	21.20	Jul 2014	June 2017
Albert Kaufmann	734 838	–	(82 697)	**652 141**	34.94	Apr 2014	June 2021
Georges Kern	9 542	–	–	**9 542**	25.83	Apr 2014-Jul 2014	June 2017
Jérôme Lambert	203 275	–	(68 712)	**134 563**	26.33	Apr 2014-Jul 2014	June 2017
Thomas Lindemann	237 791	50 000	(56 500)	**231 291**	58.82	Apr 2014-Jul 2019	June 2022
	4 287 116	575 000	(738 245)	**4 123 871**			

Loans to members of governing bodies

As at 31 March 2014, there were no loans or other credits outstanding to any current or former executive, non-executive director or member of the Group Management Committee. The Group's policy is not to extend loans to directors. There were also no non-business related loans or credits granted to relatives of any executive, non-executive director or member of the Group Management Committee.

6. Shareholder participation rights

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

7. Change of control and defence mechanisms

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), the Company has not elected to 'opt out' or 'opt up' in respect of the provisions relating to the obligations for an acquirer of a significant shareholding to make a compulsory offer to all shareholders. In accordance with SESTA, any party that would directly or indirectly, or acting in concert with third parties, acquire more than 33⅓ % of the voting rights of the Company would therefore be obliged to make an offer to acquire all of the listed equity securities of the Company. The interest of Compagnie Financière Rupert in 100 % of the 'B' registered shares in the Company, which existed at the date SESTA came into force, does not trigger any obligation in this respect. As noted above, Compagnie Financière Rupert controls 50 % of the voting rights of the Company.

No specific provisions exist in the Articles of Incorporation or internal regulations of the Company which would seek to limit or block any takeover bid. No special contractual relationships exist between Group companies and directors or members of senior management which would protect management or act as a deterrent to a change of control of the Company.

The rules of the stock option plan for executives and other senior managers in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the immediate vesting of benefits due to participants in the event of a change of control taking place.

8. Auditor

The external auditor reports to the Board through the Audit Committee, which also supervises the Group's relationship with the auditor.

PricewaterhouseCoopers SA was reappointed by the Company's shareholders at the 2013 AGM as the auditor of the Company's financial statements and the Group's consolidated financial statements. The auditor was appointed for a period of one year and, being eligible, will stand for a further period of office of one year at this year's AGM. A questionnaire-based evaluation, in which the Finance Director of every subsidiary is consulted, forms the basis of an annual review of the external auditor's performance. The results of this exercise are reviewed by the Audit Committee.

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

In the year under review, total fees and expenses paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company, the Group, its subsidiaries and related services were € 7.5 million. Total fees and expenses paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 2.1 million and primarily related to tax compliance services and advice. The scope of services provided by the auditor is reviewed annually by the Audit Committee and the relative weight of non-audit work provided by the auditor is also kept under close review.

Representatives of PricewaterhouseCoopers attended all meetings of the Audit Committee held during the year as well as the meeting of the Committee held on 13 May 2014 at which the financial statements were reviewed.

9. Information policy

The Group reports to shareholders in accordance with the requirements of Swiss law and the guidance provided by SIX Swiss Exchange ('SIX'). The annual report is the principal source of financial and business information for shareholders. The Group's announcement of the results for the financial year is issued in May each year. In addition to the regulatory annual and interim reports, Richemont publishes trading statements in September, at the time of its AGM, and in January covering the Group's performance during the third quarter of the financial year, being the important pre-Christmas trading period. Ad hoc announcements are made in respect of matters which the Board considers to be of significance to shareholders, in accordance with the specific guidelines laid down by SIX.

The annual and interim financial reports are distributed to all parties who have asked to be placed on the Group's mailing list and to registered holders of South African Depository Receipts. Investors may request electronic notification that such reports have been published on the Group's website.

All news announcements other than the annual and interim financial reports are distributed by email. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by email (secretariat@cfrinfo.net) or by registering on the Group's website: www.richemont.com/press-centre/company-announcements.html

Copies of the annual and interim reports, results announcements, trading statements, ad hoc announcements and the corporate social responsibility report may also be downloaded from the Richemont website. Copies of the Company's Articles of Incorporation, together with its Corporate Governance Regulations, are also available on the website.

The Group presents its annual and interim results to analysts and major investors each year. The presentations to invited participants take place in Geneva and are simultaneously broadcast over the internet. The slide presentation is downloadable from the website. A replay of the broadcast is available on the Group's website within 24 hours of the presentation and a transcript of the presentation shortly thereafter.

Statutory and regulatory announcements are published in the Swiss Official Gazette of Commerce and, in certain cases, by SIX.

Consolidated financial statements
Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and equity-accounted investments (together, 'the Group') for the year ended 31 March 2014. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2014 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 116 to 119.

The agenda of the Annual General Meeting, which is to be held in Geneva on 17 September 2014, is set out on page 124.

Further information on the Group's activities during the year under review is given in the financial review on pages 32 to 37.

Consolidated financial statements

Company financial statements

Consolidated statement of financial position
at 31 March

	Notes	2014 €m	2013 €m
Assets			
Non-current assets			
Property, plant and equipment	6	**1 966**	1 787
Goodwill	7	**562**	561
Other intangible assets	8	**403**	391
Investment property	9	**345**	367
Equity-accounted investments	10	**13**	11
Deferred income tax assets	11	**479**	441
Financial assets held at fair value through profit or loss	12	**9**	59
Other non-current assets	13	**315**	327
		4 092	3 944
Current assets			
Inventories	14	**4 455**	4 326
Trade and other receivables	15	**933**	922
Derivative financial instruments	16	**109**	50
Prepayments		**101**	100
Financial assets held at fair value through profit or loss	12	**2 839**	2 712
Cash at bank and on hand	17	**3 389**	2 443
		11 826	10 553
Total assets		**15 918**	14 497
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	18	**334**	334
Treasury shares	18	**(326)**	(556)
Hedge and share option reserves	18	**309**	288
Cumulative translation adjustment reserve		**1 338**	1 324
Retained earnings	18	**10 309**	8 826
		11 964	10 216
Non-controlling interests		**(6)**	(1)
Total equity		**11 958**	10 215
Liabilities			
Non-current liabilities			
Borrowings	19	**318**	345
Deferred income tax liabilities	11	**60**	39
Employee benefits obligation	20	**86**	99
Provisions	21	**191**	176
Other long-term financial liabilities	22	**192**	167
		847	826
Current liabilities			
Trade and other payables	23	**1 325**	1 324
Current income tax liabilities		**364**	282
Borrowings	19	**76**	142
Derivative financial instruments	16	**5**	83
Provisions	21	**168**	172
Bank overdrafts	17	**1 175**	1 453
		3 113	3 456
Total liabilities		**3 960**	4 282
Total equity and liabilities		**15 918**	14 497

The notes on pages 66 to 114 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2014 € m	2013 € m
Sales	5	**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	24	**(22)**	(13)
Operating profit		**2 419**	2 426
Finance costs	27	**(181)**	(158)
Finance income	27	**245**	111
Share of post-tax results of equity-accounted investments	10	**(5)**	(4)
Profit before taxation		**2 478**	2 375
Taxation	11	**(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	28	**3.711**	3.659
Diluted	28	**3.676**	3.595

The notes on pages 66 to 114 are an integral part of these consolidated financial statements.

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

		Equity attributable to owners of the parent company						Non-controlling interest	Total equity
	Notes	Share capital €m	Treasury shares €m	Hedge and share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	€m	€m
Balance at 1 April 2012		334	(515)	255	1 410	7 071	8 555	9	8 564
Comprehensive income									
Profit for the year		–	–	–	–	2 013	2 013	(8)	2 005
Other comprehensive income		–	–	1	(86)	5	(80)	–	(80)
		–	–	1	(86)	2 018	1 933	(8)	1 925
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*18*	–	(41)	–	–	(10)	(51)	–	(51)
Employee share option plan	*18*	–	–	22	–	–	22	–	22
Tax on share option plan	*18*	–	–	10	–	–	10	–	10
Acquisition of non-controlling interest		–	–	–	–	(1)	(1)	(2)	(3)
Dividends paid	*29*	–	–	–	–	(252)	(252)	–	(252)
		–	(41)	32	–	(263)	(272)	(2)	(274)
Balance at 31 March 2013		**334**	**(556)**	**288**	**1 324**	**8 826**	**10 216**	**(1)**	**10 215**
Comprehensive income									
Profit for the year		**–**	**–**	**–**	**–**	**2 072**	**2 072**	**(5)**	**2 067**
Other comprehensive income		**–**	**–**	**–**	**14**	**2**	**16**	**–**	**16**
		–	**–**	**–**	**14**	**2 074**	**2 088**	**(5)**	**2 083**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*18*	**–**	**230**	**–**	**–**	**(139)**	**91**	**–**	**91**
Employee share option plan	*18*	**–**	**–**	**20**	**–**	**–**	**20**	**–**	**20**
Tax on share option plan	*18*	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Dividends paid	*29*	**–**	**–**	**–**	**–**	**(452)**	**(452)**	**–**	**(452)**
		–	**230**	**21**	**–**	**(591)**	**(340)**	**–**	**(340)**
Balance at 31 March 2014		**334**	**(326)**	**309**	**1 338**	**10 309**	**11 964**	**(6)**	**11 958**

The notes on pages 66 to 114 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 March

	Notes	2014 € m	2013 € m
Cash flows from operating activities			
Cash flow generated from operations	*30*	**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	*33*	**(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	*17*	**2 214**	990

The notes on pages 66 to 114 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2014

1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé, Azzedine Alaïa, Net-a-Porter, Shanghai Tang and Peter Millar.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are listed and traded on SIX Swiss Exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont shares are traded on the Johannesburg stock exchange operated by JSE Limited.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company ('the Board') on 14 May 2014 and are subject to approval at the shareholders' general meeting on 17 September 2014.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, (together 'IFRS').

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Except for the changes below, the policies set out in notes 2.2 to 2.21 have been consistently applied to the periods presented.

The Group has adopted the amendments to IFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities*: IAS 1, *Presentation of Financial Statements,* and the new IFRS 13, *Fair Value Measurement*, from 1 April 2013.

The amendments to IFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities*, require disclosure on the offset of financial assets and financial liabilities and the right to offset under an enforceable master netting or similar arrangement.

The amendments to IAS 1, *Presentation of Financial Statements,* require items to be grouped within Other Comprehensive Income. Items that could be reclassified to profit or loss at a future time now have to be presented separately from those items that will never be reclassified.

The amendments above affected presentation only and had no impact on the Group's financial position or performance.

IFRS 13, *Fair Value Measurement*, provides a single source definition and framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRS. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. The Group has provided additional disclosures as required by the Standard.

2.2. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and retained post-acquisition reserves of equity-accounted investments.

The attributable results of subsidiary undertakings are included in the consolidated financial statements from the date control commences until the date control ceases. The Group's share of profit or loss and other comprehensive income of equity-accounted investments are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Uniform accounting policies have been adopted.

Subsidiary undertakings are defined as those undertakings that are controlled by the Group. Control of an undertaking exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The accounts of subsidiary undertakings are drawn up at 31 March of each year. In consolidating the financial statements of subsidiary undertakings, intra-Group transactions, balances and unrealised gains and losses are eliminated.

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

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

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

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

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Significant influence is presumed to exist where the Group holds between 20 % and 50 % of the voting rights of another entity. Joint ventures are those arrangements where the Group has joint control and rights to the net assets of the arrangement. Associated undertakings and joint ventures ('equity-accounted investments') are accounted for under the equity method.

Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in the equity-accounted investments. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's share of its equity-accounted investments' movements in other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investment, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investment.

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

2.3. Segment reporting

Details on the Group's operating segments can be found under note 5. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is Swiss francs. The consolidated financial statements are presented in millions of euros (the 'presentation currency'). Management believes that this currency is more useful to the users of the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing during the period. The average rates approximate actual rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5. Property, plant and equipment

Land and buildings comprise mainly factories, retail boutiques and offices.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, up to the following limits:

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

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

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

Gains and losses on disposals, calculated as the difference between the net proceeds from disposals and the carrying amounts, are included in profit or loss. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.6. Goodwill and other intangible assets

(a) Goodwill

Goodwill arising on business combinations is recognised as a separate asset. Goodwill arising on the acquisition of equity-accounted investments is included in the carrying value of the equity-accounted investment.

Goodwill arising from business combinations is tested annually for impairment and carried at cost less accumulated impairment losses. The carrying amount of a business includes the amount of goodwill relating to that business for the purposes of determining the gains and losses on its disposal.

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

(b) Computer software and related licences

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as other intangible assets and amortised using the straight-line method over their useful lives, not exceeding a period of five years. Licences are amortised over their contractual lives to a maximum period of 15 years. Costs associated with evaluating or maintaining computer software are expensed as incurred.

(c) Research and development, patents and trademarks

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are recognised as other intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of commercial production of the product on the straight-line method over the period of its expected benefit not exceeding ten years.

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

(d) Leasehold rights and distribution rights

Premiums paid to parties other than the lessor at the inception of operating leases for leasehold buildings are capitalised and amortised over their expected useful lives or, if shorter, the lease period. Useful lives do not exceed 20 years.

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

2.7. Investment property

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

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

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

2.8. Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group has identified goodwill as the only category of intangible asset with an indefinite life. All other non-financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9. Other financial asset investments

The Group classifies its investments in the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition.

(a) **Financial assets held at fair value through profit or loss**
This category has two sub-categories: financial assets held for trading; and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading. Assets in this category are classified as current if they are either held for trading or are expected to be realised within the next twelve months.

Purchases and sales of these financial assets are recognised on the transaction date. They are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in profit or loss in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

(b) **Loans and receivables**
Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market. They are included in trade and other receivables within current assets, except for maturities greater than twelve months which are classified as other non-current assets.

2.10. Other non-current assets

The Group holds a collection of jewellery and watch pieces primarily for presentation purposes to promote the Maisons and their history. They are not intended for sale.

Maisons' collection pieces are held as non-current assets at depreciated cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

2.11. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes. It excludes borrowing costs.

2.12. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An impairment loss for trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in profit or loss for the period.

2.13. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14. Equity

(a) **Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

(b) **Treasury shares**
All consideration paid by the Group in the acquisition of treasury shares and received by the Group on the disposal of treasury shares is recognised directly in shareholders' equity. The cost of treasury shares held at each reporting date is deducted from shareholders' equity. Gains or losses arising on the disposal of treasury shares are recognised within retained earnings directly in shareholders' equity.

2.15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.16. Current and deferred income tax

The tax expense comprises current and deferred tax.

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

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

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the consolidated financial statements continued

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and equity-accounted investments, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

2.17. Employee benefits

(a) Defined benefit and defined contribution plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, usually dependent on one or more factors such as age, years of service and compensation.

The Group operates a number of defined benefit post-employment benefit plans throughout the world. The plans are generally funded through payments to separately-administered funds by both employees and relevant Group companies taking into account periodic actuarial calculations.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair values of plan assets. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at reporting dates on high-quality corporate or government bonds (in countries with no deep corporate bond market) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the terms of the related pension liability.

Past service costs are recognised immediately in profit or loss.

Remeasurements, comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when employees have rendered services entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Incentive plans

The Group recognises a liability and an expense for incentive plans when contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payment

The Group operates an equity-settled share-based compensation plan based on options granted in respect of Richemont shares. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss over the remaining vesting period and a corresponding adjustment to equity.

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

2.18. Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring and property-related provisions include lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value at the reporting date of management's best estimate of the expenditure required to settle the obligation. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risk specific to the liability. Any increase in provisions due to the passage of time is recognised as interest expense.

2.19. Revenue recognition

(a) Goods

Sales revenue is measured at the fair value of the consideration received from the sale of goods, net of value-added tax, duties, other sales taxes, rebates and trade discounts and after eliminating sales within the Group. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Royalty income

Royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20. Leases

(a) Group as lessee

Leases are classified as finance leases wherever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the lower of the present value of future minimum lease payments and fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases (net of any incentives received) are charged to profit or loss using the straight-line method over the lease term. Sub-lease income (net of any incentives given) is recognised in profit or loss using the straight-line method over the sub-lease term.

(b) Group as lesser

Rental income from operating leases is recognised in profit or loss using the straight-line method over the lease term.

2.21. Dividend distributions

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

2.22. New standards and interpretations not yet adopted

Certain new accounting standards and amendments, issued by the IASB and interpretations issued by IFRIC, are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

IFRS 9, *Financial Instruments*, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9, amended in October 2010, introduces additional changes relating to financial liabilities. Adoption of these standards is not expected to have a significant impact on the Group's financial position.

IFRIC 21, *Levies*, addresses when to recognise a liability to pay a government levy (other than income taxes).

The interpretation will be implemented from 1 April 2014. The Group has yet to assess the full impact of the interpretation.

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

3. Risk assessment

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact, and subsequently prioritised by Group Management. A consolidated risk report which includes action plans is reviewed annually by the Board and the Audit Committee.

For identified risks, which arise from the accounting and financial reporting, a risk assessment is performed. Throughout the Group's internal control system framework on financial reporting relevant control measures are defined, which reduce the financial risk. Remaining risks are categorised depending on their possible impact (low, average, high) and appropriately monitored.

Notes to the consolidated financial statements continued

4. Critical accounting estimates and assumptions

The Group is required to make estimates and assumptions that affect the reported amount of certain asset, liability, income and expense items and certain disclosures regarding contingencies. Estimates and assumptions applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the consolidated financial statements. Principal matters where estimates and assumptions are made relate in particular to:

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

The provision is assessed at each reporting date by the respective Maison and is adjusted accordingly. Details of the movement in the provision are provided in note 14.

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

Details of the Group's tax liabilities are given in note 11.

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

Details of the impairment testing done in the year are given in note 7.

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

For details of movements in the year, see note 31.2 'Other price risk'.

5. Segment information

(a) Information on reportable segments
Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each Maison. These operating segments have been aggregated into reportable segments as follows:

- Jewellery Maisons – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- Specialist Watchmakers – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's Specialist Watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis; and
- Montblanc Maison – a business whose primary activity includes the design, manufacture and distribution of writing instruments.

Other operating segments include Alfred Dunhill, Lancel, Chloé, Net-a-Porter, Purdey, textile brands and other manufacturing entities. None of these segments meet the quantitative thresholds for determining reportable 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.

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

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

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

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

5. Segment information continued

(a) Information on reportable segments continued

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

	2014 € m	2013 € m
External sales		
Jewellery Maisons	5 438	5 206
Specialist Watchmakers	2 986	2 752
Montblanc Maison	730	766
Other	1 495	1 426
	10 649	10 150

	2014 € m	2013 € m
Operating result		
Jewellery Maisons	1 890	1 818
Specialist Watchmakers	778	733
Montblanc Maison	43	120
Other	(80)	(38)
	2 631	2 633
Unallocated corporate costs	(212)	(207)
Consolidated operating profit before finance and tax	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

	2014 € m	2013 € m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	145	138
Specialist Watchmakers	98	81
Montblanc Maison	36	32
Other	95	92
Unallocated	57	40
	431	383

No impairment charge was recognised in 2014 (2013: nil).

Notes to the consolidated financial statements continued

5. Segment information continued

(a) Information on reportable segments continued

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

	2014 € m	2013 € m
Segment assets		
Jewellery Maisons	**2 534**	2 543
Specialist Watchmakers	**1 531**	1 419
Montblanc Maison	**403**	397
Other	**587**	549
	5 055	4 908

	2014 € m	2013 € m
Total segment assets	**5 055**	4 908
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 at fair value through profit or loss	**2 848**	2 771
Other non-current assets	**315**	327
Other receivables	**333**	340
Derivative financial instruments	**109**	50
Prepayments	**101**	100
Cash at bank and on hand	**3 389**	2 443
Total assets	**15 918**	14 497

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

	2014 € m	2013 € m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**225**	223
Specialist Watchmakers	**212**	170
Montblanc Maison	**35**	28
Other	**69**	121
Unallocated	**145**	103
	686	645

5. Segment information continued

(b) Information about geographical areas

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

	2014 € m	2013 € m
Europe	3 919	3 611
France	745	749
Switzerland	550	446
Germany, Italy and Spain	756	730
Other Europe	1 868	1 686
Asia	5 127	5 066
China/Hong Kong	2 567	2 602
Japan	892	904
Other Asia	1 668	1 560
Americas	1 603	1 473
USA	1 263	1 156
Other Americas	340	317
	10 649	10 150

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

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

	2014 € m	2013 € m
Switzerland	1 559	1 394
United Kingdom	407	412
USA	521	539
Rest of the world	987	945
	3 474	3 290

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

(c) Information about products

External sales by product are as follows:

	2014 € m	2013 € m
Watches	5 125	4 968
Jewellery	3 025	2 726
Clothing	968	832
Leather goods	644	742
Writing instruments	347	370
Other	540	512
	10 649	10 150

(d) Major customers

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

Notes to the consolidated financial statements continued

6. Property, plant and equipment

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2012					
Cost	747	571	1 590	95	3 003
Depreciation	(234)	(353)	(887)	–	(1 474)
Net book value at 1 April 2012	513	218	703	95	1 529
Exchange adjustments	(4)	(2)	10	1	5
Acquisition through business combinations	10	7	2	–	19
Additions	34	73	304	141	552
Disposals	(12)	–	(10)	(1)	(23)
Depreciation charge	(22)	(45)	(228)	–	(295)
Transfers and reclassifications	13	3	68	(84)	–
31 March 2013					
Cost	776	626	1 820	152	3 374
Depreciation	(244)	(372)	(971)	–	(1 587)
Net book value at 31 March 2013	532	254	849	152	1 787

	Land and buildings € m	Plant and machinery € m	Fixtures, fittings, tools and equipment € m	Assets under construction € m	Total € m
1 April 2013					
Cost	**776**	**626**	**1 820**	**152**	**3 374**
Depreciation	**(244)**	**(372)**	**(971)**	**–**	**(1 587)**
Net book value at 1 April 2013	**532**	**254**	**849**	**152**	**1 787**
Exchange adjustments	**(3)**	**(1)**	**(46)**	**(4)**	**(54)**
Acquisition through business combinations	**1**	**2**	**1**	**–**	**4**
Additions	**36**	**67**	**337**	**167**	**607**
Disposals	**–**	**(1)**	**(35)**	**(1)**	**(37)**
Depreciation charge	**(28)**	**(52)**	**(259)**	**–**	**(339)**
Transfers and reclassifications	**40**	**7**	**60**	**(109)**	**(2)**
31 March 2014					
Cost	**848**	**679**	**1 960**	**205**	**3 692**
Depreciation	**(270)**	**(403)**	**(1 053)**	**–**	**(1 726)**
Net book value at 31 March 2014	**578**	**276**	**907**	**205**	**1 966**

Included above is property, plant and equipment held under finance leases with a net book value of € 34 million (2013: € 34 million) comprising land and building € 30 million (2013: € 30 million); plant and machinery € 2 million (2013: € 2 million); and fixtures, fittings, tools and equipment € 2 million (2013: € 2 million).

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

Committed capital expenditure not reflected in these financial statements amounted to € 83 million at 31 March 2014 (2013: € 43 million).

No impairment loss was recognised in 2014 (2013: no impairment loss was recognised).

7. Goodwill

Goodwill is the only intangible asset with an indefinite life.

	€ m
Cost at 1 April 2012	479
Exchange adjustments	(4)
Goodwill arising on business combinations	86
Cost at 31 March 2013	**561**
Exchange adjustments	**1**
Cost at 31 March 2014	**562**

Impairment testing for goodwill

For the purposes of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units ('CGU') that are expected to benefit from the business combination in which the goodwill arose, subject to an operating segment ceiling. Goodwill is impaired if the carrying value of the CGU exceeds the recoverable amount.

Only one CGU, Net-a-Porter, has a goodwill allocation that is significant in comparison to the total goodwill of the Group. The goodwill allocation is € 289 million (2013: € 284 million). The recoverable amount of this CGU was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in estimation of value-in-use were as follows:

	2014	2013
Discount rate	**10.6 %**	10.6 %
Terminal growth value	**2 %**	2 %
Budget EBITDA growth (compound average of next five years)	**41 %**	52 %

The discount rate is a pre-tax measure that reflects the specific risk relating to the CGU.

The discounted cash flow model considered five years of cash flows and a long-term growth rate based on the long-term inflation rate appropriate to the relevant markets.

The budget EBITDA was based on expected future results taking into consideration past experience with adjustments for anticipated sales growth. Sales growth was projected taking into account the average growth levels experienced over the past five years and the volumes expected over the next five years.

The estimated recoverable amount of the CGU exceeded its carrying value by over € 1 billion (2013: € 0.9 billion). Given this level of headroom, management does not consider that a reasonably possible change in any of the key assumptions would cause the carrying amount to exceed the recoverable amount.

8. Other intangible assets

	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2012					
Cost	192	255	106	127	680
Amortisation	(96)	(136)	(72)	(60)	(364)
Net book value at 1 April 2012	96	119	34	67	316
Exchange adjustments	(1)	–	–	(1)	(2)
Acquisition through business combinations	53	26	–	–	79
Additions:					
– internally developed	–	–	–	35	35
– other	1	14	37	–	52
Disposals	–	(1)	–	–	(1)
Amortisation charge	(18)	(39)	(12)	(19)	(88)
Transfers and reclassifications	1	(1)	3	(3)	–
31 March 2013					
Cost	238	282	147	137	804
Amortisation	(106)	(164)	(85)	(58)	(413)
Net book value at 31 March 2013	132	118	62	79	391

	Intellectual property related € m	Leasehold and distribution rights € m	Computer software and related licences € m	Development costs € m	Total € m
1 April 2013					
Cost	**238**	**282**	**147**	**137**	**804**
Amortisation	**(106)**	**(164)**	**(85)**	**(58)**	**(413)**
Net book value at 1 April 2013	**132**	**118**	**62**	**79**	**391**
Exchange adjustments	**(3)**	**(3)**	**–**	**(1)**	**(7)**
Acquisition through business combinations	**4**	**27**	**–**	**–**	**31**
Additions:					
– internally developed	**–**	**–**	**–**	**36**	**36**
– other	**–**	**20**	**22**	**–**	**42**
Disposals	**–**	**–**	**–**	**(2)**	**(2)**
Amortisation charge	**(13)**	**(38)**	**(18)**	**(21)**	**(90)**
Transfers and reclassifications	**–**	**–**	**2**	**–**	**2**
31 March 2014					
Cost	**190**	**298**	**167**	**151**	**806**
Amortisation	**(70)**	**(174)**	**(99)**	**(60)**	**(403)**
Net book value at 31 March 2014	**120**	**124**	**68**	**91**	**403**

Amortisation of € 23 million (2013: € 22 million) is included in cost of sales; € 12 million (2013: € 10 million) is included in selling and distribution expenses; € 17 million (2013: € 13 million) is included in administration expenses; and € 38 million (2012: € 43 million) is included in other expenses.

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

9. Investment property

	Property fund € m	Other € m	Total € m
1 April 2012			
Cost	64	–	64
Depreciation	–	–	–
Net book value at 1 April 2012	64	–	64
Exchange adjustments	–	1	1
Acquisition through business combinations	–	296	296
Additions subsequent to acquisition	6	–	6
Depreciation	–	–	–
31 March 2013			
Cost	70	297	367
Depreciation	–	–	–
Net book value at 31 March 2013	70	297	367

	Property fund € m	Other € m	Total € m
1 April 2013			
Cost	**70**	**297**	**367**
Depreciation	**–**	**–**	**–**
Net book value at 1 April 2013	**70**	**297**	**367**
Exchange adjustments	**–**	**(21)**	**(21)**
Additions subsequent to acquisition	**1**	**–**	**1**
Depreciation	**(1)**	**(1)**	**(2)**
31 March 2014			
Cost	**71**	**276**	**347**
Depreciation	**(1)**	**(1)**	**(2)**
Net book value at 31 March 2014	**70**	**275**	**345**

Independent property valuers performed market valuations of the Group’s investment properties at 31 January 2014. The property valuers who are external to the Group hold appropriate recognised professional qualifications and have recent experience in the location and category of properties being valued. The fair value of the properties was determined using the income approach considering recent market transactions, supported by market knowledge and the current and future rental income potential arising from the existing leases.

The fair values are considered as Level 2 of the fair value hierarchy. The most significant inputs considered in the valuations were the capitalisation rate of between 4.4% and 4.5% and the current and future level of rental income per square foot/metre. The fair value of the Group’s investment property was determined to be € 497 million at 31 January 2014. There have been no significant market fluctuations that would lead to the fair value at 31 March 2014 being significantly different from this value.

The Group leases out its investment properties. The minimum rental payments under non-cancellable leases receivable at 31 March are as follows:

	2014 € m	2013 € m
Within one year	**8**	9
Between two and five years	**26**	30
Thereafter	**15**	20
	49	59

Notes to the consolidated financial statements continued

9. Investment property continued

Rental income of € 9 million was received in the year to 31 March 2014 and included as other operating income (2013: € 4 million). Repairs and maintenance expenses included as other operating expenses were as follows:

Expenses relating to:	2014 € m	2013 € m
Income generating properties	**3**	3
Vacant properties	**–**	–
	3	3

The investment properties are leased out for use as retail space with contract terms ending between 2016 and 2024. The lease terms are comparable with the market for retail space in the appropriate location, recognising the commencement date of the lease. These include a mix of fixed base rent, fixed annual increases and variable rentals based on a percentage of sales achieved by the lessee.

An insignificant portion of one property is occupied by the Group for its own use. The entire property is included in the investment property value above.

10. Equity-accounted investments

	€ m
At 1 April 2012	10
Exchange adjustments	(1)
Acquisition of equity-accounted investments	1
Share of post-tax results	(4)
Share of losses offset against long-term receivable from an equity-accounted investment	5
At 31 March 2013	**11**
Share of post-tax results	**(5)**
Share of losses offset against long-term receivable from an equity-accounted investment	**7**
At 31 March 2014	**13**

The value of equity-accounted investments at 31 March 2014 includes goodwill of € 6 million (2013: € 6 million).

The Group's principal equity-accounted investments at 31 March 2014 are as follows:

			% interest held	Country of incorporation	Country of operation
Greubel Forsey SA	Watchmaker	Associate	20.0	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	Associate	34.7	Switzerland	Switzerland
DDA AD Sàrl	Investment entity	Associate	20.0	Luxembourg	UAE
Les Cadraniers de Genève SA	Watch component manufacturer	Joint venture	50.0	Switzerland	Switzerland
Fook Ming Watch Limited	Distributor of watch products	Joint venture	50.0	Hong Kong	Hong Kong
Laureus World Sports Awards Limited	Sports awards	Joint venture	50.0	United Kingdom	Worldwide
Ralph Lauren Watch & Jewelry Company Sàrl	Watchmaker	Joint venture	50.0	Switzerland	Worldwide

No individual equity-accounted investment is considered significant to the Group. The summarised financial information is provided on an aggregate basis, together with a reconciliation to the amounts recognised in the Group statement of financial position and profit or loss:

	Associated undertakings		Joint ventures		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Revenue	**36**	39	**17**	12	**53**	51
Profit/(loss) for the year	**1**	3	**(11)**	(7)	**(10)**	(4)
Group's share of profit/(loss) at individual % owned	**–**	1	**(5)**	(4)	**(5)**	(3)
Amounts not recognised due to previous losses	**–**	–	**–**	(1)	**–**	(1)
Amount recognised in profit or loss	**–**	1	**(5)**	(5)	**(5)**	(4)

10. Equity-accounted investments continued

	Associated undertakings		Joint ventures		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Non-current assets	**15**	18	**4**	2	**19**	20
Current assets	**24**	25	**29**	24	**53**	49
Non-current liabilities	**(13)**	(14)	**(1)**	(48)	**(14)**	(62)
Current liabilities	**(15)**	(17)	**(78)**	(18)	**(93)**	(35)
Net assets/(liabilities)	**11**	12	**(46)**	(40)	**(35)**	(28)
Group's share of net assets/(liabilities)	**3**	5	**(23)**	(20)	**(20)**	(15)
Goodwill	**6**	6	**–**	–	**6**	6
Losses recognised against long-term loan	**–**	–	**27**	20	**27**	20
Carrying amount of equity-accounted investments	**9**	11	**4**	–	**13**	11

The information above reflects the amounts presented in the financial statements of the equity-accounted investments adjusted for fair value adjustments at acquisition and differences in accounting policies.

11. Taxation

11.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2012 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity or other comprehensive income € m	Acquisition in business combinations and transfers € m	31 March 2013 € m
Depreciation	26	(1)	(1)	–	–	24
Provision on inventories	29	–	(11)	–	–	18
Bad debt reserves	2	–	1	–	–	3
Employee benefits obligation	31	–	(5)	–	–	26
Unrealised gross margin elimination	258	–	70	–	–	328
Tax losses carried forward	25	(1)	(24)	–	3	3
Deferred tax on option plan	74	(1)	(2)	10	–	81
Other	68	3	31	(2)	–	100
	513	–	59	8	3	583
Offset against deferred tax liabilities for entities settling on a net basis	(52)					(142)
	461					441

	1 April 2013 € m	Exchange adjustments € m	(Charge)/credit for year € m	Recognised directly in equity or other comprehensive income € m	Acquisition in business combinations and transfers € m	31 March 2014 € m
Depreciation	**24**	**(1)**	**–**	**–**	**–**	**23**
Provision on inventories	**18**	**(1)**	**10**	**–**	**–**	**27**
Bad debt reserves	**3**	**–**	**1**	**–**	**–**	**4**
Employee benefits obligation	**26**	**–**	**(2)**	**(2)**	**–**	**22**
Unrealised gross margin elimination	**328**	**(2)**	**20**	**–**	**–**	**346**
Tax losses carried forward	**3**	**(1)**	**13**	**–**	**–**	**15**
Deferred tax on option plan	**81**	**–**	**(4)**	**1**	**–**	**78**
Other	**100**	**(5)**	**14**	**–**	**–**	**109**
	583	**(10)**	**52**	**(1)**	**–**	**624**
Offset against deferred tax liabilities for entities settling on a net basis	**(142)**					**(145)**
	441					**479**

€ 251 million of deferred tax assets are expected to be recovered after more than 12 months (2013: € 237 million).

11. Taxation continued

11.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2012 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised directly in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2013 €m
Depreciation	(34)	–	(2)	–	(7)	(43)
Provision on inventories	(6)	–	(88)	–	(2)	(96)
Unremitted earnings	(14)	–	(7)	–	–	(21)
Other	(22)	–	(2)	3	–	(21)
	(76)	–	(99)	3	(9)	(181)
Offset against deferred tax assets for entities settling on a net basis	52					142
	(24)					(39)

	1 April 2013 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised directly in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2014 €m
Depreciation	**(43)**	**1**	**4**	**–**	**–**	**(38)**
Provision on inventories	**(96)**	**1**	**(25)**	**–**	**–**	**(120)**
Unremitted earnings	**(21)**	**–**	**(3)**	**–**	**–**	**(24)**
Other	**(21)**	**–**	**(4)**	**2**	**–**	**(23)**
	(181)	**2**	**(28)**	**2**	**–**	**(205)**
Offset against deferred tax assets for entities settling on a net basis	**142**					**145**
	(39)					**(60)**

€ 84 million of deferred tax liabilities are expected to be settled after more than 12 months (2013: € 84 million).

(c) Unrecognised deferred tax assets

The Group has not recognised a deferred tax asset in respect of tax losses of € 562 million (2013: € 553 million). € 315 million of the tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2013: € 276 million).

11.2. Taxation charge

Taxation charge for the year:

	2014 €m	2013 €m
Current tax	**435**	330
Deferred tax (credit)/charge	**(24)**	40
	411	370

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax results of equity-accounted investments. The rates for the years ended 31 March 2014 and 2013 were 16.5 % and 15.6 % respectively.

11. Taxation continued

11.2. Taxation charge continued

The taxation charge on the Group's profit before tax differs from the amount that arises using the local statutory tax rates applicable to profits of the consolidated companies as follows:

	2014 € m	2013 € m
Profit before taxation	**2 478**	2 375
Share of post-tax results of equity-accounted investments	**5**	4
Adjusted profit before taxation	**2 483**	2 379
Tax on adjusted profit calculated at statutory tax rate	**522**	499
Difference in tax rates	**(151)**	(154)
Non-taxable income	**(6)**	(15)
Non-deductible expenses net of other tax return-only adjustments	**6**	9
Utilisation and recognition of prior year tax losses	**(11)**	(11)
Non-recognition of current year tax losses	**31**	22
Withholding and other taxes	**20**	25
Prior year adjustments	**–**	(5)
Taxation charge	**411**	370

The statutory tax rate applied of 21 % reflects the average rate applicable to the main Swiss-based operating companies.

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

	2014 € m	2013 € m
Non-current:		
Investments in listed undertakings	**4**	55
Investments in unlisted undertakings	**5**	4
Total non-current	**9**	59
Current:		
Investments in money market and government bond funds	**2 839**	2 712
Total current	**2 839**	2 712
Total financial assets held at fair value through profit or loss	**2 848**	2 771

All of the above assets were designated as held at fair value through profit or loss on initial recognition. These assets are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis.

There are no other non-current or current financial assets that were designated as held at fair value through profit or loss on initial recognition.

13. Other non-current assets

	2014 € m	2013 € m
Maisons' collections	**166**	147
Lease deposits	**119**	136
Loans and receivables	**11**	18
Other assets	**19**	26
	315	327

The carrying value of lease deposits, loans and receivables approximate their fair values. There are no overdue or impaired amounts included in deposits, loans and receivables.

Included in loans and receivables is an amount of € 3 million (2013: € 7 million) due from an equity-accounted investment.

Notes to the consolidated financial statements continued

14. Inventories

	2014 € m	2013 € m
Raw materials and work in progress	**1 728**	1 637
Finished goods	**2 727**	2 689
	4 455	4 326

The cost of inventories recognised as an expense and included in cost of sales amounted to € 3 494 million (2013: € 3 400 million).

The Group reversed € 53 million (2013: € 50 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 € 163 million (2013: € 127 million) in the write-down of inventory as a charge to cost of sales.

15. Trade and other receivables

	2014 € m	2013 € m
Trade receivables	**620**	600
Less: provision for impairment	**(20)**	(19)
Trade receivables – net	**600**	581
Loans and other receivables	**333**	341
	933	922

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

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally-dispersed customers.

In addition to the amounts above there are non-current assets amounting to € 130 million (2013: € 154 million) and cash balances as disclosed in note 17 which are considered to be loans and receivables.

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

	2014 € m	2013 € m
Europe	**258**	256
France	**73**	68
Switzerland	**92**	65
Germany, Italy and Spain	**43**	74
Other Europe	**50**	49
Asia	**245**	227
China/Hong Kong	**104**	106
Japan	**86**	63
Other Asia	**55**	58
Americas	**97**	98
USA	**75**	75
Other Americas	**22**	23
	600	581

15. Trade and other receivables continued

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

	2014 € m	2013 € m
Wholesale customers	**466**	464
Retail customers	**134**	117
	600	581

The Group's most significant wholesale customer in Hong Kong accounts for € 14 million of the total trade receivables carrying amount at March 2014 (2013: € 13 million for a Hong Kong wholesaler).

Impairment losses
Impairment losses are recognised for all known bad debts and are provided on a specific basis.

The movement in the provision for impairment of trade and other receivables was as follows:

	2014 € m	2013 € m
Balance at 1 April of prior year	**(19)**	(21)
Provision charged to profit or loss	**(17)**	(16)
Utilisation of provision	**2**	3
Reversal of unutilised provision	**14**	15
Balance at 31 March	**(20)**	(19)

At 31 March 2014, trade receivables of € 36 million (2013: € 39 million) were impaired.

Receivables past due but not impaired:

	2014 € m	2013 € m
Up to three months past due	**43**	58
Three to six months past due	**8**	4
Over six months past due	**6**	10
	57	72

Based on past experience, the Group does not impair receivables that are not past due unless they are known to be bad debts. The Group has established credit check procedures that ensure the high creditworthiness of its customers.

Due to their short maturity, the fair values of trade and other receivables approximate to their book values.

Notes to the consolidated financial statements continued

16. Derivative financial instruments

The Group uses the following derivative instruments:

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

(b) Interest rate swaps (including forward-starting interest rate swaps): commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation; and

(c) Derivative share options: options granted to certain Richemont executives giving them the right to acquire shares in listed equities at predetermined prices.

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the reporting date but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The fair value of publicly-traded derivatives, securities and investments is based on quoted market prices at the reporting date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date.

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

	Nominal amount		Fair value assets		Fair value liabilities	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Currency forwards	**2 978**	2 671	**98**	45	**(3)**	(47)
Interest rate swap derivatives	**290**	312	**11**	5	**–**	–
Derivative share options	**4**	55	**–**	–	**(2)**	(36)
	3 272	3 038	**109**	50	**(5)**	(83)

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

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

	Less than 6 months		Between 6 and 12 months		After 12 months	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Currency forwards	**1 435**	1 432	**1 543**	1 239	**–**	–
Interest rate swap derivatives	**–**	–	**–**	–	**290**	312
Derivative share options	**4**	55	**–**	–	**–**	–
	1 439	1 487	**1 543**	1 239	**290**	312

Nominal amount

Nominal amounts represent the following:

- Currency forwards: the sum of all contract volumes outstanding at the year end.
- Interest rate swap: the notional principal amount on which the exchanged interest payments are based.
- Derivative share options: the sum of all share options on listed equities, other than Compagnie Financière Richemont SA, granted to executives as part of the Group stock option plan.

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

17. Cash and cash equivalents

	2014 € m	2013 € m
Cash at bank and on hand	**3 389**	2 443
Bank overdrafts	**(1 175)**	(1 453)
	2 214	990

The effective interest rate on cash at bank was 0.4 % (2013: 0.3 %). The effective interest rate on bank overdrafts was 2.5 % (2013: 2.8 %).

18. Equity

18.1. Share capital

	2014 € m	2013 € m
Authorised, issued and fully paid:		
522 000 000 ‘A’ registered shares with a par value of CHF 1.00 each	**304**	304
522 000 000 ‘B’ registered shares with a par value of CHF 0.10 each	**30**	30
	334	334

Holders of ‘A’ and ‘B’ shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, ‘B’ shareholders receive one tenth of the dividend per share paid to holders of ‘A’ shares.

18.2. Treasury shares

In order to hedge partially its potential obligations arising under the stock option plan, the Group has purchased Richemont ‘A’ shares. Changes in the holding of this treasury stock of shares are shown as movements in shareholders’ equity as follows:

	Shares millions	€ m
Balance at 1 April 2012	24.3	515
Purchased	5.9	206
Sold	(9.1)	(165)
Balance at 31 March 2013	**21.1**	**556**
Purchased	**1.1**	**81**
Sold	**(10.9)**	**(311)**
Balance at 31 March 2014	**11.3**	**326**

The Company has given a pledge over 5 509 821 Richemont ‘A’ shares as security for vested warrants granted under the Group’s stock option plan (2013: 6 745 950 Richemont ‘A’ shares).

The cost value of the 10.9 million shares (2013: 9.1 million shares) sold during the year to plan participants who exercised their options was € 311 million (2013: € 165 million).

During the year under review the Group acquired 1.1 million treasury shares in the open market, at a total cost of € 81 million. These treasury shares provide a comprehensive hedge of the Group’s potential obligations arising under the stock option plan. In the same period the Group delivered 10.9 million treasury shares for proceeds of € 172 million, in settlement of options exercised in the period and traded options exercised in previous periods.

The loss realised on shares sold during the year to plan participants amounted to € 139 million (2013: a loss of € 10 million) which was recognised directly in retained earnings.

The market value of the 11.3 million shares (2013: 21.1 million shares) held by the Group at the year end, based on the closing price at 31 March 2014 of CHF 84.40 (2013: CHF 74.50), amounted to € 783 million (2013: € 1 292 million).

Notes to the consolidated financial statements continued

18. Equity continued

18.3. Hedge and share option reserves

	Hedge reserve € m	Share option reserve € m	Total € m
Balance at 1 April 2012	(1)	256	255
Movements in hedge reserve			
– recycle to profit or loss	1	–	1
Movement in employee share option reserve			
– equity-settled share option expense	–	22	22
Tax on items recognised directly in equity	–	10	10
Balance at 31 March 2013	–	288	288
Movement in employee share option reserve			
– equity-settled share option expense	–	20	20
Tax on items recognised directly in equity	–	1	1
Balance at 31 March 2014	–	309	309

18.4. Retained earnings

	2014 € m	2013 € m
Balance at 1 April of prior year	8 826	7 071
Profit for the year	2 072	2 013
Dividends paid	(452)	(252)
Defined benefit plan actuarial gains	2	5
Acquisition of non-controlling interests	–	(1)
Loss on sale of treasury shares	(139)	(10)
	10 309	8 826

18.5. Legal reserves

Legal reserves amounting to € 95 million (2013: € 95 million) are included in the reserves of Group companies but are not available for distribution.

19. Borrowings

	2014 € m	2013 € m
Non-current:		
Secured bank loan	4	5
Unsecured bank borrowings	290	317
Finance lease obligations	24	23
	318	345
Current:		
Secured bank loan	1	–
Unsecured bank borrowings	74	140
Finance lease obligations	1	2
	76	142
Total borrowings	394	487

19. Borrowings continued

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

	2014 € m	2013 € m
Swiss franc	**25**	27
US dollar	**290**	328
Chinese yuan	**54**	78
Taiwan dollar	**12**	35
Other	**13**	19
	394	487

The Group's borrowings are subject to fixed and floating interest rates as follows:

	2014 € m	2013 € m
Fixed rate borrowings	**295**	317
Floating rate borrowings	**74**	145
Finance lease obligations	**25**	25
	394	487

The Group has two fixed rate borrowings; a 2.95 % fixed rate USD borrowing of € 290 million maturing in 2019, and a 3.4 % fixed rate CHF borrowing of € 5 million maturing in 2017. The Group has provided an irrevocable and unconditional guarantee for the repayment of the USD-denominated loan committed by one of the Group's subsidiaries. The CHF loan is secured on land owned by the Group. The fair value of the fixed rate borrowings are based on the future cash flow discounted using a rate based on the borrowing rate over the remaining loan term and are within Level 2 of the fair value hierarchy.

The carrying value of the Group's floating rate borrowings approximate their fair values.

Finance lease obligations

	Minimum lease payments		Interest		Present value of finance lease obligations	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Within one year	**2**	3	**1**	1	**1**	2
Between one and five years	**5**	4	**3**	3	**2**	1
After more than five years	**96**	98	**74**	76	**22**	22
	103	105	**78**	80	**25**	25

20. Employee benefits obligation

The Group's major benefit plans are in Switzerland and the UK.

Switzerland

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the foundation rules based on a percentage of salary. Every year the foundation Board decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account or have this paid as a pension.

The foundation Board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees and therefore no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contributions to the foundation.

Under IAS 19, *Employee Benefits*, the foundation is categorised as a defined benefit plan due to underlying benefit guarantees and therefore it is accounted for on that basis. The weighted average duration of the expected benefit payments from the foundation is approximately 15 years.

In addition, the Group sponsors a number of other small arrangements in Switzerland which are included in the figures that follow.

The Group expects to contribute € 57 million to these plans during 2015 compared to € 53 million in 2014.

20. Employee benefits obligation continued

UK

In the UK, the Group operates a defined benefit plan which has been closed to new entrants since 2002. Since then employees have been offered membership of a defined contribution plan operated by the Group.

Under the defined benefit plan, each member's pension at retirement is related to their pensionable service and final pensionable salary. The weighted average duration of the expected benefit payments from the plan is approximately 22 years. The defined benefit plan is operated from a trust, which has assets which are held separately from the Group and trustees who ensure the plan's rules are strictly adhered to.

A funding valuation of the defined benefit plan is carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected salaries. If there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a period.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The Group expects to contribute € 9 million to this plan in 2015, as during 2014.

Contributions to the defined contribution plan by both the Group and employees are at levels set out in the plan rules.

Rest of the world

The Group sponsors other retirement plans, a mixture of defined benefit and defined contributions in some other countries where the Group operates. No individual plan other than those described above is considered material to the Group.

The Group expects to contribute € 9 million to all such plans in 2015. This compares to € 9 million in 2014.

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

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Present value of funded obligations	**(937)**	(861)	**(269)**	(262)	**(127)**	(131)	**(1 333)**	(1 254)
Fair value of plan assets	**951**	866	**243**	233	**121**	120	**1 315**	1 219
Net funded obligations	**14**	5	**(26)**	(29)	**(6)**	(11)	**(18)**	(35)
Present value of unfunded obligations	**–**	–	**–**	–	**(52)**	(51)	**(52)**	(51)
Amount not recognised due to asset limit	**(15)**	(13)	**–**	–	**(1)**	–	**(16)**	(13)
Net liabilities	**(1)**	(8)	**(26)**	(29)	**(59)**	(62)	**(86)**	(99)

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

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Current service cost	**48**	54	**3**	3	**13**	12	**64**	69
Administration expenses	**1**	–	**1**	1	**–**	–	**2**	1
Net interest on net defined benefit liability/(asset)	**–**	1	**1**	1	**1**	1	**2**	3
Past service costs	**(7)**	–	**–**	–	**–**	–	**(7)**	–
Actuarial gains on other employee benefits	**–**	–	**–**	–	**(1)**	–	**(1)**	–
	42	55	**5**	5	**13**	13	**60**	73

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Expense charged in:								
Cost of sales	**31**	38	**–**	–	**3**	2	**34**	40
Net operating expenses	**11**	17	**5**	5	**10**	11	**26**	33
	42	55	**5**	5	**13**	13	**60**	73

Total costs are included in employee benefits expense (note 26).

20. Employee benefits obligation continued

The amounts recognised immediately in other comprehensive income in respect of such plans are as follows:

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Net actuarial (gains)/losses in the year:								
Changes in financial assumptions	**4**	(72)	**(4)**	25	**–**	8	**–**	(39)
Changes in demographic assumptions	**–**	37	**5**	–	**–**	–	**5**	37
Experience adjustments on benefit obligations	**14**	28	**(8)**	–	**(1)**	(1)	**5**	27
Actual return on plan assets less interest on plan assets	**(15)**	(32)	**7**	(8)	**(7)**	(3)	**(15)**	(43)
Adjustment to recognise the effect of asset limit	**2**	13	**–**	–	**1**	–	**3**	13
	5	(26)	**–**	17	**(7)**	4	**(2)**	(5)

Changes in the net liabilities recognised are as follows:

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Balance at 1 April of prior year	**(8)**	(30)	**(29)**	(24)	**(62)**	(56)	**(99)**	(110)
Exchange differences	**1**	1	**(1)**	1	**–**	(1)	**–**	1
Amounts recognised in profit or loss	**(42)**	(55)	**(5)**	(5)	**(13)**	(13)	**(60)**	(73)
Amounts recognised in other comprehensive income	**(5)**	26	**–**	(17)	**7**	(4)	**2**	5
Contributions paid	**53**	50	**9**	16	**9**	13	**71**	79
Liabilities acquired in business	**–**	–	**–**	–	**–**	(1)	**–**	(1)
Balance at 31 March	**(1)**	(8)	**(26)**	(29)	**(59)**	(62)	**(86)**	(99)

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

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Balance at 1 April of prior year	**866**	749	**233**	207	**120**	111	**1 219**	1 067
Exchange differences	**1**	(8)	**4**	(3)	**(5)**	(2)	**–**	(13)
Interest on plan assets	**17**	16	**11**	11	**4**	4	**32**	31
Actual return on plan assets less interest on plan assets	**15**	32	**(7)**	8	**7**	3	**15**	43
Assets distributed on settlements	**–**	–	**–**	–	**(6)**	–	**(6)**	–
Contributions paid by employer	**53**	50	**9**	16	**9**	13	**71**	79
Contributions paid by plan participants	**36**	34	**1**	1	**–**	–	**37**	35
Benefits paid	**(38)**	(15)	**(7)**	(6)	**(8)**	(9)	**(53)**	(30)
Administrative expenses	**(1)**	–	**(1)**	(1)	**–**	–	**(2)**	(1)
Assets acquired in a business combination	**2**	8	**–**	–	**–**	–	**2**	8
Balance at 31 March	**951**	866	**243**	233	**121**	120	**1 315**	1 219

Notes to the consolidated financial statements continued

20. Employee benefits obligation continued

The movement in the present value of the employee benefit obligation was as follows:

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Balance at 1 April of prior year	(861)	(779)	(262)	(231)	(182)	(167)	(1 305)	(1 177)
Exchange differences	–	9	(5)	4	5	1	–	14
Current service cost (employer part)	(48)	(54)	(3)	(3)	(13)	(12)	(64)	(69)
Contributions by plan participants	(36)	(34)	(1)	(1)	–	–	(37)	(35)
Interest on benefit obligations	(17)	(17)	(12)	(12)	(5)	(5)	(34)	(34)
Actuarial (losses)/gains	(18)	7	7	(25)	2	(7)	(9)	(25)
Past service cost	7	–	–	–	–	–	7	–
Liabilities extinguished on settlements	–	–	–	–	6	–	6	–
Liabilities assumed in a business combination	(2)	(8)	–	–	–	(1)	(2)	(9)
Benefits paid	38	15	7	6	8	9	53	30
Balance at 31 March	(937)	(861)	(269)	(262)	(179)	(182)	(1 385)	(1 305)
Present value of funded obligations	(937)	(861)	(269)	(262)	(127)	(131)	(1 333)	(1 254)
Present value of unfunded obligations	–	–	–	–	(52)	(51)	(52)	(51)
Balance at 31 March	(937)	(861)	(269)	(262)	(179)	(182)	(1 385)	(1 305)

Changes in the amount not recognised due to the asset limit are as follows:

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Balance at 1 April of prior year	(13)	–	–	–	–	–	(13)	–
Change in surplus/(deficit)	(2)	(13)	–	–	(1)	–	(3)	(13)
Balance at 31 March	(15)	(13)	–	–	(1)	–	(16)	(13)

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

	Switzerland		UK		Rest of the world		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Equities	310	276	37	32	47	49	394	357
Government bonds	282	255	86	89	20	48	388	392
Corporate bonds	45	45	21	43	43	21	109	109
Property	194	165	21	21	–	–	215	186
Insurance policies	–	–	2	2	10	–	12	2
Other assets	120	125	76	46	1	2	197	173
Fair value of plan assets	951	866	243	233	121	120	1 315	1 219

The plan's assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

During the year to 31 March 2014 the Swiss foundation acquired a property valued at € 19 million which the Group currently leases from the foundation. With the exception of this holding, the plans do not invest directly in property occupied by the Group or in financial securities issued by the Group.

The investment strategy in Switzerland is to invest, within the statutory requirements, in a diversified portfolio which provides a long-term return which will enable the foundation Board to provide increases to the members' accounts, whilst taking on the lowest possible risk in order to do so.

20. Employee benefits obligation continued

In the UK, the investment strategy is set by the trustees of the plan. The current strategy is to hold UK government bonds and corporate bonds to back the liabilities of current pensioners who are receiving their pensions and to hold return-seeking assets, such as equities and property, to back the benefits promised to future pensioners.

These two strategies result in the following long-term asset allocations:

	Switzerland	UK
Equities	**33 %**	**15 %**
Government bonds	**34 %**	**40 %**
Corporate bonds	**4 %**	**20 %**
Property	**21 %**	**10 %**
Other assets	**8 %**	**15 %**
	100 %	**100 %**

The principal actuarial assumptions used for accounting purposes reflect prevailing market conditions in each of the countries in which the Group operates, and are as follows:

	Switzerland		UK	
	2014	2013	2014	2013
Discount rate	**2.1 %**	2.0 %	**4.4 %**	4.5 %
Future salary increases	**1.5 %**	1.5 %	**4.4 %**	4.9 %
Interest credit rate	**1.8 %**	1.5 %	**–**	–
Future pension increases	**–**	–	**3.3 %**	3.3 %
Future life expectancy of a 60 year old (years)	**26.0**	25.9	**27.8**	27.3

	Rest of the world			
	2014 Range	Weighted average	2013 Range	Weighted average
Discount rate	**1.4 % to 3.3 %**	**3.0 %**	1.3 % to 4.2 %	3.0 %
Future salary increases	**2.0 % to 4.8 %**	**3.3 %**	1.8 % to 5.0 %	3.4 %
Future pension increases	**2.0 %**	**2.0 %**	2.1 %	2.1 %

Assumptions used to determine the benefits expense and the end-of-year benefits obligation for the other defined benefit plans varied within the ranges shown above. The weighted average rate for each assumption used to measure the benefit obligation is also shown. The assumptions used to determine end-of-year benefits obligation are also used to calculate the following year's cost.

As an indication, in Switzerland a decrease in the discount rate of 0.5 % per annum would, all other things being equal, increase the obligation by € 75 million, a 0.5 % per annum increase in assumed salary increases would increase the obligation by € 17 million and a one year increase in members' life expectancy would increase the obligation by approximately € 12 million. In practice, if the obligation increases then this is likely to also lead to a reduction in the assumption for future interest credit which would act to offset the increase in the obligation. For example, a 0.5 % per annum decrease in the interest credit rate leads to a € 37 million decrease in the obligation. The Group does not expect any economic benefit from the foundation in Switzerland and therefore, in practice any improvement in the obligation or assets will not impact the balance sheet.

In the UK, a 0.5 % per annum fall in discount rate is expected to increase the obligation by approximately € 26 million, with a € 23 million increase should inflation, including future salary and pension increases, rise by 0.5 % per annum.

In addition, the defined benefit obligation in the UK is sensitive to the assumed life expectancy of the members of the plan. The assumed life expectancy for a male aged 60 at the accounting date is 27.8 years, and for a male aged 60 in 20 years time is 29.9 years. As an indication, a one-year increase in assumed life expectancy would increase the defined benefit obligation by approximately € 9 million.

For the remainder of the Group's arrangements, should the average discount rate fall by 0.5 % per annum, the obligations are expected to rise by approximately € 10 million in total with a € 7 million rise should pension increases rise by a similar amount.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

Notes to the consolidated financial statements continued

21. Provisions

	Warranties and sales related € m	Employee benefits € m	Other € m	Total € m
At 1 April 2013	113	216	19	348
Charged/(credited) to profit or loss:				
– additional provisions	97	67	23	187
– unused amounts reversed	(19)	(12)	(3)	(34)
Net charge	78	55	20	153
Utilised during the year	(86)	(46)	(7)	(139)
Exchange adjustments	(3)	–	–	(3)
At 31 March 2014	102	225	32	359

	2014 € m	2013 € m
Total provisions at 31 March:		
– non-current	191	176
– current	168	172
	359	348

Warranties and sales-related provisions

Group companies establish provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of € 102 million (2013: € 113 million) has been recognised for expected sales returns and warranty claims. It is expected that € 90 million (2013: € 103 million) of this provision will be used within the following twelve months and that the remaining € 12 million (2013: € 10 million) which relates solely to potential warranty claims will be utilised over the remainder of the expected warranty period of the products.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social costs on the Group's stock option plan. An amount of € 56 million (2013: € 55 million) is expected to be utilised in the coming twelve months. The remainder will be utilised in the next two to eight years.

Other provisions

Other provisions include provision for certain legal claims brought against the Group and provision for the Group's obligations arising from committed restructuring activities. It is not expected that the outcomes of legal claims will give rise to any material losses beyond the amounts provided at 31 March 2014. The Group's restructuring provision is expected to be utilised in the coming year.

22. Other long-term financial liabilities

	2014 € m	2013 € m
Put option over shares of subsidiary undertakings	74	65
Operating lease liabilities	88	79
Other long-term financial liabilities	30	23
	192	167

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

23. Trade and other payables

	2014 € m	2013 € m
Trade creditors	**526**	521
Other payables and accruals	**683**	675
Current financial liabilities	**1 209**	1 196
Other current non-financial liabilities	**116**	128
	1 325	1 324

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

24. Other operating (expense)/income

	2014 € m	2013 € m
Royalty income	**27**	29
Royalty expenses	**(4)**	(5)
Investment property rental income	**9**	4
Investment property costs	**(3)**	(3)
Amortisation of other intangible assets acquired on business combinations	**(38)**	(43)
Other (expense)/income	**(13)**	5
	(22)	(13)

25. Net profit

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

	2014 € m	2013 € m
Depreciation of property, plant and equipment (note 6)	**339**	295
Amortisation of other intangible assets (note 8)	**90**	88
Operating lease rentals:		
– minimum lease rental	**466**	428
– contingent rental	**283**	276
Sub-lease rental income (non-investment property)	**(3)**	(3)
Cash flow hedge – transfer from other comprehensive income	**–**	1
Research and development costs	**53**	55
Loss on disposal of property, plant and equipment	**2**	6
Loss on disposal of other intangible assets	**2**	1
Restructuring charges	**7**	2

Notes to the consolidated financial statements continued

26. Employee benefits expense

	2014 € m	2013 € m
Wages and salaries including termination benefits € 8 million (2013: € 5 million)	**1 586**	1 488
Social security costs	**295**	257
Share option expense (note 35)	**26**	26
Long-term employee benefits	**27**	53
Pension costs – defined contribution plans	**31**	28
Pension costs – defined benefit plans (note 20)	**60**	73
	2 025	1 925

	2014 number	2013 number
Average number of employees:		
Switzerland	**8 586**	8 218
Rest of the world	**20 515**	19 448
	29 101	27 666

27. Finance costs and income

	2014 € m	2013 € m
Finance costs:		
Interest expense:		
– bank borrowings	**(35)**	(31)
– other financial expenses	**(11)**	(7)
Net foreign exchange losses on monetary items	**(130)**	–
Mark-to-market adjustment in respect of hedging activities	**–**	(120)
Currency translation adjustments reclassified from reserves	**(2)**	–
Loss on remeasurement of put option liability on non-controlling interests	**(3)**	–
Finance costs	**(181)**	(158)
Finance income:		
Interest income:		
– bank, other deposits, and money market and government bond funds	**15**	12
– other financial income	**1**	5
Dividend income on financial assets at fair value through profit or loss	**2**	2
Net foreign exchange gains on monetary items	**–**	47
Net gain in fair value of financial instruments at fair value through profit or loss	**13**	14
Mark-to-market adjustment in respect of hedging activities	**214**	–
Gain on remeasurement of put option liability on non-controlling interests	**–**	31
Finance income	**245**	111
Net finance income/(costs)	**64**	(47)

28. Earnings per share

28.1. Basic

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

	2014	2013
Profit attributable to owners of the parent company (€ millions)	**2 072**	2 013
Weighted average number of shares in issue (millions)	**558.4**	550.1

28.2. Diluted

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

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

	2014	2013
Profit attributable to owners of the parent company (€ millions)	**2 072**	2 013
Weighted average number of shares in issue (millions)	**558.4**	550.1
Adjustment for share options (millions)	**5.2**	9.9
Weighted average number of shares for diluted earnings per share (millions)	**563.6**	560.0

28.3. Headline earnings per share

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

	2014 € m	2013 € m
Profit attributable to owners of the parent company	**2 072**	2 013
Loss on disposal of non-current assets	**4**	7
Currency exchange losses reclassified from currency translation adjustment reserve	**2**	–
Headline earnings	**2 078**	2 020

	2014 millions	2013 millions
Weighted average number of shares:		
– Basic	**558.4**	550.1
– Diluted	**563.6**	560.0

	€ per share	€ per share
Headline earnings per share:		
– Basic	**3.721**	3.672
– Diluted	**3.687**	3.607

29. Dividends

In September 2013 a dividend of CHF 1.00 per share was paid (September 2012: CHF 0.55).

Notes to the consolidated financial statements continued

30. Cash flow generated from operations

	2014 € m	2013 € m
Operating profit	**2 419**	2 426
Depreciation of property, plant and equipment	**339**	295
Depreciation of investment property	**2**	–
Amortisation 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

31. Financial instruments: fair values and risk management

31.1. Fair value estimation

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy.

	Carrying amount					Fair value			
31 March 2014	Designated at fair value € m	Derivatives € m	Loans and receivables € m	Other financial liabilities € m	Total € m	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Financial assets measured at fair value									
Listed investments	4	–	–	–	4	4			4
Unlisted investments	5	–	–	–	5			5	5
Investments in money market and government bond funds	–	–	2 839	–	2 839		2 839		2 839
Derivatives	–	109	–	–	109		109		109
	9	109	2 839	–	2 957				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	11	–	11				
Non-current lease deposits	–	–	119	–	119				
Trade and other receivables	–	–	933	–	933				
Cash and cash equivalent	–	–	3 389	–	3 389				
	–	–	4 452	–	4 452				
Financial liabilities measured at fair value									
Derivatives	–	(5)	–	–	(5)		(5)		(5)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(295)	(295)		(280)		(280)
Floating rate borrowings	–	–	–	(74)	(74)				
Finance lease obligations	–	–	–	(25)	(25)				
Other long-term financial liabilities	–	–	–	(192)	(192)				
Trade and other payables	–	–	–	(1 209)	(1 209)				
Bank overdraft	–	–	–	(1 175)	(1 175)				
	–	–	–	(2 970)	(2 970)				

31. Financial instruments: fair values and risk management continued

31.1. Fair value estimation continued

31 March 2013	Carrying amount: Designated at fair value € m	Derivatives € m	Loans and receivables € m	Other financial liabilities € m	Total € m	Fair value: Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Financial assets measured at fair value									
Listed investments	55	–	–	–	55	55			55
Unlisted investments	4	–	–	–	4			4	4
Investments in money market and government bond funds	–	–	2 712	–	2 712		2 712		2 712
Derivatives	–	50	–	–	50		50		50
	59	50	2 712	–	2 821				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	18	–	18				
Non-current lease deposits	–	–	136	–	136				
Trade and other receivables	–	–	922	–	922				
Cash and cash equivalent	–	–	2 443	–	2 443				
	–	–	3 519	–	3 519				
Financial liabilities measured at fair value									
Derivatives	–	(83)	–	–	(83)		(83)		(83)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(317)	(317)		(315)		(315)
Floating rate borrowings	–	–	–	(145)	(145)				
Finance lease obligations	–	–	–	(25)	(25)				
Other long-term financial liabilities	–	–	–	(167)	(167)				
Trade and other payables	–	–	–	(1 196)	(1 196)				
Bank overdraft	–	–	–	(1 453)	(1 453)				
	–	–	–	(3 303)	(3 303)				

Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly-traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets held by the Group is the current bid price. These instruments are included in Level 1 and comprise equity investments listed on the UK and Luxembourg exchanges.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, maximising the use of observable market data, where available, and relying as little as possible on entity-specific estimates. If all significant inputs are observable the instrument is included as Level 2; if one or more of the significant inputs is not based on observable market data then the instrument is included as Level 3.

Specific valuation techniques used for Level 2 financial instruments include:

- Interest rate swaps are valued on the basis of discounted cash flows. The variable flows are determined for each payment date using (broker) forward interest rate curves.
- Currency forwards are measured based on observable spot exchange rates, the term interest rates of the respective currencies and the currency basis spread between the respective currencies.
- Derivative options are measured at the quoted market price of the underlying equities less the strike price payable by the executive. In cases where the strike price exceeds the quoted market price the option has a zero value.

The nominal value of the investments in money market and government bond funds approximates the fair value, as the maximum average life is 120 days and the maximum average maturity is 60 days.

Level 3 financial instruments consist entirely of small investments in unlisted equities. The fair value of these investments is determined using a discounted cash flow valuation method. The valuation requires management to make certain assumptions about inputs to the model. During the year to 31 March 2014 the Group made an addition to its portfolio of unlisted equities, increasing the carrying amount to € 5 million.

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk); credit risk; and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department ('Group Treasury') under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has approved formal written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investing excess liquidity.

(a)(i) Market risk: foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar, HK dollar, Chinese yuan and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from these net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. These arise principally from the repricing of derivative contracts and the retranslation impact of euro-denominated investments in money market and government bond funds held in an entity with a Swiss franc functional currency. There is no impact in other comprehensive income. The analysis is performed on the same basis as for 2013.

	Change in rate		Increase/(decrease) in profit or loss	
	2014 %	2013 %	2014 € m	2013 € m
USD strengthening vs CHF	**9 %**	9 %	**(15)**	(7)
JPY strengthening vs CHF	**10 %**	15 %	**(26)**	(38)
HKD strengthening vs CHF	**9 %**	9 %	**(111)**	(105)
SGD strengthening vs CHF	**7 %**	7 %	**(14)**	(11)
CHF strengthening vs EUR	**4 %**	4 %	**(163)**	(113)
AED strengthening vs CHF	**10 %**	–	**(29)**	–
KRW strengthening vs CHF	**12 %**	–	**(32)**	–
CNY strengthening vs CHF	**9 %**	9 %	**(24)**	(41)

	Change in rate		Increase/(decrease) in profit or loss	
	2014 %	2013 %	2014 € m	2013 € m
USD weakening vs CHF	**9 %**	9 %	**12**	1
JPY weakening vs CHF	**10 %**	15 %	**21**	26
HKD weakening vs CHF	**9 %**	9 %	**93**	88
SGD weakening vs CHF	**7 %**	7 %	**12**	10
CHF weakening vs EUR	**4 %**	4 %	**163**	113
AED weakening vs CHF	**10 %**	–	**24**	–
KRW weakening vs CHF	**12 %**	–	**25**	–
CNY weakening vs CHF	**9 %**	9 %	**20**	35

(a)(ii) Market risk: price risk

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

• Commodity price risk

The Group is exposed to price risk related to anticipated purchases of certain commodities, namely precious metals and stones for use in its manufacturing processes. There is no financial risk as the commodities are for use as raw materials by the Group's businesses. A change in those prices may alter the gross margin of specific businesses.

• Marketable securities' price risk

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

At 31 March 2014 the Group held a small number of investments, primarily listed in Luxembourg, with a total market value of € 4 million (2013: € 55 million, primarily listed in the UK and Luxembourg). A reasonable change in the market value of the underlying equity at 31 March 2014 would have no significant impact on pre-tax profit for the year. At 31 March 2013, a movement of plus/(minus) 17 % and 16 % based on the one-year historic volatilities of the UK and Luxembourg listed equities, all other variables held constant, would have had an impact on profit before tax of plus/(minus) € 9 million.

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors continued

The Group has recognised liabilities of € 2 million, in respect of options granted to executives over shares in equities listed in Luxembourg (2013: € 36 million in respect of options over shares in equities listed in the UK and Luxembourg). A reasonable change in the market value of the underlying equity at 31 March 2014 would have no significant impact on pre-tax profit for the year. At 31 March 2013, a movement of plus/(minus) 17 % and 16 % based on the one-year historic volatilities of the UK and Luxembourg equity-based options respectively, all other variables held constant, would have had an impact on profit before tax of (minus)/plus € 9 million.

At 31 March 2014 and 2013 the Group held a number of investments in AAA rated money market and government bond funds. The price risk associated with these investments is considered to be minimal, due to the high credit quality of the underlying investments.

The Group also holds a portfolio of unlisted equities. These investments are recorded at fair value through profit or loss using valuation techniques. The Group actively monitors the performance of these investments, but is ultimately exposed to their underperformance.

- Other price risk

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

After consideration of all relevant factors available, management's valuations of the put option liabilities have been updated where differences in actual results to original forecasts have required a change in certain accounting estimates, resulting in an increase in the put option liabilities of € 3 million (2013: decrease of € 31 million), with a corresponding change to finance income.

A movement of plus/(minus) 10 % in the projected EBITDA of the subsidiary entities would have a pre-tax profit impact of (minus)/plus € 19 million (2013: plus/(minus) € 23 million). A movement of plus/(minus) 100 basis points on the weighted average cost of capital would have had a pre-tax impact of plus € 9 million (2013: minus € 21 million) and minus € 12 million (2013: plus € 16 million), all other variables kept constant.

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

- Fair value interest rate risk

The Group is exposed to fair value interest rate risk linked to its fixed-rate loan commitment (details of the Group's borrowings are presented in note 19). The risk is considered to be the difference between current levels of interest rates and the committed rates.

The Group records its fixed rate borrowings at amortised cost using the effective interest method. The Group does not designate any interest rate swaps as hedging instruments for fair value hedge accounting. Therefore a change in interest rates at 31 March 2014 would not affect the profit for the year.

The Group uses forward-starting interest rate swaps to help manage its fair value interest rate risk exposure.

At 31 March 2014 the Group is a party to a forward-starting USD-denominated interest rate swap contract. The Group pays a fixed interest rate and in exchange receives the three-month USD-LIBOR-BBA floating rate on pre-specified dates in the future. The fair value of this financial instrument increased by € 6 million in the year to 31 March 2014 (2013: € 5 million). Should the floating rate increase/(decrease) by 8 % using one-year historic volatility of three-month USD LIBOR rate, with all other variables held constant, the impact on profit before tax would have been plus/(minus) € 4 million (2013: rate increase/(decrease) by 6%: impact of profit before tax plus/(minus) € 3 million).

- Cash flow interest rate risk

The Group is also exposed to future cash flow fluctuation risk due to changes in variable market interest rates. The cash flow risk associated with net cash is such that an increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted profit for the year by plus/(minus) € 49 million (2013: plus/(minus) € 35 million), all other variables remaining constant. The analysis is performed on the same basis as for 2013.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The minimum long-term credit rating requirements of financial counterparties is Baa2 and /or BBB+. At 31 March 2014 the Group had € 2 839 million invested in AAA rated euro-denominated money market and government bond funds (2013: € 2 712 million) and € 3 389 million held as cash at bank (2013: € 2 443 million).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Local liquidity is ensured by maintaining local bank credit facilities and by funding the excess funding requirements by the Group overlay cash pool.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. Derivative assets are excluded. All outstanding derivative share options are fully vested and have expiry dates to June 2015. The Group holds equity investments which fully hedge the obligations under the stock option plans.

Notes to the consolidated financial statements continued

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors continued

31 March 2014	Carrying amount € m	Total € m	Contractual cash flows 6 months or less € m	Between 6-12 months € m	Between 1-3 years € m	More than 3 years € m
Non-derivative financial liabilities						
Borrowings	**394**	**522**	**78**	**8**	**21**	**415**
Other long-term financial liabilities	**192**	**225**	**–**	**–**	**128**	**97**
Trade and other payables	**1 209**	**1 209**	**1 209**	**–**	**–**	**–**
Bank overdrafts	**1 175**	**1 175**	**1 175**	**–**	**–**	**–**
	2 970	**3 131**	**2 462**	**8**	**149**	**512**
Derivative financial liabilities						
Currency forwards	**3**	**357**	**136**	**221**	**–**	**–**
Derivative share options	**2**	**4**	**4**	**–**	**–**	**–**
	5	**361**	**140**	**221**	**–**	**–**

31 March 2013	Carrying amount € m	Total € m	Contractual cash flows 6 months or less € m	Between 6-12 months € m	Between 1-3 years € m	More than 3 years € m
Non-derivative financial liabilities						
Borrowings	487	628	140	–	39	449
Other long-term financial liabilities	167	177	–	–	115	62
Trade and other payables	1 196	1 196	1 196	–	–	–
Bank overdrafts	1 453	1 453	1 453	–	–	–
	3 303	3 454	2 789	–	154	511
Derivative financial liabilities						
Currency forwards	47	1 952	857	1 095	–	–
Derivative share options	36	55	55	–	–	–
	83	2 007	912	1 095	–	–

31.3. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group does not apply hedge accounting to its hedging activities.

The fair values of various derivative instruments are disclosed in note 16.

31. Financial instruments: fair values and risk management continued

31.4. Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, as a current legal enforceable right to set-off the recognised amounts exists and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Gross amount of recognised asset/ (liability) subject to set-off € m	Amount of set-off € m	Net amount € m	Related amounts not set-off € m	Total € m
At 31 March 2014					
Trade receivables	**17**	**(4)**	**13**	**–**	**13**
Cash	**1 240**	**(4)**	**1 236**	**(960)**	**276**
Derivative assets	**109**	**–**	**109**	**(3)**	**106**
	1 366	**(8)**	**1 358**	**(963)**	**395**
Trade payables	**(27)**	**4**	**(23)**	**–**	**(23)**
Overdrafts	**(964)**	**4**	**(960)**	**960**	**–**
Derivative liabilities	**(3)**	**–**	**(3)**	**3**	**–**
	(994)	**8**	**(986)**	**963**	**(23)**

	Gross amount of recognised asset/ (liability) subject to set-off € m	Gross amount of set-off € m	Net amount presented € m	Related amounts not set-off € m	Total € m
At 31 March 2013					
Trade receivables	20	(5)	15	–	15
Cash	1 497	(11)	1 486	(1 291)	195
Derivative assets	50	–	50	(32)	18
	1 567	(16)	1 551	(1 323)	228
Trade payables	(28)	5	(23)	–	(23)
Overdrafts	(1 302)	11	(1 291)	1 291	–
Derivative liabilities	(47)	–	(47)	32	(15)
	(1 377)	16	(1 361)	1 323	(38)

The Group is subject to a number of master netting arrangements specific to cash pooling and derivative contract arrangments. These arrangements allow for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In certain circumstances, such as a default event as defined in the relevant agreement, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

These agreements do not meet the criteria for offsetting in the statement of financial position. The right to set-off is legally enforceable only following certain specified events. In addition the Group and the counterparties do not intend to settle on a net basis.

31.5. Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return of capital to shareholders which the Group defines as total equity excluding non-controlling interests and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between business returns and a secure capital position. The Group's target is to achieve a return on shareholders' equity, excluding share buy-backs, in excess of 15 % (2013: 15 %).

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

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

32. Financial commitments and contingent liabilities

At 31 March 2014 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise. Details of the Group's commitments in respect of financial derivatives are given in note 16 and in respect of property, plant and equipment in note 6.

The Group leases various boutiques, offices and manufacturing premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The cost for certain boutique leases contains a fixed portion together with a variable portion which is most commonly a percentage of sales achieved. The commitments below reflect only the fixed elements.

The Group has signed non-cancellable operating leases in respect of which the following minimum rentals are payable at 31 March:

	Land and buildings		Other assets		Total	
	2014 € m	2013 € m	2014 € m	2013 € m	2014 € m	2013 € m
Within one year	**482**	446	**10**	7	**492**	453
Between two and five years	**1 029**	991	**13**	8	**1 042**	999
Thereafter	**868**	491	**–**	–	**868**	491
	2 379	1 928	**23**	15	**2 402**	1 943

33. Business combinations

During the year to 31 March 2014 the Group concluded a number of business combinations, none of which were individually significant to the Group. The details that follow are presented on an aggregate basis.

Fair value of assets acquired

	Business operations € m	Manufacturing and other € m	Total € m
Property, plant and equipment	**1**	**3**	**4**
Intangible assets	**26**	**5**	**31**
Inventory	**18**	**1**	**19**
Trade and other receivables	**–**	**1**	**1**
Trade and other payables	**–**	**(1)**	**(1)**
Current and deferred tax	**–**	**(2)**	**(2)**
Long-term borrowings	**–**	**(1)**	**(1)**
Fair value of net assets acquired	**45**	**6**	**51**
Total consideration paid	**45**	**6**	**51**
Consideration deferred to future periods	**(13)**	**(1)**	**(14)**
Purchase consideration – cash paid	**32**	**5**	**37**
Payment of amounts deferred in prior periods	**2**	**4**	**6**
Cash outflow on acquisitions	**34**	**9**	**43**

The fair value of certain acquired inventory and intangibles is provisional pending finalisation of the valuation work for those items.

The gross contractual amount of trade receivables due is € 1 million, all of which is expected to be fully recoverable.

Purchase consideration on business combinations deferred to future periods relates to final purchase adjustments payable after the reporting date and, in the case of retail boutiques internalised during the year, amounts based on a percentage of future sales over an agreed period.

€ 1 million of consideration deferred in prior periods has been settled in the year against amounts due to the Group.

In the period since acquisition the business contributed € 25 million to sales and € 7 million to net profit. Had the acquisitions been made on 1 April 2013 the full year contribution to sales would have been € 64 million and € 11 million to net profit.

34. Related-party transactions

Compagnie Financière Rupert, Bellevue, Geneva, Switzerland holds 522 000 000 'B' registered shares representing an interest in 50 % of the Company's voting rights. In addition, Compagnie Financière Rupert has advised that parties related to it held a total of 2 836 664 Richemont 'A' registered shares, or the equivalent thereof in the form of Depository Receipts, as at 31 March 2014, representing 0.27 % of the Company's voting rights.

The Group has a number of transactions and relationships with related parties, as defined by IAS 24, *Related Party Disclosures*.

Besides Compagnie Financière Rupert, the Board of Directors and the Group Management Committee ('key management'), the Group has identified the following other related parties:

- Richemont's equity-accounted investments (see note 10)
- Richemont foundations (employee and others)
- Various entities under the common control of the Rupert family's interests

The following transactions were carried out with related parties giving rise to (expense/payables) and income/receivables:

(a) Transactions and balances between the Richemont Group and its equity-accounted investments

	2014 € m	2013 € m
Goods and services bought from and other transactions with its equity-accounted investments:		
Rouages SA – purchase of watch components	**(6)**	(3)
Les Cadraniers de Genève SA – purchase of watch components	**(5)**	(4)
Ralph Lauren Watch & Jewelry Company Sàrl – purchase of finished goods	**(7)**	(12)
Ralph Lauren Watch & Jewelry Company Sàrl – waiver of interest	**(1)**	–
Services provided to equity-accounted investments:		
Laureus Sports Awards Limited – sponsorship	**(5)**	(4)
Laureus Sports for Good Foundation – donations	**(1)**	(1)
Goods and services sold to and other transactions with equity-accounted investments:		
Ralph Lauren Watch & Jewelry Company Sàrl – sale of watch components	**1**	2
Ralph Lauren Watch & Jewelry Company Sàrl – management and service fees	**–**	2
Payables outstanding at 31 March:		
Ralph Lauren Watch & Jewelry Company Sàrl – trading	**–**	(1)
Laureus World Sports Awards Limited – sponsorship	**–**	(1)
Receivables outstanding at 31 March:		
Ralph Lauren Watch & Jewelry Company Sàrl – trading	**–**	3
Laureus Sports Awards Limited – trading	**–**	1
Ralph Lauren Watch & Jewelry Company Sàrl – loan	**30**	24

In the statement of financial position the loan to Ralph Lauren Watch & Jewelry Sàrl is recorded at € 3 million (2013: € 7 million). For equity-accounting purposes the long-term loan is considered part of the investment. The Group's share of losses of Ralph Lauren Watch & Jewelry Company Sàrl are offset against the receivable.

The loan to Ralph Lauren Watch & Jewelry Company Sàrl is at market comparable rates and has no fixed repayment date.

During the year the Group waived its entitlement to receive interst of € 1 million due on the outstanding loan.

Notes to the consolidated financial statements continued

34. Related-party transactions continued

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

	2014 € m	2013 € m
Services bought from and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**(3)**	(3)
Montblanc Kulturstiftung – donation	**–**	(1)
Services provided to and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**4**	–

Receivables outstanding at 31 March:	2014 € m	2013 € m
Entities under common control of the Rupert family's interests	**4**	–

(c) Individuals

During the year the Group gave donations of € 1.1 million (2013: € 1.1 million) to the Fondazione Cologni dei Mestieri d'Arte. The Fondazione promotes, supports and organises cultural, scientific and training initiatives in favour of the Arts and Crafts and the Trades of Art. Dr Franco Cologni, a non-executive director of the Company, is the president of the Fondazione. The Group also made donations of € 0.2 million (2013: € 0.2 million) to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is vice-chairman of the Fondazione.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.5 million (2013: € 0.5 million) from Group companies for advice on legal and taxation matters.

In addition to his non-executive director's fee, Lord Douro received fees, pension contributions and other benefits totalling € 0.1 million (2013: € 0.1 million) in connection with his role as Director and Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests, and in respect of consultancy services provided to the Group.

Dr Franco Cologni, Mr Alain Dominique Perrin and Mr Norbert Platt provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2014, Dr Cologni received € 0.3 million (2013: € 0.3 million), Mr Perrin € 2.1 million (2013: € 2.2 million) and Mr Platt € 0.1 million (2013: nil) for the services provided. These fees are included in the individual disclosures of key management compensation as short-term employee benefits.

Richemont appointed Nomura International PLC ('Nomura') to act as adviser in a recent transaction. M&M Capital Limited is a consultancy vehicle engaged by Nomura to assist with senior level board contacts at potential clients and introduce new relationships and new business to Nomura where appropriate. Mr Ruggero Magnoni is Chairman and a shareholder of M&M Capital Limited. In relation to a recent Group transaction, M&M Capital Limited received a fee of € 0.1 million.

In accordance with the terms of the modification to the Group's stock option plan, in October 2008, certain executive directors and members of the Group Management Committee received vested options over shares in British American Tobacco plc ('BAT') and Reinet Investments S.C.A. ('Reinet'). At 31 March 2014 all options over BAT shares had been fully exercised and a liability of € 2 million has been recognised in respect of the Group's obligation to deliver Reinet shares on exercise of the remaining vested options (2013: € 31 million covering both BAT and Reinet options). The Group holds shares in Reinet which fully hedge the liability.

(d) Key management compensation

	2014 € m	2013 € m
Salaries and short-term employee benefits	**23**	23
Short-term incentives	**11**	13
Long-term benefits	**13**	10
Post-employment benefits	**2**	3
Share option expense	**8**	8
	57	57

34. Related-party transactions continued

(d) Key management compensation continued

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

Board of Directors	
Johann Rupert	Chairman[1]
Yves-André Istel	Non-Executive Chairman
Josua Malherbe	Non-Executive Deputy Chairman
Bernard Fornas	Co-Chief Executive Officer[2]
Richard Lepeu	Co-Chief Executive Officer
Gary Saage	Chief Financial Officer
Franco Cologni	Non-Executive Director
Lord Douro	Non-Executive Director
Jean-Blaise Eckert	Non-Executive Director[2]
Ruggero Magnoni	Non-Executive Director
Frederick Mostert	Chief Legal Counsel
Simon Murray	Non-Executive Director
Alain Dominique Perrin	Non-Executive Director
Guillaume Pictet	Non-Executive Director
Norbert Platt	Non-Executive Director
Alan Quasha	Non-Executive Director
Maria Ramos	Non-Executive Director
Lord Renwick of Clifton	Lead Independent Director
Dominique Rochat	Non-Executive Director[1]
Jan Rupert	Non-Executive Director
Jürgen Schrempp	Non-Executive Director
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories[3]
Martha Wikstrom	Non-Executive Director[4]
Members of the Group Management Committee	
Johann Rupert	Chairman[1]
Bernard Fornas	Co-Chief Executive Officer
Richard Lepeu	Co-Chief Executive Officer
Gary Saage	Chief Financial Officer
Frederick Mostert	Chief Legal Counsel
Martha Wikstrom	Chief Executive Officer, Richemont Fashion & Accessories[3]
Lutz Bethge	Chief Executive Officer, Montblanc[5]
Hans-Peter Bichelmeier	Group Operations Director
Albert Kaufmann	General Counsel
Georges Kern	Chief Executive Officer, IWC
Jérôme Lambert	Chief Executive Officer, Jaeger-LeCoultre[5]
Jérôme Lambert	Chief Executive Officer, Montblanc[6]
Philippe Léopold-Metzger	Chief Executive Officer, Piaget
Thomas Lindemann	Group Human Resources Director
Stanislas de Quercize	Chief Executive Officer, Cartier

1 Until 12 September 2013.

2 From 13 September 2013.

3 Until 21 May 2013.

4 From 22 May 2013 until 12 September 2013.

5 Until 30 June 2013.

6 From 1 July 2013.

Notes to the consolidated financial statements continued

34. Related-party transactions continued

(d) Key management compensation continued

Key management compensation disclosures as required by Swiss law

The following disclosures on executive compensation are required by Swiss law. In determining the value of each component the Group has followed the valuation and measurement principles of International Financial Reporting. The amounts, stated gross before deduction of social security and taxes due by the executive, are in agreement with other IFRS information provided in this annual report.

Key management compensation for the year ended 31 March 2014

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits €	Share option cost[1] €	Total[2] €
Board of Directors						
Johann Rupert	(91 216)	760 520	–	–	–	**669 304**
Yves-André Istel	552 142	–	–	–	–	**552 142**
Bernard Fornas total compensation	3 567 114	104 555	2 548 057	1 765 277	20 858	**8 005 861**
Included in total compensation of:						
Board of Directors	1 856 314	57 291	1 336 995	967 275	11 429	**4 229 304**
Group Management Committee	1 710 800	47 264	1 211 062	798 002	9 429	**3 776 557**
Richard Lepeu	3 575 932	109 253	2 141 388	73 427	2 958 042	**8 858 042**
Gary Saage	2 191 041	122 329	900 327	28 241	1 635 738	**4 877 676**
Franco Cologni[3]	251 611	–	–	–	–	**251 611**
Lord Douro	284 141	–	–	–	–	**284 141**
Jean-Blaise Eckert[5]	130 134	–	–	–	–	**130 134**
Ruggero Magnoni[3]	–	–	–	–	–	**–**
Josua Malherbe	244 002	–	–	–	–	**244 002**
Frederick Mostert	1 479 565	38 762	857 703	49 404	983 955	**3 409 389**
Simon Murray	146 401	–	–	–	–	**146 401**
Alain Dominique Perrin[3]	2 085 411	–	–	–	–	**2 085 411**
Guillaume Pictet	162 668	–	–	–	–	**162 668**
Norbert Platt	225 193	–	–	–	–	**225 193**
Alan Quasha	162 668	–	–	–	–	**162 668**
Maria Ramos	121 675	–	–	–	–	**121 675**
Lord Renwick of Clifton	268 402	–	–	–	–	**268 402**
Dominique Rochat[4]	69 134	–	–	–	–	**69 134**
Jan Rupert	162 668					**162 668**
Jürgen Schrempp	325 336	–	–	–	–	**325 336**
Martha Wikstrom[4]	922 513	2 165	494 797	33 759	(923 910)	**529 324**
Total	15 125 735	1 090 320	5 731 210	1 152 106	4 665 254	**27 764 625**
Group Management Committee						
Total	7 753 992	710 666	5 057 439	11 853 284	3 769 337	**29 144 718**
Total key management compensation	22 879 727	1 800 986	10 788 649	13 005 390	8 434 591	**56 909 343**

Mr Bernard Fornas was elected to the Board during the year under review. Accordingly his total compensation amounting to € 8 005 861, is attributed € 4 229 304 to the Board and € 3 776 557 to the Group Management Committee.

1 The cost for share options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 35.

2 The employer social security contribution is not included.

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

4 Compensation for the period from 1 April 2013 to 12 September 2013.

5 Compensation for the period from 13 September 2013 to 31 March 2014.

34. Related-party transactions continued

(d) Key management compensation continued

Key management compensation for the year ended 31 March 2013

	Fixed components		Variable components			
	Salary and short-term employee benefits €	Post-employment benefits €	Short-term incentives €	Long-term benefits €	Share option cost[1] €	Total[2] €
Board of Directors						
Johann Rupert	1 576 509	1 456 773	–	–	–	3 033 282
Yves-André Istel	210 761	–	–	–	–	210 761
Richard Lepeu	3 559 042	104 334	2 485 589	358 156	2 229 401	8 736 522
Gary Saage	1 896 150	127 227	1 655 862	137 753	1 070 877	4 887 869
Franco Cologni[3]	255 268	–	–	–	–	255 268
Lord Douro	283 196	–	–	–	–	283 196
Ruggero Magnoni[3]	–	–	–	–	–	–
Josua Malherbe	223 159	–	–	–	–	223 159
Frederick Mostert	1 491 099	41 438	967 798	245 560	891 167	3 637 062
Simon Murray	165 303	–	–	–	–	165 303
Alain Dominique Perrin[3]	2 201 735	–	–	–	–	2 201 735
Guillaume Pictet	165 303	–	–	–	–	165 303
Norbert Platt	196 392	–	–	–	–	196 392
Alan Quasha	165 303	–	–	–	–	165 303
Maria Ramos	165 303	–	–	–	–	165 303
Lord Renwick of Clifton	235 557	–	–	–	–	235 557
Dominique Rochat	202 496	–	–	–	–	202 496
Jan Rupert	189 320	65 200	2 557	299 612	604 642	1 161 331
Jürgen Schrempp	206 629	–	–	–	–	206 629
Martha Wikstrom	1 633 252	17 447	1 760 176	167 798	633 544	4 212 217
Total	15 021 777	1 812 419	6 871 982	1 208 879	5 429 631	30 344 688
Group Management Committee						
Bernard Fornas	2 204 430	136 283	2 488 640	895 391	129 784	5 854 528
Total other members	5 607 865	622 418	3 689 008	7 779 741	2 657 874	20 356 906
Total	7 812 295	758 701	6 177 648	8 675 132	2 787 658	26 211 434
Total key management compensation	22 834 072	2 571 120	13 049 630	9 884 011	8 217 289	56 556 122

1 The cost for share options is determined in accordance with IFRS 2, *Share-based Payment*. Details of the valuation model and significant inputs to this model are found in note 35.

2 The employer social security contribution is not included.

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

34. Related-party transactions continued

(d) Key management compensation continued

Stock option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. No awards under the stock option plan have been made to persons serving as non-executive directors. Details of options held by executive directors and members of the Group Management Committee under the plan are as follows:

at 31 March 2014

	Number of options						
	1 April 2013	Granted in year	Exercised in year	31 March 2014	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors							
Bernard Fornas	173 249	–	–	**173 249**	29.47	Apr 2014-Jul 2014	June 2017
Richard Lepeu	1 709 612	250 000	(398 089)	**1 561 523**	46.93	Apr 2014-Jul 2019	June 2022
Gary Saage	369 629	150 000	–	**519 629**	61.74	Apr 2014-Jul 2019	June 2022
Frederick Mostert	407 827	75 000	–	**482 827**	46.12	Apr 2014-Jul 2019	June 2022
Jan Rupert	219 476	–	(76 350)	**143 126**	21.20	Apr 2014	June 2017
Group Management Committee							
Hans-Peter Bichelmeier	197 062	50 000	(33 945)	**213 117**	58.34	Jul 2014-Jul 2019	June 2022
Stanislas de Quercize	24 815	–	(21 952)	**2 863**	21.20	Jul 2014	June 2017
Albert Kaufmann	734 838	–	(82 697)	**652 141**	34.94	Apr 2014	June 2021
Georges Kern	9 542	–	–	**9 542**	25.83	Apr 2014-Jul 2014	June 2017
Jérôme Lambert	203 275	–	(68 712)	**134 563**	26.33	Apr 2014-Jul 2014	June 2017
Thomas Lindemann	237 791	50 000	(56 500)	**231 291**	58.82	Apr 2014-Jul 2019	June 2022
	4 287 116	575 000	(738 245)	**4 123 871**			

Highest paid compensation to a member of the management board

The total level of compensation of the highest paid member of the Group Management Committee was € 8 858 042, which was in respect of Mr Lepeu. Mr Lepeu's compensation is disclosed as a member of the Board of Compagnie Financière Richemont SA. It is therefore excluded from the total compensation of the Group Management Committee.

Compensation of advisory committees

The Board has established a number of advisory committees. These committees comprise both executive and non-executive directors of the Board. The compensation of the individual members of these committees is disclosed above.

Compensation for former executive directors

In the period from 13 September 2013 the Group contributed € 0.8 million to post-employment benefit plans for Mr Rupert, the former Chairman of the Board.

During the year under review a former executive director (who is not a current member of the Group Management Committee) received € 0.1 million (2013: € 0.1 million) from the Group for services provided to an entity in which the Group is a joint venture partner.

34. Related-party transactions continued

(d) Key management compensation continued

Share ownership

As at 31 March 2014 members of the Board and parties closely linked to them owned a total of 416 354 Richemont ‘A’ shares. Members of the Group Management Committee and parties closely linked to them held a total of 189 615 Richemont ‘A’ shares at that date. The interest of individual directors and members of the Group Management Committee in Richemont ‘A’ shares is as follows:

	at 31 March 2014	at 31 March 2013
Board of Directors		
Franco Cologni	**30 000**	40 000
Lord Douro	**18 000**	18 000
Yves-André Istel	**14 000**	14 000
Richard Lepeu	**338 089**	20 000
Guillaume Pictet	**10 265**	10 265
Lord Renwick of Clifton	**4 000**	4 000
Gary Saage	**2 000**	2 000
	416 354	108 265
Group Management Committee		
Albert Kaufmann	**1 670**	1 670
Philippe Léopold-Metzger	**2 210**	2 000
Stanislas de Quercize	**185 735**	163 783
	189 615	167 453
	605 969	275 718

Following the decision of the Annual General Meeting on 12 September 2013 to pay dividends of CHF 1.00 per ‘A’ registered share and CHF 0.10 per ‘B’ registered share, dividends of CHF 274 718 were paid to the owners of the shares who were members of the Board or the Group Management Committee or parties closely linked to them, at the date the dividend was paid.

Mr Josua Malherbe, a non-executive director, does not hold any ‘A’ shares or ‘A’ share equivalents. Members of Mr Malherbe’s family have acquired and currently hold 14 067 ‘A’ share equivalents and are beneficiaries of trusts holding 210 002 ‘A’ shares or ‘A’ share equivalents at 31 March 2014.

Mr Jan Rupert, a non-executive director, is a director of a company which holds 2 375 005 ‘A’ shares. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold ‘A’ shares and ‘A’ share equivalents in their own right. Mr Jan Rupert is a trustee of certain of these trusts but is not in a position to control their investment decisions or to control the exercise of voting rights by those trusts. In addition, members of Mr Rupert’s family are also beneficiaries of certain companies and trusts that have acquired and currently hold 433 566 ‘A’ shares.

Loans to members of governing bodies

As at 31 March 2014 there were no loans or other credits outstanding to any current or former executive or non-executive director, or member of the Group Management Committee. The Group policy is not to extend loans to directors or members of the Group Management Committee. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director, or member of the Group Management Committee.

35. Share-based payment

Equity-settled option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

A reconciliation of the movement in the number of share awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2012	22.82	25 802 112
Granted	57.45	1 796 500
Exercised	21.90	(7 105 820)
Lapsed	27.79	(227 031)
Balance at 31 March 2013	**26.16**	**20 265 761**
Granted	**90.11**	**1 203 606**
Exercised	**16.30**	**(8 824 608)**
Lapsed	**45.46**	**(415 334)**
Balance at 31 March 2014	**38.91**	**12 229 425**

Of the total options outstanding at 31 March 2014, options in respect of 5 421 404 shares had vested and were exercisable (2013: 9 431 882 shares).

The weighted average share price at the date of exercise for options exercised during the year was CHF 90.30 (2013: CHF 63.15).

The following information applies to options outstanding at the end of each year:

	Exercise price	Weighted average exercise price	Number of options	Weighted average remaining contractual life
31 March 2014	CHF 18.01	CHF 18.01	447 808	0.2 years
	CHF 23.18	CHF 23.18	1 215 902	1.2 years
	CHF 32.79	CHF 32.79	1 692 685	2.2 years
	CHF 21.20	CHF 21.20	2 514 786	3.2 years
	CHF 23.55	CHF 23.55	2 058 838	4.2 years
	CHF 54.95	CHF 54.95	1 453 500	6.2 years
	CHF 57.45	CHF 57.45	1 653 500	7.2 years
	CHF 90.11	CHF 90.11	1 192 406	8.2 years
31 March 2013	CHF 8.73	CHF 8.73	650 000	2.2 years
	CHF 12.7 – 14.45	CHF 12.97	5 238 573	2.1 years
	CHF 18.01	CHF 18.01	1 280 170	1.2 years
	CHF 23.18	CHF 23.18	1 538 449	2.2 years
	CHF 32.79	CHF 32.79	2 467 915	3.2 years
	CHF 21.20	CHF 21.20	3 158 081	4.2 years
	CHF 23.55	CHF 23.55	2 566 573	5.2 years
	CHF 54.95	CHF 54.95	1 579 000	7.2 years
	CHF 57.45	CHF 57.45	1 787 000	8.2 years

The average fair value of options granted during the year determined using the Binomial model was CHF 28.42. The significant inputs to the model were the share price of CHF 90.11 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 39 %, an expected option life of four to seven years, a dividend yield of 1.1 % and a risk-free interest rate of 0.0 % to 0.3 %. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past six years.

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 20 million (2013: € 22 million).

35. Share-based payment continued

Cash-settled option plan

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

During the year under review, 188 shares were converted into deferred shares. The number of shares outstanding to employees at 31 March 2014 was 3 525 (2013: 3 713). The weighted average threshold value is £ 462.94 (2013: £ 457.75).

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

The amount recognised in profit or loss before social security and taxes for cash-settled share-based payment transactions was € 6 million (2013: € 4 million).

A liability of € 82 million (2013: € 73 million) is recognised as a long-term provision.

36. Ultimate parent company

The directors regard Compagnie Financière Rupert, Bellevue, Geneva, Switzerland to be the Group's controlling party, as 50 % of the voting rights of the Company are held by that entity.

37. Events after the reporting period

A dividend of CHF 1.40 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 17 September 2014. These financial statements do not reflect this dividend payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2015.

38. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
China	Shanghai	Richemont Commercial Company Limited	100.0 %	CNY 2 048 910
France	Paris	Société Cartier	100.0 %	€ 25 334
Germany	Hamburg	Montblanc Simplo GmbH	100.0 %	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0 %	€ 13 070
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0 %	HK$ 4 500
Italy	Milan	Richemont Italia SpA	100.0 %	€ 10 000
Japan	Tokyo	Richemont Japan Limited	100.0 %	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0 %	CHF 4 722 900
Luxembourg	Luxembourg	Richemont International Holding SA	100.0 %	CHF 911 971
Netherlands	Amsterdam	RLG Europe BV	100.0 %	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0 %	RUR 50 000
Switzerland	Villars-sur-Glâne	Richemont International SA	100.0 %	CHF 1 007 500
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0 %	AED 9 000
United Kingdom	London	Richemont Holdings (UK) Limited	100.0 %	£ 353 672
	London	The Net-a-Porter Group Limited	93.0 %	£ 6
United States of America	Delaware	Richemont North America Inc.	100.0 %	US$ 117 649

38. Principal Group companies continued

Non-controlling interests in subsidiaries

The Group has no material non-controlling interests. The information that follows is the aggregate total for all subsidiaries with a non-controlling interest. The information is presented before elimination of intra-Group transactions and balances.

Statement of financial position

	2014 € m	2013 € m
Non-current assets	**452**	488
Current assets	**285**	247
Non-current liabilities	**(131)**	(149)
Current liabilities	**(178)**	(148)
Inter-Group balances	**(219)**	(208)
Net assets	**209**	230
Carrying amount of non-controlling interests	**6**	1

Statement of comprehensive income

	2014 € m	2013 € m
Revenue	**852**	755
Profit/(loss)	**(30)**	(48)
Profit/(loss) allocated to non-controlling interests	**(5)**	(8)

Statement of cash flows

	2014 € m	2013 € m
Cash flows from operating activities	**10**	42
Cash flows from investment activities	**(18)**	(39)
Cash flows from financing activities	**–**	(1)

Report of the Group auditor

To the General Meeting of Shareholders of Compagnie Financière Richemont SA, Bellevue, Geneva, Switzerland.

As statutory auditor, we have audited the consolidated financial statements of Compagnie Financière Richemont SA, which comprise the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 62 to 114) for the year ended 31 March 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 March 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Sara Gnoni
Audit expert

Geneva, 14 May 2014

Company financial statements
Compagnie Financière Richemont SA

Income statement
for the year ended 31 March

	Notes	2014 CHF m	2013 CHF m
Income			
Dividend income		**2 350.1**	855.5
Interest income		**15.1**	14.1
Other income	*2*	**0.3**	8.2
		2 365.5	877.8
Expenses			
General expenses	*3, 4*	**41.6**	9.6
Financial expenses	*2*	**12.0**	0.2
		53.6	9.8
Profit before taxation		**2 311.9**	868.0
Taxation		**1.0**	2.4
Net profit		**2 310.9**	865.6

Balance sheet
at 31 March

	Notes	2014 CHF m	2013 CHF m
Long-term assets			
Investments	*5*	**2 513.2**	1 848.2
Long-term loans receivable from a Group company		**154.7**	166.1
		2 667.9	2 014.3
Current assets			
Current accounts receivable from Group companies		**2 230.5**	1 337.3
Taxation		**2.0**	0.9
Other receivables		**0.2**	0.1
Cash and cash equivalents		**706.6**	500.0
		2 939.3	1 838.3
		5 607.2	3 852.6
Shareholders' equity			
Share capital	*7*	**574.2**	574.2
Legal reserve	*8*	**117.6**	117.6
Reserve for own shares	*9*	**505.4**	789.0
Retained earnings	*10*	**4 404.2**	2 366.5
		5 601.4	3 847.3
Current liabilities			
Accrued expenses		**0.4**	0.7
Current accounts payable to Group companies		**2.3**	1.8
		2.7	2.5
Long-term liabilities	*6*	**3.1**	2.8
		5.8	5.3
		5 607.2	3 852.6

Notes to the Company financial statements
at 31 March 2014

Note 1 – General

Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA ('the Company') at 31 March 2014 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company's articles of incorporation.

Risk management disclosure

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are quantified according to their probability of occurrence and potential impact and subsequently prioritised by Group Management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

Note 2 – Other income/Financial expenses

Financial expenses includes CHF 11.5 million of exchange losses incurred on loans receivable from a Group company. In 2013, other income included 7.8 million of exchange gains incurred on loans receivable from a Group company.

Note 3 – General expenses

General expenses include personnel costs of CHF 36.1 million (2013: CHF 4.2 million).

Note 4 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, art. 663 and following, can be found in note 34 to the consolidated financial statements.

Note 5 – Investments

These comprise investments in subsidiary companies, which are stated at cost.

Company	Domicile	Purpose	% ownership	2014 CHF m	2013 CHF m
Bespoke Innovations Sàrl	Switzerland	Investment holding company	100 %	–	2.0
Richemont Holdings AG	Switzerland	Investment holding company	100 %	770.7	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100 %	1 124.0	459.0
Richemont International SA	Switzerland	Operating company	100 %	387.4	385.4
Richemont Luxury Group Ltd	Jersey	Investment holding company	100 %	231.0	231.0
Richemont Securities SA	Switzerland	Depository/issuer of Richemont South African Depository Receipts	100 %	0.1	0.1
				2 513.2	1 848.2

Note 6 – Long-term liabilities

Long-term liabilities include retirement benefit obligations in the amount of CHF 3.1 million (2013: CHF 2.8 million).

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 7 – Share capital

	2014 CHF m	2013 CHF m
522 000 000 ‘A’ registered shares (2013: 522 000 000 ‘A’ bearer shares) with a par value of CHF 1.00 each, fully paid	**522.0**	522.0
522 000 000 ‘B’ registered shares with a par value of CHF 0.10 each, fully paid	**52.2**	52.2
	574.2	574.2

At the general meeting of shareholders on 12 September 2013, the shareholders approved revisions to the Company’s articles of incorporation to see the creation of a share register. The 522 million ‘A’ bearer shares thereby became ‘A’ registered shares with a par value of CHF 1.00 each.

Note 8 – Legal reserve

The legal reserve of CHF 117.6 million (2013: CHF 117.6 million) is not available for distribution.

Note 9 – Reserve for own shares

The reserve is created in respect of Richemont ‘A’ shares purchased by Richemont Employee Benefits Limited. (‘REBL’), a subsidiary company.

During the year REBL purchased 1 100 000 ‘A’ shares in the open market (2013: 1 600 000 ‘A’ shares were purchased in the open market and a further 4 280 620 ‘A’ shares were acquired through the exercise of call options).

During the year 6 679 216 ‘A’ shares (2013: 2 253 113 ‘A’ shares) were sold to executives under the Richemont stock option plan by REBL and a further 4 235 292 ‘A’ shares (2013: 6 834 971) were sold to a third party following the exercise of over-the-counter call options linked to the hedging programme.

At 31 March 2014, following these transactions, REBL held 11 267 201 Richemont ‘A’ shares (2013: 21 081 709) at a cost of CHF 505.4 million (2013: CHF 789.0 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 283.6 million has been transferred from the reserve (2013: CHF 49.2 million to the reserve) during the year.

Note 10 – Retained earnings

	2014 CHF m	2013 CHF m
Balance at 1 April	**2 366.5**	1 853.1
Dividend paid	**(556.8)**	(303.0)
Net transfer to reserve for own shares	**283.6**	(49.2)
Net profit	**2 310.9**	865.6
Balance at 31 March	**4 404.2**	2 366.5

Note 11 – Commitments and contingencies

At 31 March 2014 the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 1 047.9 million (2013: CHF 1 063.7 million).

The directors believe that there are no other contingent liabilities.

Notes to the Company financial statements continued

Note 12 – Significant shareholders

Compagnie Financière Rupert

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1 % of the equity of the Company and controlling 50 % of the Company's voting rights. Mr Johann Rupert, Chairman of Richemont until 12 September 2013, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Jürgen Schrempp and Mr Ruggero Magnoni, non-executive directors of the Company, are partners of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2014.

Other significant shareholders

Richemont Securities SA, a subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DRs'), which are traded on the JSE Limited (the Johannesburg Stock Exchange). DRs trade in the ratio of ten DRs to each Richemont 'A' share. In its capacity as depository and on behalf of the holders of DRs, Richemont Securities SA holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA's interest in Richemont 'A' shares is therefore non-beneficial in nature.

All dividends attributable to the 'A' shares held in safe custody are remitted by Richemont Securities SA individually to holders of DRs and Richemont Securities SA acts as the approved representative of DR holders in voting at shareholders' meetings of the Company. DR holders may provide Richemont Securities SA with voting instructions as to their holdings of DRs and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2014, Richemont Securities SA held 104 510 832 Richemont 'A' shares (2013: 116 637 477 shares), representing some 20 % (2013: 22 %) of the 'A' shares, in safe custody in respect of DRs in issue.

Proposal of the Board of Directors for the appropriation of retained earnings
at 31 March 2014

	CHF m
Available retained earnings	
Balance at 1 April 2013	**2 366.5**
Dividend paid	**(556.8)**
Net transfer from reserve for own shares	**283.6**
Net profit	**2 310.9**
Balance at 31 March 2014	**4 404.2**

Proposed appropriation

The proposed ordinary dividend payable to Richemont shareholders will be CHF 1.40 per Richemont share. This is equivalent to CHF 1.40 per 'A' registered share in the Company and CHF 0.14 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 24 September 2014 in respect of coupon number 17, free of charges but subject to Swiss withholding tax at 35 %, at the banks designated as paying agents.

The available retained earnings remaining after deduction of the dividend amount will be carried forward to the following business year.

The Board of Directors

Geneva, 14 May 2014

Compagnie Financière Richemont SA

Report of the statutory auditor

Report of the statutory auditor to the general meeting of Compagnie Financière Richemont SA, Geneva, Switzerland.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet, income statement and notes (pages 116 to 119), for the year ended 31 March 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2014 comply with Swiss law and the Company's Articles of Incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley
Audit Expert
Auditor in charge

Leilani Hunt

Geneva, 14 May 2014

Five year record

Summary income statement

	2010 € m	2011 € m	2012 € m	2013 € m	2014 € m
Continuing operations					
Sales	5 176	6 892	8 868	10 150	**10 649**
Cost of sales	(1 985)	(2 498)	(3 217)	(3 631)	**(3 898)**
Gross profit	3 191	4 394	5 651	6 519	**6 751**
Net operating expenses	(2 361)	(3 039)	(3 603)	(4 093)	**(4 332)**
Operating profit	830	1 355	2 048	2 426	**2 419**
Net finance (costs)/income	(137)	(181)	(235)	(47)	**64**
Share of post-tax results of equity-accounted investments	4	101	(9)	(4)	**(5)**
Profit before taxation	697	1 275	1 804	2 375	**2 478**
Taxation	(94)	(196)	(264)	(370)	**(411)**
Profit from continuing operations	603	1 079	1 540	2 005	**2 067**
Profit/(loss) from discontinued operations	(3)	–	–	–	**–**
Profit for the year	600	1 079	1 540	2 005	**2 067**
Gross profit margin	61.6 %	63.7 %	63.7 %	64.2 %	**63.4 %**
Operating profit margin	16.0 %	19.7 %	23.1 %	23.9 %	**22.7 %**

Sales by business area

	2010	2011	2012	2013	2014
Jewellery Maisons	2 688	3 479	4 590	5 206	**5 438**
Specialist Watchmakers	1 353	1 774	2 323	2 752	**2 986**
Montblanc Maison	551	672	723	766	**730**
Other	584	967	1 232	1 426	**1 495**
	5 176	6 892	8 868	10 150	**10 649**

Sales by geographic region

	2010	2011	2012	2013	2014
Europe	2 099	2 588	3 098	3 611	**3 919**
Asia Pacific	1 740	2 569	3 684	4 162	**4 235**
Americas	712	998	1 253	1 473	**1 603**
Japan	625	737	833	904	**892**
	5 176	6 892	8 868	10 150	**10 649**

Sales by distribution channel

	2010	2011	2012	2013	2014
Retail	2 385	3 469	4 656	5 440	**5 849**
Wholesale	2 791	3 423	4 212	4 710	**4 800**
	5 176	6 892	8 868	10 150	**10 649**

Sales by product line

	2010	2011	2012	2013	2014
Watches	2 483	3 320	4 404	4 968	**5 125**
Jewellery	1 333	1 685	2 248	2 726	**3 025**
Leather goods	483	602	721	742	**644**
Writing instruments	296	359	357	370	**347**
Clothing and other	581	926	1 138	1 344	**1 508**
	5 176	6 892	8 868	10 150	**10 649**

Five year record continued

Operating results from continuing operations

	2010 € m	2011 € m	2012 € m	2013 € m	2014 € m
Jewellery Maisons	742	1 062	1 510	1 818	**1 890**
Specialist Watchmakers	231	379	539	733	**778**
Montblanc Maison	79	109	119	120	**43**
Other	(36)	(34)	(27)	(38)	**(80)**
Operating contribution	1 016	1 516	2 141	2 633	**2 631**
Unallocated corporate costs	(186)	(161)	(93)	(207)	**(212)**
Operating profit	830	1 355	2 048	2 426	**2 419**

Free cash flow

	2010	2011	2012	2013	2014
Operating profit*	827	1 355	2 048	2 426	**2 419**
Depreciation, amortisation and other non-cash items	314	405	321	456	**490**
(Increase)/decrease in working capital	323	(64)	(571)	(938)	**(34)**
Other operating activities*	(5)	(1)	10	(15)	**(16)**
Taxation paid	(82)	(202)	(317)	(361)	**(365)**
Net acquisition of non-current assets	(114)	(313)	(535)	(648)	**(676)**
Dividends from associated undertakings*	1	–	–	–	**–**
Free cash flow	1 264	1 180	956	920	**1 818**

Per share information (IFRS)

	2010	2011	2012	2013	2014
Diluted earnings per share					
– from continuing operations	€ 1.076	€ 1.925	€ 2.756	€ 3.595	**€ 3.676**
– from discontinued operations	(€ 0.005)	–	–	–	**–**
	€ 1.071	€ 1.925	€ 2.756	€ 3.595	**€ 3.676**

	2010	2011	2012	2013	2014
Ordinary dividend per share	CHF 0.35	CHF 0.45	CHF 0.55	CHF 1.00	**CHF 1.40**
Closing market price:					
Highest price	CHF 41.73	CHF 57.25	CHF 59.55	CHF 80.50	**CHF 95.55**
Lowest price	CHF 18.52	CHF 35.65	CHF 38.51	CHF 48.40	**CHF 68.15**

Exchange rates

	2010	2011	2012	2013	2014
Average rates					
€ : CHF	1.5020	1.3338	1.2131	1.2099	**1.2295**
€ : CNY	9.6615	8.8616	8.8131	8.0986	**8.2019**
€ : JPY	131.30	112.67	108.78	106.79	**134.37**
€ : US$	1.4144	1.3225	1.3772	1.2877	**1.3407**

Average number of employees

	2010	2011	2012	2013	2014
Switzerland	6 237	6 823	7 446	8 218	**8 586**
Rest of the world	12 900	14 564	17 149	19 448	**20 515**
	19 137	21 387	24 595	27 666	**29 101**

* Including discontinued operations.

Statutory information

Compagnie Financière Richemont SA

Registered office: 50 chemin de la Chênaie
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Switzerland
Tel: +41 (0) 22 721 3500
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Auditor: PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Company Secretary: Matthew Kilgarriff

Internet: www.richemont.com
investor.relations@cfrinfo.net
secretariat@cfrinfo.net

'A' shares issued by Compagnie Financière Richemont SA are listed and traded on SIX Swiss Exchange, the Company's primary listing, (Reuters 'CFR.VX'/Bloombergs 'CFR:VX'/ISIN CH0210483332) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 21048333.

South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg stock exchange operated by JSE Limited, the Company's secondary listing, (Reuters 'CFRJ.J'/Bloombergs 'CFR:SJ'/ISIN CH0045159024).

Registrar
Richemont's 'A' shares are registered. The share register is managed by SIX SAG AG, the registrar.

SIX SAG AG
SIX Securities Services
P.O. Box
4601 Olten
Tel: +41 (0) 58 399 6100
Mail: share.register@six-securities-services.com

Notice of meeting*

The Annual General Meeting ('AGM') of shareholders of Compagnie Financière Richemont SA will be held at 10.00 am at the Four Seasons Hotel des Bergues, 33 Quai des Bergues, 1201 Geneva, Switzerland on Wednesday, 17 September 2014.

Agenda

1. Business Report

1.1 The Board of Directors proposes that the General Meeting, having taken note of the reports of the auditor, approve the consolidated financial statements of the Group, the financial statements of the Company and the directors' report for the business year ended 31 March 2014.

1.2 The Board of Directors proposes that the 2014 compensation report as per pages 51 to 59 of the Annual Report and Accounts 2014 be ratified (non-binding consultative vote).

2. Appropriation of profits

At 31 March 2014, the retained earnings available for distribution amounted to CHF 4 404 210 485. The Board of Directors proposes that a dividend of CHF 1.40 be paid per Richemont share. This is equivalent to CHF 1.40 per 'A' registered share in the Company and CHF 0.14 per 'B' registered share in the Company. This represents a total dividend payable of CHF 803 880 000, subject to a waiver by Richemont Employee Benefits Limited, a wholly owned subsidiary, of its entitlement to receive dividends on an estimated 11 million Richemont 'A' shares held in treasury. The Board of Directors proposes that the remaining available retained earnings of the Company at 31 March 2014 after payment of the dividend be carried forward to the following business year.

3. Discharge of the Board of Directors

The Board of Directors proposes that its members be discharged from their obligations in respect of the business year ended 31 March 2014.

4. Election of the Board of Directors

The Board of Directors proposes that the following members be re-elected on an individual basis to serve for a further term of one year: 4.1 Yves-André Istel, 4.2 Lord Douro, 4.3 Jean-Blaise Eckert, 4.4 Bernard Fornas, 4.5 Richard Lepeu, 4.6 Ruggero Magnoni, 4.7 Josua Malherbe, 4.8 Frederick Mostert, 4.9 Simon Murray, 4.10 Alain Dominique Perrin, 4.11 Guillaume Pictet, 4.12 Norbert Platt, 4.13 Alan Quasha, 4.14 Maria Ramos, 4.15 Lord Renwick of Clifton, 4.16 Jan Rupert, 4.17 Gary Saage and 4.18 Jürgen Schrempp. 4.19 The Board further proposes that Johann Rupert be elected to the Board and to serve as its Chairman for a term of one year.

5. Election of the Compensation Committee

The Board of Directors proposes the election, on an individual basis, of: Lord Renwick of Clifton (Committee Chairman), Lord Douro and Yves-André Istel to the Compensation Committee for a term of one year.

6. Re-election of the Auditor

The Board of Directors proposes that PricewaterhouseCoopers be reappointed for a further term of one year as auditor of the Company.

7. Election of the Independent Representative

The Board of Directors proposes the election of Maître Françoise Demierre Morand, Etude Gampert & Demierre, Notaires, as independent representative of the shareholders for a term of one year.

The financial statements of the Group and of the Company, the directors' report and the related reports of the auditor for the year ended 31 March 2014, which are all contained in the Richemont Annual Report and Accounts 2014, will be available for inspection at the registered office of the Company from 22 July 2014 onwards. Printed versions of all such documents will be sent to shareholders upon request. The Richemont Annual Report and Accounts 2014 is also available on the Company's website at www.richemont.com/investor-relations/reports

Shareholders entered in the share register, with the right to vote, by Monday, 8 September 2014 at 5.00 pm, are entitled to participate in the Annual General Meeting. Shareholders registered by that date will receive their admission cards (by priority mail) on request using the reply form enclosed with the invitation. The reply form or a corresponding notification must reach either the Company's registrar, SIX SAG AG, Baslerstrasse 90, P.O. Box, 4609 Olten, or the independent representative of the shareholders, not later than Friday, 12 September 2014. Reply forms or notifications arriving after that date will not be taken into consideration.

Shareholders may either represent their shares themselves or have them represented by a third party, whether or not a shareholder, if the latter is given a written proxy. In accordance with Swiss law, each shareholder may be represented at the meeting by the independent representative of the shareholders, Maître Françoise Demierre Morand, Etude Gampert & Demierre, Notaires, 19 rue Général-Dufour, case postale 5326, 1211 Geneva 11, Switzerland, or by a third-party proxy. Unless proxies include explicit instructions to the contrary, voting rights will be exercised in support of the proposals of the Board of Directors.

The meeting will be held in English with a simultaneous translation into French.

For the Board of Directors:

Yves-André Istel	**Bernard Fornas & Richard Lepeu**
Chairman	**Co-Chief Executive Officers**

* The official notice convening the AGM will be published in the Swiss Gazette in accordance with Swiss law and may differ from this notice in respect to the definitive proposals.

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