

**R I C H E M O N T**

Condensed Consolidated Interim Financial Statements  
30 September 2011

Unaudited

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## Condensed consolidated statement of financial position

	30 September 2011	31 March 2011
	€ m	€ m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 341	1 267
Goodwill	459	441
Other intangible assets	319	314
Investments in associated undertakings	9	7
Deferred income tax assets	309	349
Financial assets held at fair value through profit or loss	71	70
Other non-current assets	233	211
	<u>2 741</u>	<u>2 659</u>
<b>Current assets</b>		
Inventories	3 280	2 789
Trade and other receivables	934	597
Derivative financial instruments	36	148
Prepayments	120	119
Financial assets held at fair value through profit or loss	2 163	2 154
Cash at bank and on hand	1 432	1 227
	<u>7 965</u>	<u>7 034</u>
<b>Total assets</b>	<u>10 706</u>	<u>9 693</u>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the parent company</b>		
Share capital	334	334
Treasury shares	( 530)	( 325)
Hedge and share option reserves	233	305
Cumulative translation adjustment reserve	1 319	892
Retained earnings	6 287	5 774
	<u>7 643</u>	<u>6 980</u>
<b>Non-controlling interest</b>	13	12
<b>Total equity</b>	<u>7 656</u>	<u>6 992</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	23	120
Deferred income tax liabilities	30	35
Retirement benefit obligations	36	38
Provisions	150	137
Other long-term financial liabilities	120	158
	<u>359</u>	<u>488</u>
<b>Current liabilities</b>		
Trade and other payables	811	825
Current income tax liabilities	275	260
Borrowings	63	1
Derivative financial instruments	146	36
Provisions	139	126
Accruals and deferred income	344	294
Short-term loans	53	101
Bank overdrafts	860	570
	<u>2 691</u>	<u>2 213</u>
<b>Total liabilities</b>	<u>3 050</u>	<u>2 701</u>
<b>Total equity and liabilities</b>	<u>10 706</u>	<u>9 693</u>

The notes on pages 7 to 14 are an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated statement of comprehensive income

		Six months to 30 September 2011	Six months to 30 September 2010
	Notes	€ m	€ m
<b>Sales</b>	5	<b>4 214</b>	3 259
Cost of sales		(1 549)	(1 146)
<b>Gross profit</b>		<b>2 665</b>	2 113
Selling and distribution expenses		( 891)	( 761)
Communication expenses		( 340)	( 264)
Administrative expenses		( 342)	( 314)
Other operating (expense) / income	6	( 17)	( 14)
<b>Operating profit</b>		<b>1 075</b>	760
Finance costs	7	( 287)	( 160)
Finance income	7	61	40
Share of post-tax (loss)/profit of associated undertakings		( 1)	102
<b>Profit before taxation</b>		<b>848</b>	742
Taxation	9	( 139)	( 98)
<b>Profit for the period</b>		<b>709</b>	644
<b>Other comprehensive income:</b>			
Currency translation adjustments			
- movement in the period		427	327
- reclassification to profit or loss		1	-
Cashflow hedges			
- net gains		20	41
- reclassification to profit or loss		( 70)	( 13)
Other comprehensive income, net of tax		378	355
<b>Total comprehensive income</b>		<b>1 087</b>	999
<b>Profit attributable to:</b>			
Owners of the parent company		709	646
Non-controlling interest		-	( 2)
		<b>709</b>	<b>644</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		1 086	1 000
Non-controlling interest		1	( 1)
		<b>1 087</b>	<b>999</b>
<b>Earnings per share attributable to owners of the parent company during the period (expressed in € per share)</b>			
Basic	8	<b>1.295</b>	1.171
Diluted	8	<b>1.266</b>	1.144

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## Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent company					Non-controlling	Total		
						interest	equity		
	Note	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 2010		334	( 248)	194	423	4 956	5 659	2	5 661
<b>Comprehensive income</b>									
Profit for the period		-	-	-	-	646	646	( 2)	644
Other comprehensive income		-	-	28	326	-	354	1	355
		-	-	28	326	646	1 000	( 1)	999
<b>Transactions with owners of the parent company recognised directly in equity</b>									
Net changes in treasury shares		-	( 88)	-	-	-	( 88)	-	( 88)
Employee share option plan		-	-	18	-	-	18	-	18
Tax on share option plan		-	-	9	-	-	9	-	9
Dividends paid	12	-	-	-	-	( 141)	( 141)	-	( 141)
Initial recognition of put options over non-controlling interests		-	-	-	-	( 129)	( 129)	-	( 129)
		-	( 88)	27	-	( 270)	( 331)	-	( 331)
Non-controlling interest in business combinations		-	-	-	-	-	-	20	20
Balance at 30 September 2010		334	( 336)	249	749	5 332	6 328	21	6 349
<b>Balance at 1 April 2011</b>		<b>334</b>	<b>( 325)</b>	<b>305</b>	<b>892</b>	<b>5 774</b>	<b>6 980</b>	<b>12</b>	<b>6 992</b>
<b>Comprehensive income</b>									
Profit for the period		-	-	-	-	709	709	-	709
Other comprehensive income		-	-	( 50)	427	-	377	1	378
		-	-	( 50)	427	709	1 086	1	1 087
<b>Transactions with owners of the parent company recognised directly in equity</b>									
Net changes in treasury shares		-	( 205)	-	-	9	( 196)	-	( 196)
Employee share option plan		-	-	14	-	-	14	-	14
Tax on share option plan		-	-	( 36)	-	-	( 36)	-	( 36)
Dividends paid	12	-	-	-	-	( 205)	( 205)	-	( 205)
		-	( 205)	( 22)	-	( 196)	( 423)	-	( 423)
<b>Balance at 30 September 2011</b>		<b>334</b>	<b>( 530)</b>	<b>233</b>	<b>1 319</b>	<b>6 287</b>	<b>7 643</b>	<b>13</b>	<b>7 656</b>

The notes on pages 7 to 14 are an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated statement of cash flows

		Six months to 30 September 2011	Six months to 30 September 2010
	<i>Notes</i>	€ m	€ m
<b>Cash flows from operating activities</b>			
Cash flow generated from operations	10	606	598
Interest received		17	7
Interest paid		( 13)	( 12)
Other investment income		3	4
Taxation paid		( 129)	( 112)
Net cash generated from operating activities		<u>484</u>	<u>485</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired		( 3)	( 227)
Proceeds from disposal of subsidiary undertakings and other businesses, net of cash disposed		-	( 3)
Acquisition of associated undertakings		( 1)	-
Acquisition of property, plant and equipment		( 140)	( 75)
Proceeds from disposal of property, plant and equipment		17	1
Acquisition of intangible assets		( 29)	( 21)
Investment in short-term bond funds		( 151)	( 939)
Proceeds from disposal of short-term bond funds		143	937
Acquisition of other non-current assets		( 16)	( 8)
Proceeds from disposal of other non-current assets		9	17
Net cash used in investing activities		<u>( 171)</u>	<u>( 318)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		10	66
Repayment of borrowings		( 101)	( 207)
Dividends paid	12	( 133)	( 92)
Payment for treasury shares		( 279)	( 108)
Proceeds from sale of treasury shares		74	17
Capital element of finance lease payments		( 1)	( 2)
Net cash used in financing activities		<u>( 430)</u>	<u>( 326)</u>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		657	940
Exchange gains on cash and cash equivalents		32	33
<b>Cash and cash equivalents at end of period</b>		<u>572</u>	<u>814</u>

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# Notes to the condensed consolidated interim financial statements at 30 September 2011

## 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 luxury goods 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 and Net-a-Porter.

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 un-audited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 10 November 2011.

## 2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2011 have been prepared in accordance with International Accounting Standard ('IAS') 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2011 which were prepared in accordance with International Financial Reporting Standards.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2011.

## 3. Accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2011.

## 4. Financial risk management

### 4.1. Accounting for derivative financial instruments and hedging activities

A significant portion of projected sales in each major currency qualifies as 'highly probable' forecast transactions for hedge accounting purposes. Certain derivative financial instruments with a trade date prior to 1 April 2011 were designated as hedge instruments of highly probable forecast transactions.

The application of hedge accounting results in the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges being deferred in equity and recycled to profit or loss in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). The recycle is recognised in cost of sales.

Management has decided to cease the application of hedge accounting from 1 April 2011. The accounting requirement to recycle from equity when the hedged item impacts profit or loss results, on average, in a five-month time delay between the derivative instrument closing and the recycle which results in an accounting timing mismatch.

Designated hedging instruments outstanding at 31 March 2011 continue to satisfy the criteria for hedge accounting, as the highly probable forecast transactions are expected to occur.

All derivative instruments entered into from 1 April 2011 will be accounted for at fair value with changes in value being recognised immediately as finance income / costs.

In the period to date, € 113 million of mark-to-market losses in respect of hedging activities have been recognised in net finance cost / income. Had hedge accounting continued, € 46 million of this amount would have been deferred in equity.

Other aspects of the Group's financial risk management programme are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2011.

#### **4.2. Market risk: other price risk**

The Group is exposed to price risk related to the put options written over the shares of subsidiary entities held by non-controlling interest.

After consideration of all relevant factors available at the interim period, 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 a decrease in the put option liabilities of € 42 million with a corresponding credit to finance income.

### **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 four 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;
- Montblanc Maison – a business whose primary activity includes the design, manufacture and distribution of writing instruments; and
- Other - other operations mainly comprise Alfred Dunhill, Lancel, Chloé, Net-a-Porter, textile brands and other manufacturing entities.

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 is measured 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.

The segment results are as follows:

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
<b>External sales</b>		
Jewellery Maisons	2 165	1 619
Specialist Watchmakers	1 171	901
Montblanc Maison	334	303
Other	544	436
	<u>4 214</u>	<u>3 259</u>

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
<b>Operating result</b>		
Jewellery Maisons	734	541
Specialist Watchmakers	312	259
Montblanc Maison	54	48
Other	( 17)	( 19)
Operating profit from reportable segments	<u>1 083</u>	<u>829</u>
Unallocated corporate costs	( 8)	( 69)
Operating profit	<u>1 075</u>	<u>760</u>
Finance costs	( 287)	( 160)
Finance income	61	40
Share of post-tax (loss)/profit of associated undertakings	( 1)	102
<b>Profit before taxation</b>	<u>848</u>	<u>742</u>
Taxation	( 139)	( 98)
<b>Profit for the period</b>	<u>709</u>	<u>644</u>

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

	At 30 September	At 31 March
	2011	2011
	€ m	€ m
<b>Segment assets</b>		
Jewellery Maisons	<u>2 010</u>	<u>1 590</u>
Specialist Watchmakers	1 190	956
Montblanc Maison	361	307
Other	<u>421</u>	<u>328</u>
	<u><b>3 982</b></u>	<u><b>3 181</b></u>
Total assets for reportable segments	<b>3 982</b>	3 181
Property, plant and equipment	1 341	1 267
Goodwill	459	441
Other intangible assets	319	314
Investments in associated undertakings	9	7
Deferred income tax assets	309	349
Financial assets at fair value through profit or loss	2 234	2 224
Other non-current assets	233	211
Other receivables	232	205
Derivative financial instruments	36	148
Prepayments	120	119
Cash at bank and on hand	<u>1 432</u>	<u>1 227</u>
<b>Total assets</b>	<u><b>10 706</b></u>	<u><b>9 693</b></u>

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

	Six months to	Six months to
	30 September 2011	30 September 2010
	€ m	€ m
<b>Additions to non-current assets:</b>		
<b>property, plant, equipment</b>		
<b>and other intangible assets</b>		
Jewellery Maisons	<u>44</u>	<u>34</u>
Specialist Watchmakers	34	19
Montblanc Maison	9	5
Other	35	24
Unallocated	<u>50</u>	<u>10</u>
	<u><b>172</b></u>	<u><b>92</b></u>

(b) *Information about geographical areas*

Each reporting segment operates on a world-wide basis. External sales presented in the three main geographical areas where the Group's reportable segments operate are as follows:

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
<b>Europe</b>	<b>1 514</b>	<b>1 260</b>
France	330	280
Switzerland	170	143
Germany, Italy and Spain	341	292
Other Europe	673	545
<b>Asia</b>	<b>2 098</b>	<b>1 510</b>
China/Hong Kong	1 132	735
Japan	380	353
Other Asia	586	422
<b>Americas</b>	<b>602</b>	<b>489</b>
USA	468	366
Other Americas	134	123
	<b>4 214</b>	<b>3 259</b>

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:

	At 30 September 2011	At 31 March 2011
	€ m	€ m
Switzerland	1 127	1 056
Rest of the world	1 142	1 104
	<b>2 269</b>	<b>2 160</b>

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

(c) *Information about products*

External sales by product are as follows:

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
Watches	2 193	1 649
Jewellery	1 017	745
Leather goods	331	271
Writing instruments	163	166
Clothing and other	510	428
	<b>4 214</b>	<b>3 259</b>

(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.

## 6. Other operating (expense) / income

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
Royalty income - net	11	8
Amortisation of other intangible assets acquired on business combinations	( 20)	( 18)
Other expenses	( 8)	( 4)
	<u>( 17)</u>	<u>( 14)</u>

## 7. Net finance (costs) / income

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
<b>Finance costs:</b>		
Interest expense		
- bank borrowings	( 12)	( 12)
- other financial expenses	( 2)	-
Net loss in fair value of financial instruments at fair value through profit or loss	-	( 2)
Net foreign exchange losses on monetary items	( 160)	( 146)
Mark-to-market adjustment in respect of hedging activities	( 113)	-
Finance costs	<u>( 287)</u>	<u>( 160)</u>
<b>Finance income:</b>		
Interest income on bank, other deposits and short-term bond funds	17	7
Dividend income on financial assets at fair value through profit or loss	3	4
Net gain in fair value of financial instruments at fair value through profit or loss	41	-
Net gain on disposal of subsidiary undertaking	-	4
Mark-to-market adjustment in respect of hedging activities	-	25
Finance income	<u>61</u>	<u>40</u>
Net finance (costs) / income	<u>( 226)</u>	<u>( 120)</u>

Foreign exchange gains resulting from effective hedge derivative instruments of € 70 million (2010: gains of € 13 million) were reflected in cost of sales during the period. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

## 8. Earnings per share

### 8.1. 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 period, excluding shares purchased by the Group and held in treasury.

	Six months to 30 September 2011	Six months to 30 September 2010
Profit attributable to owners of the parent company (€ millions)	<u>709</u>	<u>646</u>
Weighted average number of shares in issue (millions)	<u>547.4</u>	<u>551.6</u>

## 8.2. 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 market share price of the Company's shares for the period) 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.

	<b>Six months to 30 September 2011</b>	Six months to 30 September 2010
Profit attributable to owners of the parent company (€ millions)	<b>709</b>	646
Weighted average number of shares in issue (millions)	<b>547.4</b>	551.6
Adjustment for share options (millions)	<b>12.8</b>	13.0
Weighted average number of shares for diluted earnings per share (millions)	<b>560.2</b>	564.6

## 8.3. 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.

	<b>Six months to 30 September 2011</b>	Six months to 30 September 2010
	€ m	€ m
Profit attributable to owners of the parent company	<b>709</b>	646
Impairment loss on non-current assets	<b>3</b>	-
Currency exchange losses reclassified from currency translation adjustment reserve	<b>1</b>	-
Gain on re-measurement to fair value of associated undertaking deemed disposed of	-	( 102)
Gain on disposal of subsidiary undertaking	-	( 4)
Headline earnings	<b>713</b>	540

  

	<b>Six months to 30 September 2011</b>	Six months to 30 September 2010
	millions	millions
Weighted average number of shares		
- Basic	<b>547.4</b>	551.6
- Diluted	<b>560.2</b>	564.6

  

	<b>€ per share</b>	€ per share
Headline earnings per share		
- Basic	<b>1.303</b>	0.979
- Diluted	<b>1.273</b>	0.956

## 9. Taxation

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The average effective rate for the period ended 30 September 2011 was 16.4 % (2010: 15.4 %).

## 10. Cash flow generated from operations

	Six months to 30 September 2011	Six months to 30 September 2010
	€ m	€ m
Operating profit	1 075	760
Depreciation and impairment of property, plant and equipment	119	99
Amortisation and impairment of other intangible assets	43	40
Increase in provisions	26	41
Decrease in retirement benefit obligations	( 3)	-
Non-cash items	( 55)	6
Increase in inventories	( 340)	( 144)
Increase in trade debtors	( 288)	( 134)
Increase in other receivables and prepayments	( 27)	( 84)
Increase in current and long-term operating liabilities	56	14
Cash flow generated from operations	606	598

## 11. Related-party transactions

There has been no significant change in the nature and magnitude of the related-party transactions and relationships during the period. Full details of related-party transactions will be included in the 2012 annual consolidated financial statements.

## 12. Dividends

In September 2011 a dividend of € 205 million (2010: € 141 million) was paid net of withholding tax of € 72 million (2010: € 49 million). The dividend per share was CHF 0.45 (2010: CHF 0.35).

## 13. Financial commitments and contingent liabilities

At 30 September 2011, 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.

## 14. Treasury shares

The Group holds treasury shares to hedge its obligation arising from the Group share option plan.

During the current period the Group acquired 8 031 691 treasury shares directly in the open market and through the exercise of over-the-counter ('OTC') call options for € 279 million. In the same period the Group delivered 5 053 980 treasury shares for proceeds of € 74 million, in settlement of options exercised in the period and traded options exercised in previous periods.

## 15. Share-based payments

### Equity-settled share 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 share 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 from 2008 onwards include a performance condition correlated to other luxury good companies upon which vesting is conditional.

During the period ended 30 September 2011 awards of 1 607 700 options were granted (2010: nil) at an exercise price of CHF 54.95.