RICHEMONT

Interim Report 2019

Contents

Financial highlights

- Sales increased by 9% at actual exchange rates to € 7 397 million and by 6% at constant exchange rates
  - Growth in all regions, distribution channels and business areas at actual exchange rates, led by the Jewellery Maisons and Online Distributors
  - Double-digit sales progression at actual exchange rates in China, Korea, Japan, the US and the United Kingdom, outperforming other locations; a difficult environment in Hong Kong SAR, China
  - At actual exchange rates, high single-digit growth in the Group's directly operated boutiques, led by the Jewellery Maisons, and double-digit growth in online sales across all Maisons and businesses
- Operating profit up € 35 million to € 1 165 million led to a 15.7% operating margin
- Profit for the period of € 869 million, broadly stable when excluding the prior year period's post-tax non-cash gain of € 1 378 million on the revaluation of the YOOX NET-A-PORTER GROUP shares held prior to buy-out
- Net cash position of € 1 770 million following the acquisition of Buccellati

Key financial data (unaudited)

	Six months ended 30 September 2019	Six months ended 30 September 2018*	Change
Sales	**€ 7 397 m**	€ 6 808 m	+9%
Gross profit	**€ 4 610 m**	€ 4 256 m	+8%
Gross margin	**62.3%**	62.5%	-20 bps
Operating profit	**€ 1 165 m**	€ 1 130 m	+3%
Operating margin	**15.7%**	16.6%	-90 bps
Profit for the period	**€ 869 m**	€ 2 253 m	-61%
Earnings per A share/10 B shares, diluted basis	**€ 1.533**	€ 3.987	-62%
Cash flow generated from operations	**€ 1 188 m**	€ 733 m	+62%
Net cash position	**€ 1 770 m**	€ 1 584 m	+€ 186 m

* Online Distributors' results for the prior year period included five months of results for YOOX NET-A-PORTER GROUP and four months of results for Watchfinder & Co.

Chairman’s commentary

During the first six months of our financial year, Richemont demonstrated continued growth and profit resilience amid heightened global uncertainty. The Group benefited from successful product launches and continued to make progress in adapting to an interconnected world where digital plays an increasing role. Geopolitical tensions around the world have affected customer sentiment. Global events are beyond our control and while we have remained responsive to market challenges, we have also continued to invest in our Maisons, reinforcing our long-term approach to developing Richemont’s businesses.

Embracing the future of luxury in a connected world has led us to form FENG MAO, the joint venture in China between the Alibaba Group and the YOOX NET-A-PORTER GROUP, which intends to set new standards for our online clientele. The soft launch of the NET-A-PORTER flagship store on Tmall Luxury Pavilion on 30 September 2019 marked FENG MAO’s debut and represented an important first step in the development of our long-term partnership with Alibaba. By combining NET-A-PORTER and MR PORTER′s unrivalled expertise in editorial content and excellence in serving the needs of discerning customers with Alibaba′s world-class technology and knowledge of Chinese consumers, we aim to transform the reach and accelerate the growth of YOOX NET-A-PORTER GROUP in China.

We have continued to strengthen our portfolio with the acquisition of Buccellati, the Italian jewellery Maison renowned for the distinctive look-and-feel of its creations. Complementary to our existing jewellery Maisons in terms of style, origins and craftsmanship, Buccellati will help Richemont benefit from the long-term potential of the jewellery market. More recently, on 25 October 2019, we signed an agreement with the acclaimed fashion designer Alber Elbaz to form an innovative start-up called AZfashion. Alber’s creative ideas resonate well with Richemont; his talent, insight and inventiveness will bring a valuable dynamic to our Group. We are pleased to welcome him and Buccellati to the Richemont family.

In a volatile environment, our Maisons and businesses have shown resilience: sales increased by 9%, led by the Jewellery Maisons and Online Distributors. On a comparable basis, sales for the Group grew by 6%, benefiting notably from a strong US dollar. All regions, distribution channels and business areas posted higher sales, notwithstanding a double-digit sales decline in Hong Kong SAR, China, where stores were closed during protests.

Operating profit rose by 3% and profit for the period of € 869 million was broadly stable, when excluding the prior year period’s post-tax non-cash accounting gain of € 1 378 million on the revaluation of the YOOX NET-A-PORTER GROUP shares held prior to the tender offer. Net cash at 30 September 2019 amounted to € 1 770 million after the Buccellati acquisition and payment of the annual dividend.

The Jewellery Maisons delivered a high level of profitability driven by continued demand for their iconic collections, notably ‘Panthère de Cartier’ and ‘Perlée’ at Van Cleef & Arpels. Targeted investments continued to strengthen their leadership positions. Primarily due to a difficult environment in Hong Kong SAR, China, the Specialist Watchmakers registered muted sales growth, notwithstanding overall growth in their directly operated stores. Panerai, Lange & Söhne and Vacheron Constantin performed particularly well. The Group’s Online Distributors posted double-digit sales growth; however, operating losses increased as we invested to strengthen their market position and technology leadership. Watchfinder & Co. made good progress with its internationalisation and is now present in France, Hong Kong SAR, China and Germany, beyond the United Kingdom. Our Fashion & Accessories Maisons, grouped under ‘Other,’ posted limited sales growth and profits, driven by the strong performance of Peter Millar.

We are undertaking a significant transformation to ensure our Maisons and businesses will continue to prosper in a more connected world. Our ambition is to craft an ethical, inclusive, sustainable and profitable future. These objectives require time, investment and flawless execution; and we must remain vigilant amid global uncertainties. The strength of our balance sheet, our financial discipline, and the agility, creativity and skills of our teams, position us well for the long term.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 8 November 2019

Financial review

Online Distributors' results for the prior year period included five months for YOOX NET-A-PORTER GROUP and four months for Watchfinder & Co..

Sales

In the six month period, sales increased by 9% at actual exchange rates and by 6% at constant exchange rates. On a fully comparable half year base for Online Distributors, sales grew by 6% at actual exchange rates. Excluding Online Distributors, sales rose by 5% and by 2% at actual and constant exchange rates, respectively.

At actual exchange rates, sales were higher across all regions, distribution channels and business areas. Sales registered double-digit progression in Japan and the Americas, and high single-digit growth in Europe and Asia Pacific. China, Korea, Japan, the US and the United Kingdom significantly outperformed other locations. Led by the Jewellery Maisons, the Group's directly operated boutiques posted high single-digit growth. Wholesale sales were 2% higher than the prior year period, reflecting ongoing optimisation of external points of sales and continued rightsizing of inventories to end-client demand. Online sales grew strongly across all business areas. By business area, sales growth was driven by Jewellery Maisons and Online Distributors.

Further details on sales by region, distribution channel and business area are given under Review of Operations.

Gross profit

Gross profit increased by 8% to € 4 610 million and gross margin moderated to 62.3% of sales, due to the dilutive impact of the full six month consolidation of YOOX NET-A-PORTER GROUP and Watchfinder & Co..

Excluding Online Distributors, gross margin expanded from 66.6% to 67.6%, with this 100 basis point improvement mainly driven by positive product mix effects. Currency effects were overall broadly neutral, with the positive effect of a stronger US dollar and Japanese yen on sales offset by the impact of a stronger Swiss franc on costs.

Operating profit

Operating profit increased by 3% to € 1 165 million, reflecting higher sales and gross profit partly offset by controlled increases in costs as detailed below.

Operating margin was 15.7% compared to 16.6% a year ago. Excluding Online Distributors, operating margin increased to 21.8% from 21.1% in the prior year period.

Total operating expenses across the Group grew by 10%, and by 6% excluding Online Distributors. Selling and distribution expenses rose by 6%, mainly due to higher depreciation linked to continuing upgrades to distribution networks and further enhancement of retail and marketing capabilities. Selling and distribution expenses decreased from 24.0% to 23.4% of sales, partly reflecting the adoption of IFRS 16 *Leases*. Communication expenses represented 9.2% of sales and increased by 20%, largely explained by planned initiatives at the Jewellery Maisons, Specialist Watchmakers and Online Distributors as well the full six month period effect for Online Distributors. Fulfilment expenses rose by 78% to € 162 million, primarily driven by an acceleration of online retail and the above mentioned full six month period effect.

The 15% growth in administration costs resulted mainly from expenditure in IT and digital initiatives and the aforementioned period effect. Other operating expenses included the previously mentioned acquisition-related charges as well as the amortisation of intangibles assets recognised on acquisitions at the Online Distributors.

Profit for the period

Profit for the period reached € 869 million, broadly in line with the prior year period when excluding the € 1 378 million post-tax non-cash accounting gain on the revaluation of existing YOOX NET-A-PORTER GROUP shares recognised on buy-out. Net finance costs increased from € 47 million in the prior year period to € 110 million, partly as a result of adopting IFRS 16 *Leases* from 1 April 2019, which led to a new lease liabilities' interest expense of € 36 million. In addition, unfavourable foreign exchange movements on monetary items led to a net loss of € 62 million, compared to a € 38 million net loss in the prior year period.

Earnings per share (1 A share/10 B shares) decreased by 62% to € 1.533 on a diluted basis.

To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the period ended 30 September 2019 would be € 870 million (2018: € 932 million). Basic HEPS for the period was € 1.540 (2018: € 1.653), diluted HEPS for the period was € 1.535 (2018: € 1.649). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 11.3 of the Group's condensed consolidated interim financial statements.

Cash flow

Cash flow generated from operating activities rose to € 1 188 million. The € 455 million year-on-year increase notably included a positive impact on current liabilities from the non-recurrence of prior years' inventory buy-backs and increased operating profit, which now includes the depreciation of right of use assets under IFRS 16 *Leases*.

Net investment in tangible fixed assets during the period amounted to € 197 million and predominantly related to the opening, renovation and relocation of boutiques in the Maisons' store network, the upgrading of a YOOX NET-A-PORTER GROUP logistics centre in Italy and further investment in information technology, notably in YOOX NET-A-PORTER GROUP's enterprise platform.

The 2019 dividend of 2.00 per share (1 A share/10 B shares) was paid to shareholders and to South African Depository Receipt holders, net of withholding tax, in September. The 35% withholding tax on all dividends was remitted to the Swiss tax authorities in September. The overall dividend cash outflow in the period amounted to € 1 017 million.

In the period under review, the Group did not acquire any treasury shares to hedge executive stock options. Proceeds from the exercise of stock options by executives and other activities related to the hedging programme amounted to a net cash inflow of € 8 million.

Balance sheet

At 30 September 2019, inventories of € 6 535 million were € 349 million higher than at 31 March 2019 and represented 18 months of cost of sales.

At 30 September 2019, the Group's net cash position amounted to € 1 770 million. This position was € 758 million lower than at 31 March 2019, primarily due to the Buccellati acquisition and the annual dividend payment, which together resulted in a total cash outflow of € 1 247 million. The Group's net cash position includes highly liquid, highly rated money market funds, short-term bank deposits and short-duration bond funds, primarily denominated in Swiss francs, euros and US dollars.

Acquisition of Buccellati

On 26 September 2019, Richemont completed the acquisition of Buccellati Holding Italia S.p.A., the owner of Buccellati, the renowned Italian jewellery Maison, for a total consideration of € 230 million. In addition, € 7 million of acquisition-related transaction costs were expensed in the period under review. Buccellati's results are consolidated within the Jewellery Maisons with effect from 30 September 2019. However, due to the timing of the acquisition, Buccellati has not contributed to the Group's half year results for the period ended 30 September 2019.

The Buccellati acquisition has resulted in the recognition of € 103 million in provisional goodwill, which will be subject to annual impairment testing. In addition, intangible assets amounting to € 108 million were recognised.

Review of operations

Sales by region

in € million	Six months to 30 September 2019	Six months to 30 September 2018*	Change at constant exchange rates**	Change at actual exchange rates
Europe	**2 221**	2 071	+7%	+7%
Asia Pacific	**2 729**	2 548	+5%	+7%
Americas	**1 347**	1 213	+6%	+11%
Japan	**647**	534	+13%	+21%
Middle East and Africa	**453**	442	-1%	+2%
	7 397	6 808	+6%	+9%

* Online Distributors' results for the prior year period included five months of results for YOOX NET-A-PORTER GROUP and four months of results for Watchfinder & Co.

** Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2019.

The following comments on Group sales refer to year-on-year movements at constant exchange rates.

Europe
Sales in the region grew by 7%, driven by Online Distributors and Jewellery Maisons, with the former benefiting in part from a full six months of trading in the period under review. Excluding Online Distributors, sales in the region were broadly in line with the prior year period, reflecting mixed performances in terms of markets, distribution channels and business areas.

The United Kingdom recorded double-digit sales growth following a decrease in the prior year period while sales in France and Switzerland contracted following lower tourist spending, notably from Chinese clientele. Higher retail sales offset lower wholesale sales, which were impacted by the continued optimisation of the wholesale distribution network and the rightsizing of trade inventories to end-customer demand. Online retail sales recorded strong expansion.

Europe remained the second largest region, accounting for 30% of Group sales.

Asia Pacific
Sales in Asia Pacific rose by 5% over the period, and by 4% excluding Online Distributors. There was growth in most locations, with strong double-digit sales progression in China and Korea more than offsetting the double-digit sales contraction in Hong Kong SAR, China, where sales have been affected by street protests and a relatively strong currency versus the renminbi. All distribution channels posted growth, led by the Jewellery Maisons and Online Distributors. The net opening of 18 directly operated boutiques at our Maisons (excluding Buccellati consolidated on 30 September 2019) positively impacted sales growth.

Asia Pacific accounted for the largest share of Group sales, at 37%, unchanged from the prior year period.

Americas
Following a challenging year-on-year comparison (+42% in the prior year period), the Americas posted a 6% increase in sales, driven by the US, Richemont's largest market, Online Distributors and the Fashion & Accessories Maisons. Excluding Online Distributors, sales were in line with the prior year period.

The region's contribution to Group sales amounted to 18%, in line with the prior year period.

Japan
The 13% growth in sales, both including and excluding Online Distributors, was underpinned by good domestic and tourist spending, despite a comparatively stronger Japanese yen. Domestic demand was supported by purchases ahead of the October 2019 value added tax increase. This double-digit sales increase was registered across all distribution channels, led by the Jewellery Maisons, Specialist Watchmakers and Online Distributors.

The country represented 9% of overall sales, compared to 8% in the prior year period.

Middle East and Africa
Sales in the Middle East and Africa were 1% lower, impacted by the discontinuation of selected wholesale relationships as well as lower domestic and tourist spending, given geopolitical uncertainties and unfavourable local currencies. Excluding Online Distributors, sales in the region declined by 5%, although sales expanded in the Kingdom of Saudi Arabia, supported by the internalisation of external points of sale.

The contribution of Middle East and Africa to Group sales was reduced from 7% to 6%.

Sales by distribution channel

in € million	Six months to 30 September 2019	Six months to 30 September 2018*	Change at Constant exchange rates**	Change at Actual exchange rates
Retail	**3 808**	3 557	+4%	+7%
Online retail	**1 260**	959	+28%	+31%
Wholesale	**2 307**	2 271	-1%	+2%
Royalty income	**22**	21	+6%	+5%
	7 397	6 808	+6%	+9%

* Online Distributors' results for the prior year period included five months of results for YOOX NET-A-PORTER GROUP and four months of results for Watchfinder & Co.

** Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2019.

The following comments on Group sales refer to year-on-year movements at constant exchange rates unless otherwise stated.

Retail

Retail incorporates only sales from the Group's directly operated boutiques.

Retail sales were 4% higher, with growth in all regions, excluding the Americas where retail sales were stable. Japan posted a double-digit sales increase; other regions recorded softer rates of progression. In terms of business areas, Online Distributors and the Jewellery Maisons drove growth. The number of Maisons' directly operated boutiques increased by 56 to 1 155, including the addition of 19 Buccellati boutiques.

The Maisons' directly operated boutiques contributed 52% of Group sales, in line with the prior year period.

Online retail

This distribution channel regroups the sales of YOOX NET-A-PORTER GROUP as well as the online sales portion of both Watchfinder & Co. and the Group's Maisons.

Online sales improved by 28%, partly benefiting from a full six months of trading for YOOX NET-A-PORTER GROUP and Watchfinder & Co. in the period under review. All regions showed significant progress, particularly the Americas and Middle East and Africa. Online retail increased its contribution to 17% of Group sales.

Wholesale

Overall, wholesale sales were 1% below the prior year period, as growth in Japan and Asia Pacific was outweighed by declines in other regions. The Jewellery Maisons generated higher wholesale sales, in contrast to the other business areas. The ongoing focus on aligning sell-in with sell-out and qualitative improvements in the watch wholesale network continued to weigh on the Group's wholesale business, mainly at the Specialist Watchmakers.

The contribution of the Group's wholesale business, which includes sales to franchise partners and multi-brand retail partners, further retreated from 33% to 31% of Group sales.

Sales and operating results by segment

Jewellery Maisons

in € million	Six months to 30 September 2019	Six months to 30 September 2018	Change
Sales	**3 736**	3 454	+8%
Operating results	**1 219**	1 167	+4%
Operating margin	**+32.6%**	+33.8%	-120 bps

At actual exchange rates, the 8% sales progression at Cartier and Van Cleef & Arpels was driven by a high single-digit increase in jewellery and low double-digit increase in watches. Growth at Cartier was fuelled by iconic jewellery collections and the *Panthère* and *Santos* watch collections. The *Clash* collection was successfully launched and unmet demand is being addressed with a ramp up in production in time for seasonal celebrations. At Van Cleef & Arpels, demand for the *Alhambra* and *Perlée* collections remained remarkably strong. Growth was broad-based across regions and distribution channels with particularly noteworthy performances in Asia Pacific and Japan.

Operating results improved by 4% to € 1 219 million compared to the prior year period, primarily as a result of higher sales and stable gross margin. Investments to strengthen our Jewellery Maisons continued, notably in marketing and sales organisations, store renovations and communication. Operating margin was 120 basis points lower at 32.6%.

Sales and operating results by segment continued

On 26 September 2019, the acquisition of Buccellati was completed and € 7 million of acquisition-related transaction costs were expensed. This newly acquired Maison has been consolidated within Jewellery Maisons starting from 30 September 2019. However, due to the timing of the acquisition, Buccellati has not contributed to Group sales or results during the period under review.

Specialist Watchmakers

in € million	Six months to 30 September 2019	Six months to 30 September 2018	Change
Sales	**1 567**	1 550	+1%
Operating results	**284**	286	-1%
Operating margin	**+18.1%**	+18.5%	-40 bps

The Specialist Watchmakers' sales were 1% higher than in the prior year period. Mid single-digit growth in directly operated boutiques more than offset lower wholesale sales, which were impacted by ongoing prudent channel inventory management and the upgrade of the wholesale distribution network. Performance was varied across Maisons and regions, with strongest growth achieved at Panerai, Lange & Söhne and Vacheron Constantin and, regionally, in Japan. Sales progression was muted in Asia Pacific, impacted by a double-digit sales decline in Hong Kong SAR, China.

The reduction in operating results to € 284 million was contained to 1%, due to a larger share of retail, improved gross margin and effective cost control. Operating margin for the period amounted to 18.1%.

Online Distributors

in € million	Six months to 30 September 2019	Six months to 30 September 2018*	Change
Sales	**1 179**	893	+32%
Operating results	**(194)**	(115)	+69%
Operating margin	**(16.5)%**	(12.9)%	-360 bps

* Online Distributors' results for the prior year period included five months of results for YOOX NET-A-PORTER GROUP and four months of results for Watchfinder & Co.

For business area reporting purposes, sales of Richemont Maisons' products recorded by YOOX NET-A-PORTER GROUP are reported under both the Maisons and YOOX NET-A-PORTER GROUP. In Group sales, these are eliminated as Intersegment sales.

Sales expanded by 32% to € 1 179 million supported by strong increases at both YOOX NET-A-PORTER GROUP and Watchfinder & Co., due in part to a full six months of trading in the period under review. Growth was broad-based across regions. Online Distributors, when compared on a full half year base, posted low double-digit sales increases. FENG MAO, the China joint venture between YOOX NET-A-PORTER GROUP and Alibaba Group, soft launched the NET-A-PORTER flagship store on Tmall Luxury Pavilion on 30 September 2019. Watchfinder & Co. progressed with its internationalisation plans, with subsidiaries now operating in France, Germany and Hong Kong SAR, China.

The € 79 million increase in operating losses can be attributed to a lower gross margin, impacted by higher promotion and shipping costs, and increased investments in technology and logistics migration, marketing and internationalisation. The full six month amortisation of intangible assets recognised on acquisitions resulted in an additional non-cash charge of €15 million to € 90 million.

Other

in € million	Six months to 30 September 2019	Six months to 30 September 2018	Change
Sales	**941**	935	+1%
Operating results	**3**	(46)	n/a
Operating margin	**+0.3%**	(4.9)%	+520 bps

'Other' includes the Fashion and Accessories Maisons and the Group's watch component manufacturing.

Sales increased by 1%, supported by the strong performance of Peter Millar, with other Maisons posting softer performance. Of note, sales of leather goods at Montblanc and Chloé also grew. Regionally, the Americas and Japan outperformed.

Due to the non-recurrence of one-time items in the prior year period, operating results reached € 3 million.

Corporate costs

in € million	Six months to 30 September 2019	Six months to 30 September 2018	Change
Corporate costs	**(145)**	(156)	-7%
Central support services	**(128)**	(113)	+13%
Other operating expenses, net	**(17)**	(43)	-60%

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central functions), as well as other expenses and income that are not allocated to specific segments. They decreased by 7% compared to the prior year period and represented close to 2% of Group sales.

Jérôme Lambert
Chief Executive Officer

Burkhart Grund
Chief Finance Officer

Compagnie Financière Richemont SA
Geneva, 8 November 2019

Condensed consolidated balance sheet

	Notes	30 September 2019 €m	31 March 2019 €m
Assets			
Non-current assets			
Property, plant and equipment		**2 652**	2 728
Goodwill	*6*	**3 461**	3 354
Other intangible assets	*7*	**2 734**	2 757
Right of use assets	*8*	**3 308**	–
Investment property		**283**	282
Equity-accounted investments		**186**	182
Deferred income tax assets		**593**	594
Financial assets held at fair value through profit or loss	*19*	**11**	10
Financial assets held at fair value through other comprehensive income	*19*	**310**	378
Other non-current assets		**476**	476
		14 014	10 761
Current assets			
Inventories		**6 535**	6 186
Trade and other current assets		**1 721**	1 470
Derivative financial instruments		**26**	15
Financial assets held at fair value through profit or loss	*19*	**4 088**	4 528
Assets held for sale		**22**	19
Cash at bank and on hand		**4 756**	5 060
		17 148	17 278
Total assets		**31 162**	28 039
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**334**	334
Treasury shares		**(546)**	(560)
Hedge and share option reserves		**345**	324
Cumulative translation adjustment reserve		**2 860**	2 564
Retained earnings		**14 068**	14 289
		17 061	16 951
Non-controlling interests		**115**	88
Total equity		**17 176**	17 039
Liabilities			
Non-current liabilities			
Borrowings		**3 951**	3 984
Lease liabilities	*8*	**2 820**	–
Deferred income tax liabilities		**326**	358
Employee benefits obligations		**69**	66
Provisions		**44**	65
Other long-term financial liabilities		**75**	224
		7 285	4 697
Current liabilities			
Trade and other payables		**2 130**	2 341
Current income tax liabilities		**491**	515
Borrowings		**371**	363
Lease liabilities	*8*	**603**	–
Derivative financial instruments		**84**	84
Provisions		**270**	287
Bank overdrafts		**2 752**	2 713
		6 701	6 303
Total liabilities		**13 986**	11 000
Total equity and liabilities		**31 162**	28 039

The notes on pages 13 to 30 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Revenue	5	**7 397**	6 808
Cost of sales		**(2 787)**	(2 552)
Gross profit		**4 610**	4 256
Selling and distribution expenses		**(1 728)**	(1 634)
Communication expenses		**(678)**	(567)
Fulfilment expenses		**(162)**	(91)
Administrative expenses		**(775)**	(671)
Other operating expense	9	**(102)**	(163)
Operating profit		**1 165**	1 130
Finance costs	10	**(184)**	(123)
Finance income	10	**74**	76
Share of post-tax results of equity-accounted investments		**12**	1 408
Profit before taxation		**1 067**	2 491
Taxation	12	**(198)**	(238)
Profit for the period		**869**	2 253
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)		**–**	–
Tax on defined benefit plan actuarial gains/(losses)		**–**	–
Fair value changes on financial assets held at fair value through other comprehensive income		**(75)**	(51)
		(75)	(51)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the period		**296**	387
– reclassification to profit or loss		**–**	3
Reclassification of cash flow hedges to profit or loss, net of tax		**2**	2
Share of other comprehensive income of equity-accounted investments		**–**	1
		298	393
Other comprehensive income, net of tax		**223**	342
Total comprehensive income		**1 092**	2 595
Profit attributable to:			
Owners of the parent company		**869**	2 253
Non-controlling interests		**–**	–
		869	2 253
Total comprehensive income attributable to:			
Owners of the parent company		**1 092**	2 595
Non-controlling interests		**–**	–
		1 092	2 595
Earnings per A share/10 B shares attributable to owners of the parent company during the period (expressed in € per share)			
Basic	11	**1.538**	3.996
Diluted	11	**1.533**	3.987

The notes on pages 13 to 30 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

		Equity attributable to owners of the parent company						Non-controlling interests	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 2018		334	(520)	302	1 892	12 623	14 631	7	14 638
Comprehensive income									
Profit for the period		–	–	–	–	2 253	2 253	–	2 253
Other comprehensive loss		–	–	2	391	(51)	342	–	342
		–	–	2	391	2 202	2 595	–	2 595
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares		–	(40)	–	–	(34)	(74)	–	(74)
Employee share option plan		–	–	10	–	–	10	–	10
Tax on share option plan		–	–	(4)	–	–	(4)	–	(4)
Changes in non-controlling interests		–	–	–	–	(101)	(101)	79	(22)
Dividends paid	15	–	–	–	–	(926)	(926)	–	(926)
		–	(40)	6	–	(1 061)	(1 095)	79	(1 016)
Balance at 30 September 2018		334	(560)	310	2 283	13 764	16 131	86	16 217
Balance at 1 April 2019		**334**	**(560)**	**324**	**2 564**	**14 289**	**16 951**	**88**	**17 039**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**869**	**869**	**–**	**869**
Other comprehensive income		**–**	**–**	**2**	**296**	**(75)**	**223**	**–**	**223**
		–	**–**	**2**	**296**	**794**	**1 092**	**–**	**1 092**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	17	**–**	**14**	**–**	**–**	**(5)**	**9**	**–**	**9**
Employee share option plan		**–**	**–**	**19**	**–**	**–**	**19**	**–**	**19**
Tax on share option plan		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Changes in non-controlling interests		**–**	**–**	**–**	**–**	**7**	**7**	**27**	**34**
Dividends paid	15	**–**	**–**	**–**	**–**	**(1 017)**	**(1 017)**	**–**	**(1 017)**
		–	**14**	**19**	**–**	**(1 015)**	**(982)**	**27**	**(955)**
Balance at 30 September 2019		**334**	**(546)**	**345**	**2 860**	**14 068**	**17 061**	**115**	**17 176**

The notes on pages 13 to 30 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Cash flows from operating activities			
Cash flow generated from operations	13	**1 188**	733
Interest received		**53**	43
Interest paid		**(62)**	(43)
Dividends received from equity-accounted investments		**2**	36
Dividends received from other investments		**15**	13
Taxation paid		**(268)**	(135)
Net cash generated from operating activities		**928**	647
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	20	**(230)**	(2 643)
Proceeds from disposal of subsidiary undertakings, net of cash disposed of		**–**	(44)
Acquisition of equity-accounted investments		**(1)**	–
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**–**	21
Acquisition of property, plant and equipment		**(199)**	(212)
Proceeds from disposal of property, plant and equipment		**2**	11
Acquisition of intangible assets		**(81)**	(67)
Proceeds from disposal of intangible assets		**–**	4
Acquisition of investment property		**(3)**	(62)
Investment in money market and externally managed funds		**(3 703)**	(3 484)
Proceeds from disposal of money market and externally managed funds		**4 189**	4 518
Acquisition of other non-current assets and investments		**(14)**	(25)
Proceeds from disposal of other non-current assets and investments		**6**	12
Net cash used in investing activities		**(34)**	(1 971)
Cash flows from financing activities			
Proceeds from borrowings		**2**	56
Repayment of borrowings		**(3)**	(46)
Dividends paid	15	**(1 017)**	(926)
Acquisition of treasury shares	17	**–**	(180)
Proceeds from sale of treasury shares	17	**8**	106
Contribution received from non-controlling interests		**34**	57
Acquisition of non-controlling interests in a subsidiary		**–**	(195)
Lease payments - principal		**(299)**	–
Capital element of finance lease payments		**–**	(3)
Net cash used in financing activities		**(1 275)**	(1 131)
Net change in cash and cash equivalents		**(381)**	(2 455)
Cash and cash equivalents at the beginning of the period		**2 347**	4 504
Exchange losses on cash and cash equivalents		**38**	52
Cash and cash equivalents at the end of the period		**2 004**	2 101

The notes on pages 13 to 30 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2019

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, Buccellati, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Panerai, IWC Schaffhausen, Baume & Mercier, Roger Dubuis, Yoox Net-A-Porter ('YNAP'), Watchfinder, Montblanc, dunhill, Chloé, Peter Millar, Alaïa, Serapian and Purdey.

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. Corporate bonds issued by a subsidiary of the Company are listed on the Luxembourg Stock Exchange.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 7 November 2019.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2019 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 2019 which were prepared in accordance with International Financial Reporting Standards ('IFRS').

In preparing these condensed consolidated interim financial statements, the significant judgments 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 2019, with the exception of changes resulting from the adoption of IFRS 16 *Leases,* which are described in Note 3.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2019.

Adoption of new accounting standards

The Group has adopted the following accounting standards with effect from 1 April 2019. No other amendments to IFRSs effective for the period ended 30 September have a material impact on the Group.

IFRS 16 *Leases*

The Group has adopted IFRS 16 for the first time in the year ending 31 March 2020. This standard eliminates the distinction between operating and finance leases, and results in the recognition of a right of use asset and corresponding lease liabilities for the Group's lease contracts.

The Group has applied the 'modified retrospective' method for transition, according to the provisions of IFRS 16 C5(b), which allows the cumulative effect of transition to be recognised on the date of initial application, being 1 April 2019. For each lease agreement, the right of use asset is measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments recorded in the balance sheet immediately prior to initial application. As a result, there is no impact on retained earnings as a result of the adoption of IFRS 16.

Further details of the impact of first time adoption of this standard can be found in note 8.

Amendment to IFRS 3 *Business combinations*

The Group has early adopted the amendments to IFRS 3 *Business combinations* which relate to the definition of a business for the first time in the year ending 31 March 2020.

Certain acquisitions by the Group of the operations of external boutiques and distribution agents no longer fall within the scope of the standard as a result. The amendments are applied prospectively from 1 April 2019. There is no significant impact on the net assets of the Group, nor on its result for the period, as a result of these amendments.

Notes to the condensed consolidated interim financial statements
at 30 September 2019

3. Accounting policies continued

New accounting policies with effect from 1 April 2019

Leases

The Group leases various boutiques, offices, warehouses and manufacturing facilities under non-cancellable lease arrangements.

A right of use asset and corresponding lease liability is recognised with respect to all lease agreements in which the Group is the lessee, except for short-term leases (where the lease term is 12 months or less), leases with variable rentals not based on an observable index and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the incremental borrowing rate, which is based on the rate at which the Group would be able to borrow funds in the same jurisdiction over the same term as the lease agreement. The lease liability is subsequently measured using the effective interest rate method.

The right of use asset is based on the initial measurement of the lease liability, adjusted for any payments made at or before the commencement date and for initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment charges. Depreciation is charged on a straight-line basis over the lease term.

The lease term used to determine the lease liability and the useful life of the right of use asset is based on the lease agreement, excluding renewal options unless these options are contractual, the specific terms of the additional rental period are included in the initial lease agreement and the Group has a reasonable expectation of exercising the option. Termination options are ignored unless the Group already has the intention to exercise the option at the commencement date.

Variable rental costs, which do not depend on an observable index, are expensed as incurred.

New standards and interpretations not yet adopted

Certain new accounting standards, issued by the IASB, are not yet effective and have not yet been adopted by the Group. None are expected to have a significant impact on the financial statements of the Group.

4. 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 the following business areas for reporting purposes:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier, Van Cleef & Arpels and Buccellati.
- **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, Panerai, IWC Schaffhausen, Baume & Mercier and Roger Dubuis.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This group comprises YNAP and Watchfinder.

Buccellati is presented as part of Jewellery Maisons for the first time following its recent acquisition (note 20).

In order to determine which operating segments share similar economic characteristics and thus meet the criteria for aggregation, management has focused on the distribution network, product mix and gross margin of the Maisons.

Other operating segments include Montblanc, dunhill, Chloé, Peter Millar, Alaïa, Serapian, Purdey, investment property companies and other manufacturing entities. None of these segments meets the quantitative thresholds for determining reportable segments.

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments, clothing 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.

4. Segment information continued

(a) Information on reportable segments continued

Revenue by business area is as follows:

Six months to 30 September 2019	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**3 736**	**1 566**	**1 179**	**916**	**–**	**7 397**
Inter-segment revenue	**–**	**1**	**–**	**25**	**(26)**	**–**
	3 736	**1 567**	**1 179**	**941**	**(26)**	**7 397**

Six months to 30 September 2018	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	3 454	1 550	893	911	–	6 808
Inter-segment revenue	–	–	–	24	(24)	–
	3 454	1 550	893	935	(24)	6 808

The results by business area are as follows:

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Operating result		
Jewellery Maisons	**1 219**	1 167
Specialist Watchmakers	**284**	286
Online Distributors	**(194)**	(115)
Other	**3**	(46)
	1 312	1 292
Elimination of internal transactions	**(2)**	(6)
Unallocated corporate costs	**(145)**	(156)
Operating profit	**1 165**	1 130
Finance costs	**(184)**	(123)
Finance income	**74**	76
Share of post-tax results of equity-accounted investments	**12**	1 408
Profit before taxation	**1 067**	2 491
Taxation	**(198)**	(238)
Profit for the period	**869**	2 253

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**229**	99
Specialist Watchmakers	**127**	72
Online Distributors	**174**	116
Other	**102**	51
Unallocated	**82**	48
	714	386

Notes to the condensed consolidated interim financial statements
at 30 September 2019

4. Segment information continued

(a) Information on reportable segments continued

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

	At 30 September 2019 €m	At 31 March 2019 €m
Segment assets		
Jewellery Maisons	**3 671**	3 381
Specialist Watchmakers	**1 671**	1 534
Online Distributors	**940**	902
Other	**1 144**	1 075
	7 426	6 892
Eliminations	**(19)**	(21)
	7 407	6 871

	At 30 September 2019 €m	At 31 March 2019 €m
Total segment assets	**7 407**	6 871
Property, plant and equipment	**2 652**	2 728
Goodwill	**3 461**	3 354
Other intangible assets	**2 734**	2 757
Right of use assets	**3 308**	–
Investment property	**283**	282
Equity-accounted investments	**186**	182
Deferred income tax assets	**593**	594
Financial assets at fair value through profit or loss	**4 099**	4 538
Financial assets at fair value through other comprehensive income	**310**	378
Other non-current assets	**476**	476
Other receivables	**849**	785
Derivative financial instruments	**26**	15
Cash at bank and on hand	**4 756**	5 060
Assets held for sale	**22**	19
Total assets	**31 162**	28 039

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

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**97**	85
Specialist Watchmakers	**34**	24
Online Distributors	**82**	75
Other	**26**	102
Unallocated	**25**	48
	264	334

4. Segment information continued

(b) Information about geographical areas

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

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Europe	**2 221**	2 071
France	**410**	422
Switzerland	**258**	265
Germany, Italy and Spain	**597**	562
Other Europe	**956**	822
Middle East and Africa	**453**	442
Asia	**3 376**	3 082
China, including Hong Kong SAR and Macau SAR	**1 733**	1 683
Japan	**647**	534
South Korea	**431**	358
Other Asia	**565**	507
Americas	**1 347**	1 213
USA	**1 174**	1 037
Other Americas	**173**	176
	7 397	6 808

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for online 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 2019 €m	At 31 March 2019 €m
Italy	**4 453**	4 039
United Kingdom	**2 154**	1 917
Switzerland	**1 915**	1 795
USA	**1 182**	385
France	**936**	497
Rest of the world	**2 281**	975
	12 921	9 608

Segment assets are allocated based on where the assets are located. In the case of equity-accounted investments, the allocation of the asset is determined by the location of the shareholding.

Notes to the condensed consolidated interim financial statements
at 30 September 2019

4. Segment information continued

(c) Information about products
External revenue by product is as follows:

	Six months to 30 September 2019 €m	Six months to 30 September 2018 *re-presented €m
Jewellery	**2 649**	2 467
Watches	**2 647**	2 495
Clothing	**853**	689
Leather goods	**727**	652
Writing instruments	**206**	212
Other	**315**	293
	7 397	6 808

* prior period comparatives are re-presented for consistency with the current period presentation

5. Revenue

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Revenue from contracts with customers	**7 375**	6 787
Royalty income	**22**	21
	7 397	6 808

Analysis of revenue by geographical area and by operating segment is as follows:

Six months to 30 September 2019	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	**1 575**	**867**	**415**	**593**	**286**	**3 736**
Specialist Watchmakers	**764**	**465**	**118**	**154**	**66**	**1 567**
Online Distributors	**152**	**591**	**41**	**342**	**53**	**1 179**
Other	**242**	**308**	**74**	**268**	**49**	**941**
	2 733	**2 231**	**648**	**1 357**	**454**	**7 423**
Intersegment eliminations	**(4)**	**(10)**	**(1)**	**(10)**	**(1)**	**(26)**
	2 729	**2 221**	**647**	**1 347**	**453**	**7 397**

Six months to 30 September 2018	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	1 427	831	338	576	282	3 454
Specialist Watchmakers	749	477	93	155	76	1 550
Online Distributors	126	444	31	256	36	893
Other	251	327	73	235	49	935
	2 553	2 079	535	1 222	443	6 832
Intersegment eliminations	(5)	(8)	(1)	(9)	(1)	(24)
	2 548	2 071	534	1 213	442	6 808

6. Goodwill

	€m
Cost at 1 April 2018	297
Exchange adjustments	18
Goodwill arising on business combinations	3 039
Cost at 31 March 2019	**3 354**
Exchange adjustments	**4**
Goodwill arising on business combinations (note 20)	**103**
Cost at 30 September 2019	**3 461**

7. 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 2018					
Cost	215	283	171	201	870
Amortisation	(110)	(150)	(129)	(111)	(500)
Net book value at 1 April 2018	105	133	42	90	370
Exchange adjustments	34	3	3	5	45
Acquisition through business combinations	2 204	6	294	–	2 504
Additions:					
– internally developed	–	–	35	26	61
– other	–	3	105	–	108
Disposals	–	(2)	–	(3)	(5)
Amortisation charge	(146)	(30)	(119)	(31)	(326)
31 March 2019					
Cost	2 455	268	596	218	3 537
Amortisation	(258)	(155)	(236)	(131)	(780)
Net book value at 31 March 2019	2 197	113	360	87	2 757

Notes to the condensed consolidated interim financial statements
at 30 September 2019

7. Other intangible assets continued

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2019					
Cost	**2 455**	**268**	**596**	**218**	**3 537**
Amortisation	**(258)**	**(155)**	**(236)**	**(131)**	**(780)**
Net book value at 1 April 2019	**2 197**	**113**	**360**	**87**	**2 757**
Exchange adjustments	**(38)**	**1**	**–**	**2**	**(35)**
Acquisition through business combinations (note 20)	**107**	**–**	**1**	**–**	**108**
Additions:					
– internally developed	**–**	**–**	**23**	**15**	**38**
– other	**1**	**–**	**41**	**–**	**42**
Disposals	**–**	**–**	**–**	**–**	**–**
Amortisation charge	**(79)**	**(12)**	**(74)**	**(11)**	**(176)**
30 September 2019					
Cost	**2 526**	**268**	**663**	**222**	**3 679**
Amortisation	**(338)**	**(166)**	**(312)**	**(129)**	**(945)**
Net book value at 30 September 2019	**2 188**	**102**	**351**	**93**	**2 734**

8. Leases

The Group adopted IFRS 16 *Leases* for the first time from 1 April 2019. For further details of the adoption of this new standard, and changes to the Group's accounting policies as a result, refer to note 3.

The Group has a number of commitments under non-cancellable lease contracts relating to boutiques, offices and manufacturing facilities. Leases are negotiated on an individual basis and may contain escalation clauses, renewal rights and termination options, depending on standard practices in the local market and on the Group's desire to maintain flexibility in its asset base.

Right of use assets at 30 September 2019 and on the date of initial application are as follows:

	Land and buildings €m	Other assets €m	Total €m
1 April 2019			
Carrying amount at date of initial application	**3 022**	**23**	**3 045**
	3 022	**23**	**3 045**
Exchange adjustments	**43**	**–**	**43**
Acquisition through business combinations	**62**	**–**	**62**
Additions	**445**	**7**	**452**
Depreciation charge	**(287)**	**(5)**	**(292)**
Remeasurement	**(2)**	**–**	**(2)**
30 September 2019			
Gross value	**3 575**	**35**	**3 610**
Depreciation	**(292)**	**(10)**	**(302)**
Net book value at 30 September 2019	**3 283**	**25**	**3 308**

'Other assets' includes plant & machinery, fixtures, fittings, tools and equipment.

8. Leases continued

Total lease liabilities at 30 September 2019 and on the date of initial application are as follows:

	30 September 2019 €m	1 April 2019 €m
Non-current lease liabilities	**(2 820)**	(2 631)
Current lease liabilities	**(603)**	(526)
	(3 423)	(3 157)

Included within operating profit are the following expenses, which are not reflected in the lease liabilities:

	Six months to 30 September 2019 €m
Short-term leases	**47**
Low-value asset leases	**9**
Variable rental payments	**197**
	253

Certain boutique leases contain a variable element, based most commonly on percentage of sales, which links rental payments to boutique revenue. Cash outflows arising from variable rental contracts for the period amounted to € 187 million, which represented 32% of the total rental payments made. Variable rentals are not reflected in the lease liabilities above. In addition, some lease agreements contain extension clauses, which would allow the Group to extend the lease for a specific additional period. Cash flows under such clauses are generally included in the lease liabilities above if the lease terms of the extended period are specified in the original lease agreement.

The total cash outflow for leases for the period amounted to € 576 million.

At 30 September 2019, the Group had commitments totalling € 382 million for lease agreements which had not yet commenced.

Transition to IFRS 16
The Group applied the modified retrospective approach, under which the impact of transition to the new standard is recognised on the date of initial application. In applying IFRS 16 for the first time, the Group used the following practical expedients:

- Operating leases with a remaining lease term of less than 12 months as at 1 April 2019 are treated as short-term leases and excluded from the calculation of lease liabilities
- Initial direct costs were excluded from the measurement of right of use assets at 1 April 2019
- The Group used hindsight to determine the lease term in cases where the contract contained options to extend or terminate the lease
- The Group relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review

Notes to the condensed consolidated interim financial statements
at 30 September 2019

8. Leases continued

The following table illustrates the adjustments made to the opening balance sheet.

	31 March 2019 as reported €m	Adoption of IFRS 16 €m	1 April 2019 post-transition €m
Assets			
Non-current assets			
Property, plant and equipment	**2 728**	**(56)**	**2 672**
Right of use assets	**–**	**3 045**	**3 045**
Deferred income tax assets	**594**	**525**	**1 119**
Other non-current assets	**476**	**(23)**	**453**
Current assets			
Trade and other current assets	**1 470**	**(22)**	**1 448**
Liabilities			
Non-current liabilities			
Borrowings	**3 984**	**(36)**	**3 948**
Lease liabilities	**–**	**2 631**	**2 631**
Deferred income tax liabilities	**358**	**525**	**883**
Provisions	**65**	**(1)**	**64**
Other long-term financial liabilities	**224**	**(141)**	**83**
Current liabilities			
Trade and other current liabilities	**2 341**	**(28)**	**2 313**
Borrowings	**363**	**(6)**	**357**
Lease liabilities	**–**	**526**	**526**
Provisions	**287**	**(1)**	**286**

Deferred tax assets and liabilities in the table above are presented gross.

On transition, the Group recognised lease liabilities for leases which had previously been classified as operating leases under IAS 17 *Leases*. These liabilities are measured at the present value of the remaining lease payments on the date of initial application, discounted using the incremental borrowing rate on 1 April 2019. The weighted average incremental borrowing rate applied was 2.3%. The reconciliation of opening lease liabilities to lease commitments disclosed in the prior year is as follows:

	€m
Operating lease commitments at 31 March 2019	**3 667**
Short-term leases	**(75)**
Low-value asset leases	**(1)**
Impact of discounting	**(382)**
Other	**(94)**
Lease liability at 1 April 2019	**3 115**
Leases capitalised as finance leases under IAS 17	**42**
Total lease liability at 1 April 2019	**3 157**

Differences included in the line 'Other' in the table above relate to commitments for leases not yet commenced at 1 April 2019, and differences in the evaluation of renewal and termination clauses.

9. Other operating expense

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Royalty expenses	**(1)**	(1)
Investment property rental income	**1**	1
Investment property costs	**(1)**	(4)
Amortisation of other intangible assets acquired on business combinations	**(95)**	(82)
Other income/(expense)	**(6)**	(77)
	(102)	(163)

10. Finance costs and income

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(17)**	(25)
– corporate bond	**(35)**	(35)
– other financial expenses	**(10)**	(19)
– lease liabilities	**(36)**	–
Net foreign exchange losses on monetary items	**(62)**	(38)
Net loss on financial instruments at fair value through profit or loss:		
– held for trading	**(24)**	(6)
Finance costs	**(184)**	(123)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**23**	22
– from financial assets held at fair value through profit or loss	**31**	20
– other financial income	**3**	4
Dividend income on financial assets at fair value through OCI	**15**	13
Mark-to-market adjustment in respect of hedging activities	**2**	17
Finance income	**74**	76
Net finance (costs)/income	**(110)**	(47)

11. Earnings per share

11.1. Basic

Basic earnings per A share/10 B shares 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 2019	Six months to 30 September 2018
Profit attributable to owners of the parent company (€ millions)	**869**	2 253
Weighted average number of shares in issue (millions)	**564.9**	563.8
Basic earnings per A share/10 B shares	**1.538**	3.996

11. Earnings per share continued

11.2. Diluted

Diluted earnings per A share/10 B shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has two categories of dilutive potential shares: share options and restricted share units.

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.

For the period ended 30 September 2019, 8 091 855 options (2018: 5 705 253 options) granted to employees are not dilutive and so are excluded from the calculation of diluted earnings per share.

	Six months to 30 September 2019	Six months to 30 September 2018
Profit attributable to the owners of the parent company (€ millions)	**869**	2 253
Weighted average number of shares in issue (millions)	**564.9**	563.8
Adjustment for share options (millions)	**2.0**	1.2
Weighted average number of shares for diluted earnings per A share/10 B shares (millions)	**566.9**	565.0
Diluted earnings per A share/10 B shares	**1.533**	3.987

11.3. Headline earnings per share

The presentation of headline earnings per A share/10 B shares as an alternative measure to earnings per share is required under the JSE listing requirements.

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Profit attributable to owners of the parent company	**869**	2 253
Loss on disposal of non-current assets	**1**	–
Loss on disposal of subsidiary undertakings	**–**	57
Currency exchange gains reclassified from currency translation adjustment reserve	**–**	3
Gain on deemed disposal of equity-accounted investments	**–**	(1 381)
Headline earnings	**870**	932

	Six months to 30 September 2019 millions	Six months to 30 September 2018 millions
Weighted average number of shares:		
– basic	**564.9**	563.8
– diluted	**566.9**	565.0
	€ per share	€ per share
Headline earnings per A share/10 B shares:		
– basic	**1.540**	1.653
– diluted	**1.535**	1.649

12. 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 effective tax rate for the period ended 30 September 2019 was 18.8% (2018: 22.0%). The change compared to the prior period mostly reflects the impact of the reduction in Swiss tax rates.

13. Cash flow generated from operations

	Six months to 30 September 2019 €m	Six months to 30 September 2018 €m
Operating profit	**1 165**	1 130
Depreciation of property, plant and equipment	**244**	234
Amortisation of other intangible assets	**176**	150
Depreciation of right of use assets	**292**	–
Depreciation of investment property	**2**	2
Loss on disposal of property, plant and equipment	**1**	2
Profit on disposal of intangible assets	**–**	(2)
Profit on disposal of investment property	**(3)**	–
Increase/(decrease) in long-term provisions	**4**	(2)
Non-cash items	**19**	56
Increase in inventories	**(180)**	(195)
Increase in trade receivables	**(174)**	(181)
(Increase)/decrease in other receivables	**(55)**	12
Decrease in current liabilities	**(267)**	(428)
(Decrease)/increase in other long-term financial liabilities	**(12)**	20
Cash outflow on derivative financial instruments	**(24)**	(65)
Cash flow generated from operations	**1 188**	733

14. Related-party transactions

There have been no significant changes 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 2020 annual consolidated financial statements.

15. Dividends

On 11 September 2019 shareholders approved a dividend of CHF 2.00 per 'A' share and CHF 0.20 per 'B' share (2018: CHF 1.90 and CHF 0.19 respectively).

16. Financial commitments and contingent liabilities

At 30 September 2019, 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.

17. Treasury shares

The Group holds treasury shares to hedge its obligation arising under the Group stock option plan.

During the current period the Group did not acquire any treasury shares directly in the open market (2018: 2 300 000 shares acquired for € 180 million). In the same period the Group delivered 167 437 treasury shares for proceeds of € 8 million in settlement of options exercised in the period and traded options exercised in previous periods (2018: 2 564 106 shares for € 106 million).

Notes to the condensed consolidated interim financial statements
at 30 September 2019

18. 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 stock option plan vest over periods of three 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 between 2008 and 2017 include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

Restricted share units

A further share-based compensation plan was introduced in the current period whereby executives are awarded Restricted Share Units ('RSU'). Awards under this plan also vest over periods of three to six years from the date of grant. On vesting, the executive will receive a share in the Company. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSU').

The fair value of options and PSU awarded to members of the Senior Executive Committee ('SEC') is fixed on the date of approval of SEC remuneration by the shareholders of the Company. The award date value of stock options in June 2018 of CHF 19.37 was revalued following the AGM in September 2019 at CHF 13.65. The estimated fair value of options and PSU awarded to members of the SEC in the period ended 30 September 2019 is based on the valuation at the award date. Changes in the fair value of these options and PSU between the award date and 30 September 2019 are not significant to the Group. The final fair value will be fixed in September 2020 following approval by the shareholders.

During the period ended 30 September 2019, awards of 715 979 options were made (30 September 2018: 2 705 650) at an exercise price of CHF 82.86 (2018: CHF 92.00). Awards of 1 408 334 RSU (of which 492 594 are subject to performance conditions) were also made during the period.

19. Financial instruments: Fair values and risk management

The Group's financial risk management objectives and policies are consistent with those described in the consolidated financial statements for the year ended 31 March 2019.

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			
30 September 2019	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	310	–	–	310	310			310
Unlisted investments	11	–	–	–	11			11	11
Investments in externally managed funds	3 912	–	–	–	3 912	3 912			3 912
Investments in money market funds	176	–	–	–	176		176		176
Derivative financial instruments	26	–	–	–	26		26		26
	4 125	310	–	–	4 435				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	5	–	5				
Non-current lease deposits	–	–	174	–	174				
Trade and other receivables	–	–	1 247	–	1 247				
Cash and cash equivalents	–	–	4 756	–	4 756				
	–	–	6 182	–	6 182				
Financial liabilities measured at fair value									
Derivatives	(84)	–	–	–	(84)		(84)		(84)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(4 320)	(4 320)	(4 508)	(386)		(4 894)
Floating rate borrowings	–	–	–	(2)	(2)				
Lease liabilities	–	–	–	(3 423)	(3 423)				
Other long-term financial liabilities	–	–	–	(75)	(75)				
Trade and other payables	–	–	–	(1 899)	(1 899)				
Bank overdrafts	–	–	–	(2 752)	(2 752)				
	–	–	–	(12 471)	(12 471)				

Notes to the condensed consolidated interim financial statements
at 30 September 2019

19. Financial instruments: Fair values and risk management continued

	Carrying amount					Fair value			
31 March 2019	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	378	–	–	378	378			378
Unlisted investments	10	–	–	–	10	–		10	10
Investments in externally managed funds	4 462	–	–	–	4 462	4 462		–	4 462
Investments in money market funds	66	–	–	–	66		66		66
Derivative financial instruments	15	–	–	–	15		15		15
	4 553	378	–	–	4 931				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	6	–	6				
Non-current lease deposits	–	–	165	–	165				
Trade and other receivables	–	–	1 036	–	1 036				
Cash and cash equivalents	–	–	5 060	–	5 060				
	–	–	6 267	–	6 267				
Financial liabilities measured at fair value									
Derivatives	(84)	–	–	–	(84)		(84)		(84)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(4 305)	(4 305)	(4 216)	(371)		(4 587)
Finance lease obligations	–	–	–	(42)	(42)				
Other long-term financial liabilities	–	–	–	(224)	(224)				
Trade and other payables	–	–	–	(2 153)	(2 153)				
Bank overdrafts	–	–	–	(2 713)	(2 713)				
	–	–	–	(9 437)	(9 437)				

The Group does not disclose the fair value for financial instruments where the carrying value is a reasonable approximation of the fair value.

19. Financial instruments: Fair values and risk management continued

Valuation techniques

The fair value of financial instruments traded in active markets 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 listed investments and investments in externally managed funds made up of listed bonds.

A weighted average rating of AA is applied to euro- and US dollar-denominated externally managed funds and a weighted average rating of A+ is applied to Swiss franc-denominated externally managed fund. A maximum duration of two years is applied to externally managed funds.

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 forward interest rate curves.
- Fixed rate cross-currency swaps are valued on the basis of discounted cash flows.
- 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.

The nominal value of the investments in money market funds approximates the fair value, as the maximum average life is 120 days and the maximum average maturity is 60 days. These instruments are included in Level 2.

Level 3 financial instruments consist entirely of small investments in unlisted equities. During the six-month period to 30 September 2019, the carrying amount increased to € 11 million.

Hedging activities

Cash flow hedge accounting was applied to a euro-denominated interest rate swap contract which was used to hedge the Group’s corporate bond issue and, as a result, the loss realised on this interest rate swap was deferred in equity. This loss is recycled to the income statement over the life of the related bond.

Notes to the condensed consolidated interim financial statements
at 30 September 2019

20. Business combinations

On 26 September 2019, the Group completed the acquisition of 100% of the share capital and voting rights of Buccellati Italia Holding S.p.A. ('Buccellati') for a total consideration of € 230 million. Buccellati is a jewellery designer, creator and retailer registered in Italy and the offer was intended to strengthen the Group's presence in the jewellery sector through the acquisition of a Maison that is complementary to the Group's existing jewellery Maisons, in terms of style, heritage and craftsmanship. The results of Buccellati are consolidated into those of the Group with effect from 30 September 2019.

Fair value of assets acquired

	Buccellati €m	Other €m	Total €m
Property, plant and equipment	**7**	–	**7**
Right of use assets	**62**	–	**62**
Intangible assets	**108**	–	**108**
Other non-current assets	**3**	–	**3**
Inventories	**60**	–	**60**
Cash and cash equivalents	**2**	–	**2**
Trade and other receivables	**11**	–	**11**
Trade and other payables	**(74)**	–	**(74)**
Current and deferred tax	**(20)**	–	**(20)**
Lease liabilities	**(66)**	–	**(66)**
Non-current liabilities	**(3)**	–	**(3)**
Fair value of net assets acquired	**90**	–	**90**
Fair value of net assets acquired	**90**	–	**90**
Goodwill	**103**	–	**103**
Total consideration paid	**193**	–	**193**
Assignment of loans	**37**	–	**37**
Purchase consideration – cash paid	**230**	–	**230**
Cash and cash equivalents acquired	**(2)**	–	**(2)**
Payment of amounts deferred in prior periods	–	**2**	**2**
Cash outflow on acquisitions	**228**	**2**	**230**

The fair value of these assets is provisional, pending finalisation of valuation work. Goodwill represents certain intangible assets that do not qualify for separate recognition, including an integrated workforce and technical know-how in terms of jewellery creation. None of the goodwill is expected to be deductible for tax purposes.

The gross contractual value of receivables acquired was € 5 million, all of which is considered to be recoverable.

Due to the timing of the acquisition, the Buccellati group has not contributed to sales or net profit during the period to 30 September 2019. Had the acquisition been made on 1 April 2019, the contribution to revenue and to net profit for the period would have been € 23 million and a loss of € 7 million respectively.

Acquisition-related transaction costs of € 7 million were expensed in the period to 30 September 2019.

Contingent consideration
At 30 September 2019, the Group has a total provision of € 36 million related to contingent consideration payable as a result of business combinations in prior periods (31 March 2019: € 36 million). The fair value of consideration is updated at each reporting date, based on latest forecasts and budgets. Estimates are based on a discount rate which reflects the risk profile of the investment and probability-adjusted sales and operating profit figures. As this valuation is based on unobservable inputs, it is classified as a Level 3 in the fair value hierarchy. Re-assessment of the expected cash flows, based on the methodology described above, did not result in a significant change to the expected payments. The only other movement in this balance during the year, other than payments made, was due to exchange rates.

Exchange rates

The results of the Group's subsidiaries which do not report in euros have been translated at the following average rates of exchange against the euro. The balance sheets of those subsidiaries have been translated into euros at the closing rates set out below.

Exchange rates against the euro

	Six months to 30 September 2019	Six months to 30 September 2018
Average		
United States dollar	**1.12**	1.18
Japanese yen	**121**	130
Swiss franc	**1.11**	1.16

	30 September 2019	31 March 2019
Closing		
United States dollar	**1.09**	1.12
Japanese yen	**118**	124
Swiss franc	**1.09**	1.12

Statutory information

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'A' shares issued by Compagnie Financière Richemont SA are listed and traded on SIX Swiss Exchange, the Company's primary listing, (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0210483332) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 21048333. Richemont's 'A' shares are registered. The share register is managed by Computershare Schweiz AG, the registrar.

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'/Bloomberg 'CFR:SJ'/ISIN CH0045159024).

The closing price of the Richemont 'A' share on 30 September 2019 was CHF 73.22 and the market capitalisation of the Group's 'A' shares on that date was CHF 38 221 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 87.12 (26 July) and the lowest closing price was CHF 69.34 (13 May).

ISBN 978-2-9701006-9-0

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