

RICHMONT

Interim Report 2012

Cartier

Van Cleef & Arpels



A. LANGE & SÖHNE
GLASHÜTTE I/SA

BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830

IWC
INTERNATIONAL WATCH CO. SCHAFFHAUSEN
SWITZERLAND, SINCE 1868

JAEGGER-LECOULTRE

OFFICINE PANERAI
FIRENZE 1860

PIAGET

RALPH LAUREN
WATCH AND JEWELRY CO.

ROGER DUBUIS
HORLOGER GENEVOIS

VACHERON CONSTANTIN
Manufacture Horlogère, Genève, depuis 1755.

MONT
BLANC

ALFRED DUNHILL

ALAÏA
PARIS

Chloé

LANCEL
PARIS 1876

THE NETA-
PORTER
GROUP

PURDEY

SHANGHAI TANG
上海滩

Contents

- 1 Financial highlights
- 2 Executive Chairman and Chief Executive Officer's commentary
- 3 Financial review
- 4 Review of operations
- 8 Condensed consolidated statement of financial position
- 9 Condensed consolidated statement of comprehensive income
- 10 Condensed consolidated statement of changes in equity
- 11 Condensed consolidated statement of cash flows
- 12 Notes to the condensed consolidated interim financial statements
- 21 Exchange rates
- 21 Statutory information

Cautionary statement regarding forward-looking statements

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside the Group's control. Richemont does not undertake to update, nor does it have any obligation to provide updates of, or to revise, any forward-looking statements.

Financial highlights

- Sales grew by 21 % to € 5 106 million, or by 12 % at constant exchange rates
- Solid growth across segments, regions and channels
- Operating profit increased by 28 % to € 1 380 million, benefitting from favourable currency movements
- Operating margin gained 150 basis points to reach 27 %
- Profit for the period rose by 52 % to € 1 081 million
- Cashflow from operations of € 575 million.

Key financial data (unaudited)

	Six months ended 30 September 2012	Six months ended 30 September 2011	Change
Sales	€ 5 106 m	€ 4 214 m	+21 %
Gross profit	€ 3 310 m	€ 2 665 m	+24 %
Gross margin	64.8 %	63.2 %	+160 bps
Operating profit	€ 1 380 m	€ 1 075 m	+28 %
Operating margin	27.0 %	25.5 %	+150 bps
Profit for the period	€ 1 081 m	€ 709 m	+52 %
Earnings per share, diluted basis	€ 1.947	€ 1.266	+54 %
Cashflow generated from operations	€ 575 m	€ 606 m	-€ 31 m
Net cash position	€ 3 048 m	€ 2 596 m	+€ 452 m

Executive Chairman and Chief Executive Officer's commentary

Richemont is reporting a solid set of results for the first half of this year. The Group's Maisons benefitted from favourable exchange rates effects, successful product launches as well as strong pricing power.

The increase in net profit was well above the prior period, reflecting both the growth in operating results and the non-recurrence of non-cash losses, which stemmed from the Swiss franc's appreciation against the euro based on the closing Swiss franc rate.

Richemont's financial position continues to be strong: the Group's net cash position is € 3 billion.

Sales growth rates moderated, as evidenced by the October sales which grew by 12 % at actual exchange rates. At constant exchange rates, they were 7 % higher. Richemont is seeing good growth in Europe, supported by Asian tourism which is compensating for slower domestic Asia Pacific sales. Retail continued to lead wholesale, reflecting robust jewellery sales.

For the second half of the year, the comparatives are likely to be impacted by less favourable exchange rates.

With a view to strengthening the manufacturing base and exploiting growth opportunities as they arise, the Group's Maisons will execute their investment programmes as planned.

JOHANN RUPERT

**EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 9 NOVEMBER 2012**

Financial review

SALES

Sales in the six-month period increased by 21 % at actual exchange rates, or by 12 % at constant exchange rates. The increase in sales reflected, in particular, sales growth in the Group's own retail network, bolstered by very strong demand in Europe during the period. Further details of sales by region, distribution channel and business area are given in the Review of Operations on pages 4 to 7.

GROSS PROFIT

Gross profit rose by 24 % and the gross margin percentage was 160 basis points higher at 64.8 % of sales. Several factors caused the increase in the gross margin percentage, in particular favourable currency movements. Other favourable factors included the impact of price increases and the growing proportion of sales made through the Maisons' own boutiques. These favourable factors were partly offset by the impact of the cessation of hedge accounting, which was initiated in the prior year. In the current period, foreign exchange losses recognised in the gross margin were immaterial whereas gains in the prior period added 166 basis points to the gross margin percentage.

OPERATING PROFIT

Operating profit increased by 28 %, reflecting the significant increase in gross profit, offset by an increase in operating expenses of 21 %, or 14 % at constant exchange rates.

Selling and distribution expenses were 23 % higher, reflecting in particular the increase in sales in the Maisons' own boutique networks. Communication expenses also increased by 23 % and represented 8 % of sales. Administration costs rose by 19 % and reflected the expansion of certain of the Group's shared service platforms.

As a consequence, operating margin increased by 150 basis points to 27.0 % in the period under review.

PROFIT FOR THE PERIOD

Profit for the period increased by 52 % to € 1 081 million, reflecting the following significant items:

- Within net finance costs, € 142 million of mark-to-market losses have been recorded in respect of currency hedging activities (2011: losses of € 113 million).
- In the comparative period, the Swiss franc's appreciation against the euro generated reported non-cash losses of € 153 million in respect of the Group's cash position. In the period under review, there were no such non-cash losses as a consequence of the stable euro : Swiss franc exchange rate.

The effective taxation rate was 15.6 %, reflecting the anticipated full-year rate, which is in line with prior periods.

Earnings per share increased by 54 % to € 1.947 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 2012 would be € 1 087 million (2011: € 713 million). Basic HEPS for the period was € 1.983 (2011: € 1.303). Diluted HEPS for the period was € 1.949 (2011: € 1.273). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 8 of the Group's condensed consolidated interim financial statements.

CASHFLOW

Cashflow generated from operations was € 575 million, broadly in line with the prior period. The additional cash generated from operating profit was absorbed by working capital movements and settlement of maturing foreign exchange contracts.

The net acquisition of tangible fixed assets amounted to € 217 million, reflecting selected investments in the Group's network of boutiques, particularly in the Asia Pacific region, and further investments in manufacturing facilities in Switzerland.

The 2012 dividend, at CHF 0.55 per share, was paid to shareholders net of withholding tax in September. The cash outflow in the period amounted to € 164 million; the withholding tax was remitted to the Swiss authorities in October.

During the period, the Group acquired some 6 million 'A' shares to hedge executive stock options. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives and other activities linked to the hedging programme, leading to a net outflow of € 86 million.

FINANCIAL STRUCTURE AND BALANCE SHEET

Inventories at the end of September amounted to € 4 033 million. This figure represents 16 months of gross inventories and is in line with the rotation at September 2011. The stable rate of stock turn reflects the favourable trading conditions in particular. In absolute terms, the increase in the value of inventories resulted from the strategic build-up of inventories and the expansion of the Maisons' boutique networks.

At 30 September 2012, the Group's net cash position amounted to € 3 048 million, broadly in line with the position at 31 March 2012. The Group's net cash position includes short-term liquid funds as well as cash, cash equivalents and all borrowings. Liquid money market funds, government bond funds and cash balances were primarily denominated in euros, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned. Total borrowings, including bank borrowings and short-term loans, amounted to € 213 million.

Richemont's financial structure remains very strong, with shareholders' equity representing 71 % of total equity and liabilities.

Review of operations

Sales by region

in € millions	30 September 2012	30 September 2011	Movement at	
			Constant exchange rates*	Actual exchange rates
Europe	1 857	1 514	+19 %	+23 %
Asia Pacific	2 103	1 718	+9 %	+22 %
Americas	698	602	+4 %	+16 %
Japan	448	380	+4 %	+18 %
	5 106	4 214	+12 %	+21 %

*Note: movements at constant exchange rates are calculated 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 2012.

EUROPE

Europe accounted for 36 % of overall sales. The region enjoyed good growth, with visitors driving the above-average increase. The highest growth rates were in the Maisons' own boutiques in tourist destinations, including the Middle East.

ASIA PACIFIC

Sales in the Asia Pacific region accounted for 41 % of the Group total, with Hong Kong and mainland China the two largest markets. Following two years of exceptionally high rates of sales growth, the rate during the period under review moderated. Sales growth in our Maisons' own boutiques in the region was well above the increase in sales to wholesale partners, partly reflecting the number of boutique openings in the last two years.

AMERICAS

After two years of outstanding sales, the Americas region reported single-digit growth before currency translation effects and represented 14 % of Group sales. Certain exceptional High Jewellery sales took place in the comparative period, primarily in the Jewellery Maisons.

JAPAN

The increase in sales in Japan reflected the continued momentum in all segments.

Sales by distribution channel

in € millions	30 September 2012	30 September 2011	Constant exchange rates*	Movement at Actual exchange rates
Retail	2 618	2 083	+15 %	+26 %
Wholesale	2 488	2 131	+8 %	+17 %
	5 106	4 214	+12 %	+21 %

*Note: movements at constant exchange rates are calculated 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 2012.

RETAIL

Overall retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 26 %. This continues to be well above the growth in wholesale sales and 51 % of Group sales are now generated through its own retail network.

The growth in retail sales partly reflected the good performance of Net-a-Porter and the expansion of the Maisons' network of boutiques to 988 stores. Openings during the period were primarily in high-growth markets.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported solid growth. This performance reflects the marketing environment in this channel.

Review of operations continued

Sales and operating results by business area

JEWELLERY MAISONS

in € millions	30 September 2012	30 September 2011	Change
Sales	2 607	2 165	+20 %
Operating results	958	734	+31 %
Operating margin	36.7 %	33.9 %	+280 bps

The Jewellery Maisons' sales grew by 20 %. Both Cartier and Van Cleef & Arpels generated remarkable results.

The Maisons' boutique networks reported good growth and benefitted from boutique openings. Demand for High Jewellery pieces and more accessible jewellery ranges was strong. Demand for Cartier's watch collections was solid.

The significant increase in sales and positive gross margin development generated an operating margin of 37 %.

SPECIALIST WATCHMAKERS

in € millions	30 September 2012	30 September 2011	Change
Sales	1 459	1 171	+25 %
Operating results	470	312	+51 %
Operating margin	32.2 %	26.6 %	+560 bps

The Specialist Watchmakers' sales increased by 25 %, reflecting the worldwide demand for *haute horlogerie*.

Most Specialist Watchmakers contributed to the significant increase in the contribution margin to 32 %, reflecting the

Maisons' pricing power and operating leverage in an environment where currency fluctuations were supportive.

MONTBLANC MAISON

in € millions	30 September 2012	30 September 2011	Change
Sales	368	334	+10 %
Operating result	53	54	-2 %
Operating margin	14.4 %	16.2 %	-180 bps

Montblanc's sales increased by 10 %: they were primarily driven by watches and currency effects. Compared with other Group businesses, Montblanc benefits less from sales in tourist destinations.

The Maison's operating margin decreased to 14 %.

Sales and operating results by business area continued

OTHER

in € millions	30 September 2012	30 September 2011	Change
Sales	672	544	+24 %
Operating results	(15)	(17)	+12 %
Operating margin	(2.2) %	(3.1) %	+90 bps

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

Richemont’s Fashion & Accessories Maisons saw double-digit sales growth and operating profits were in line with the prior period at € 25 million.

Sales growth at Net-a-Porter is normalising but continues to exceed the Group’s average. Net-a-Porter reduced its losses during the period, but generated a positive operating cashflow.

Losses at the Group’s watch component manufacturing facilities were in line with the comparative period.

CORPORATE COSTS

in € millions	30 September 2012	30 September 2011	Change
Corporate costs	(86)	(8)	n/a
Central support services	(78)	(69)	+13 %
Other operating (expense)/income, net	(8)	61	n/a

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central support services), as well as other expenses and income which are not allocated to specific business areas. The increase in central support service reflects the support of IT systems and other long-term initiatives. On a constant exchange rate basis, the cost of central support services increased by 10 %. In the comparative period, other operating income included gains of € 70 million relating to the Group’s exchange rate hedging programme, which are reported within gross profit. Following the cessation of hedge accounting, there were no material exchange rate gains or losses reported in gross profit in the period under review.

The unaudited condensed consolidated interim financial statements are set out in full on the following pages.

RICHARD LEPEU
DEPUTY CHIEF EXECUTIVE OFFICER

GARY SAAGE
CHIEF FINANCIAL OFFICER

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 9 NOVEMBER 2012

Condensed consolidated statement of financial position

	Note	30 September 2012 € m	31 March 2012 € m
Assets			
Non-current assets			
Property, plant and equipment		1 590	1 529
Goodwill		491	479
Other intangible assets		314	316
Investment property	5	66	64
Investments in associated undertakings		9	10
Deferred income tax assets		483	443
Financial assets held at fair value through profit or loss		64	69
Other non-current assets		298	248
		3 315	3 158
Current assets			
Inventories		4 033	3 666
Trade and other receivables		1 133	750
Derivative financial instruments		22	27
Prepayments		109	116
Financial assets held at fair value through profit or loss		2 173	2 400
Cash at bank and on hand		2 433	1 636
		9 903	8 595
Total assets		13 218	11 753
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		334	334
Treasury shares		(596)	(515)
Hedge and share option reserves		255	255
Cumulative translation adjustment reserve		1 382	1 412
Retained earnings		7 950	7 123
		9 325	8 609
Non-controlling interests		2	9
Total equity		9 327	8 618
Liabilities			
Non-current liabilities			
Borrowings		51	22
Deferred income tax liabilities		27	24
Retirement benefit obligations		31	33
Provisions		163	158
Other long-term financial liabilities		188	176
		460	413
Current liabilities			
Trade and other payables		901	948
Current income tax liabilities		403	299
Borrowings		1	4
Derivative financial instruments		90	124
Provisions		153	163
Accruals and deferred income		377	358
Short-term loans		161	62
Bank overdrafts		1 345	764
		3 431	2 722
Total liabilities		3 891	3 135
Total equity and liabilities		13 218	11 753

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Sales	4	5 106	4 214
Cost of sales		(1 796)	(1 549)
Gross profit		3 310	2 665
Selling and distribution expenses		(1 096)	(891)
Communication expenses		(418)	(340)
Administrative expenses		(408)	(342)
Other operating (expense)/income	6	(8)	(17)
Operating profit		1 380	1 075
Finance costs	7	(156)	(287)
Finance income	7	57	61
Share of post-tax results of associated undertakings		(1)	(1)
Profit before taxation		1 280	848
Taxation	9	(199)	(139)
Profit for the period		1 081	709
Other comprehensive (loss)/income:			
Currency translation adjustments			
– movement in the period		(30)	427
– reclassification to profit or loss		–	1
Cashflow hedges			
– net gains		–	20
– reclassification to profit or loss		1	(70)
Other comprehensive (loss)/income, net of tax		(29)	378
Total comprehensive income		1 052	1 087
Profit attributable to:			
Owners of the parent company		1 086	709
Non-controlling interests		(5)	–
		1 081	709
Total comprehensive income attributable to:			
Owners of the parent company		1 057	1 086
Non-controlling interests		(5)	1
		1 052	1 087
Earnings per share attributable to owners of the parent company			
during the period (expressed in € per share)			
Basic	8	1.981	1.295
Diluted	8	1.947	1.266

The notes on pages 12 to 20 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	
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 2011	334	(325)	305	892	5 774	6 980	12	6 992
Comprehensive income								
Profit for the period	–	–	–	–	709	709	–	709
Other comprehensive income	–	–	(50)	427	–	377	1	378
	–	–	(50)	427	709	1 086	1	1 087
Transactions with owners of the parent company recognised directly in equity								
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	12	–	–	–	(205)	(205)	–	(205)
	–	(205)	(22)	–	(196)	(423)	–	(423)
Balance at 30 September 2011	334	(530)	233	1 319	6 287	7 643	13	7 656
Balance at 1 April 2012	334	(515)	255	1 412	7 123	8 609	9	8 618
Comprehensive income								
Profit for the period	–	–	–	–	1 086	1 086	(5)	1 081
Other comprehensive loss	–	–	1	(30)	–	(29)	–	(29)
	–	–	1	(30)	1 086	1 057	(5)	1 052
Transactions with owners of the parent company recognised directly in equity								
Net changes in treasury shares	–	(81)	–	–	(6)	(87)	–	(87)
Employee share option plan	–	–	12	–	–	12	–	12
Tax on share option plan	–	–	(13)	–	–	(13)	–	(13)
Acquisition of non-controlling interests	–	–	–	–	(1)	(1)	(2)	(3)
Dividends	12	–	–	–	(252)	(252)	–	(252)
	–	(81)	(1)	–	(259)	(341)	(2)	(343)
Balance at 30 September 2012	334	(596)	255	1 382	7 950	9 325	2	9 327

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Cash flows from operating activities			
Cash flow generated from operations	10	575	606
Interest received		6	17
Interest paid		(11)	(13)
Other investment income		2	3
Taxation paid		(150)	(129)
Net cash generated from operating activities		422	484
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired		(30)	(3)
Acquisition of associated undertakings		–	(1)
Acquisition of property, plant and equipment		(218)	(140)
Proceeds from disposal of property, plant and equipment		1	17
Acquisition of intangible assets		(38)	(29)
Acquisition of investment property		(13)	–
Investment in money market and government bond funds		(2)	(151)
Proceeds from disposal of money market and government bond funds		230	143
Acquisition of other non-current assets		(17)	(16)
Proceeds from disposal of other non-current assets		7	9
Net cash used in investing activities		(80)	(171)
Cash flows from financing activities			
Proceeds from borrowings		127	10
Repayment of borrowings		(4)	(101)
Acquisition of non-controlling interests		(3)	–
Dividends paid	12	(164)	(133)
Payment for treasury shares	14	(206)	(279)
Proceeds from sale of treasury shares	14	120	74
Capital element of finance lease payments		(1)	(1)
Net cash used in financing activities		(131)	(430)
Net change in cash and cash equivalents		211	(117)
Cash and cash equivalents at beginning of period		872	657
Exchange gains on cash and cash equivalents		5	32
Cash and cash equivalents at end of period		1 088	572

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

at 30 September 2012

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, Purdey 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 unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 8 November 2012.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2012 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 2012 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 2012.

3. Accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2012.

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 reportable segments as follows:

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

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

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments and leather goods, is reflected in the sales and operating result for that segment.

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

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

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

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

4. Segment information continued

The segment results are as follows:

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
External sales		
Jewellery Maisons	2 607	2 165
Specialist Watchmakers	1 459	1 171
Montblanc Maison	368	334
Other	672	544
	5 106	4 214
	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Operating result		
Jewellery Maisons	958	734
Specialist Watchmakers	470	312
Montblanc Maison	53	54
Other	(15)	(17)
	1 466	1 083
Unallocated corporate costs	(86)	(8)
Consolidated operating profit before finance and tax	1 380	1 075
Finance costs	(156)	(287)
Finance income	57	61
Share of post-tax results of associated undertakings	(1)	(1)
Profit before taxation	1 280	848
Taxation	(199)	(139)
Profit for the period	1 081	709

Notes to the condensed consolidated interim financial statements continued

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 2012 € m	At 31 March 2012 € m
Segment assets		
Jewellery Maisons	2 485	2 149
Specialist Watchmakers	1 447	1 219
Montblanc Maison	412	357
Other	465	417
	4 809	4 142
Total segment assets	4 809	4 142
Property, plant and equipment	1 590	1 529
Goodwill	491	479
Other intangible assets	314	316
Investment property	66	64
Investments in associated undertakings	9	10
Deferred income tax assets	483	443
Financial assets at fair value through profit or loss	2 237	2 469
Other non-current assets	298	248
Other receivables	357	274
Derivative financial instruments	22	27
Prepayments	109	116
Cash at bank and on hand	2 433	1 636
Total assets	13 218	11 753

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

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Additions to non-current assets: property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	75	44
Specialist Watchmakers	58	34
Montblanc Maison	10	9
Other	53	35
Unallocated	26	50
	222	172

4. Segment information continued

(b) Information about geographical areas

Each reporting segment operates on a worldwide 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 2012 € m	Six months to 30 September 2011 € m
Europe	1 857	1 514
France	413	330
Switzerland	210	170
Germany, Italy and Spain	383	341
Other Europe	851	673
Asia	2 551	2 098
China/Hong Kong	1 325	1 132
Japan	448	380
Other Asia	778	586
Americas	698	602
USA	548	468
Other Americas	150	134
	5 106	4 214

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 2012 € m	At 31 March 2012 € m
Switzerland	1 236	1 217
Rest of the world	1 387	1 331
	2 623	2 548

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 2012 € m	Six months to 30 September 2011 € m
Watches	2 622	2 193
Jewellery	1 315	1 017
Leather goods	366	331
Writing instruments	177	163
Clothing and other	626	510
	5 106	4 214

Notes to the condensed consolidated interim financial statements continued

5. Investment property

	Property fund € m	Other € m	Total € m
1 April 2012			
Cost	64	–	64
Depreciation	–	–	–
Net book value at 1 April 2012	64	–	64
Acquisition	–	–	–
Additions subsequent to acquisition	2	–	2
Depreciation	–	–	–
30 September 2012			
Cost	66	–	66
Depreciation	–	–	–
Net book value at 30 September 2012	66	–	66

Richemont is a limited partner in a property fund. It is also the general partner and property manager of the fund, having full power and authority to carry on all activities which it considers necessary or desirable to the operation of the partnership. In the year to March 2012 the fund acquired a property in Paris. The residual value of the property is estimated to exceed the book value. Accordingly no depreciation has been recognised in the period. In accordance with the partnership the fund is established for a defined term.

When Group management considers that the useful life of an investment property, which stands to be acquired, will exceed the defined term of the abovementioned property fund, the acquisition shall be financed independently of the property fund. During the period to September, such a property was identified in New York. At 30 September 2012, a deposit of € 30 million had been paid, with the entire acquisition being completed in October. More information is provided in note 16.

6. Other operating (expense)/income

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Royalty income – net	13	11
Amortisation of other intangible assets acquired on business combinations	(22)	(20)
Other income/(expense)	1	(8)
	(8)	(17)

7. Finance costs and income

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Finance costs:		
Interest expense		
– bank borrowings	(12)	(12)
– other financial expenses	(2)	(2)
Net foreign exchange losses on monetary items	–	(160)
Mark-to-market adjustment in respect of hedging activities	(142)	(113)
Finance costs	(156)	(287)
Finance income:		
Interest income on bank, other deposits, and money market and government bond funds	6	17
Dividend income on financial assets at fair value through profit or loss	2	3
Net gain in fair value of financial instruments at fair value through profit or loss	2	41
Net foreign exchange gains on monetary items	43	–
Gain on disposal of long-term investment	4	–
Finance income	57	61
Net finance costs	(99)	(226)

Foreign exchange losses resulting from effective hedge derivative instruments of € 1 million (2011: gains of € 70 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.

Notes to the condensed consolidated interim financial statements continued

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 2012	Six months to 30 September 2011
Profit attributable to owners of the parent company (€ millions)	1 086	709
Weighted average number of shares in issue (millions)	548.1	547.4

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.

	Six months to 30 September 2012	Six months to 30 September 2011
Profit attributable to owners of the parent company (€ millions)	1 086	709
Weighted average number of shares in issue (millions)	548.1	547.4
Adjustment for share options (millions)	9.7	12.8
Weighted average number of shares for diluted earnings per share (millions)	557.8	560.2

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.

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Profit attributable to owners of the parent company	1 086	709
Impairment loss on non-current assets	–	3
Loss on sale of property, plant and equipment	1	–
Currency exchange losses reclassified from currency translation adjustment reserve	–	1
Headline earnings	1 087	713

	Six months to 30 September 2012 millions	Six months to 30 September 2011 millions
Weighted average number of shares		
– Basic	548.1	547.4
– Diluted	557.8	560.2
	€ per share	€ per share
Headline earnings per share		
– Basic	1.983	1.303
– Diluted	1.949	1.273

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 2012 was 15.6 % (2011: 16.4 %).

10. Cash flow generated from operations

	Six months to 30 September 2012 € m	Six months to 30 September 2011 € m
Operating profit	1 380	1 075
Depreciation and impairment of property, plant and equipment	141	119
Amortisation and impairment of other intangible assets	43	43
Loss on disposal of property, plant and equipment	1	–
Increase in provisions	25	26
Decrease in retirement benefit obligations	(1)	(3)
Non-cash items	13	(55)
Increase in inventories	(367)	(340)
Increase in trade debtors	(289)	(288)
Increase in other receivables and prepayments	(32)	(27)
(Decrease)/increase in current and long-term operating liabilities	(339)	56
Cash flow generated from operations	575	606

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 2013 annual consolidated financial statements.

12. Dividends

In September 2012 a dividend of € 252 million (2011: € 205 million) was paid net of withholding tax of € 88 million (2011: € 72 million). The dividend per share was CHF 0.55 (2011: CHF 0.45).

13. Financial commitments and contingent liabilities

At 30 September 2012, 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 under the Group stock option plan.

During the current period the Group acquired 5 880 620 treasury shares directly in the open market and through the exercise of over-the-counter call options for € 206 million. In the same period the Group delivered 6 982 014 treasury shares for proceeds of € 120 million, in settlement of options exercised in the period and traded options exercised in previous periods.

Notes to the condensed consolidated interim financial statements continued

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 stock option plan vest over periods of four to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury good companies upon which vesting is conditional.

During the period ended 30 September 2012 awards of 1 796 500 options were granted (2011: 1 607 700) at an exercise price of CHF 57.45 (2011: CHF 54.95).

16. Events after the reporting period

The Group completed three separate business combinations after the reporting period.

The Group acquired 100% of the capital of Varin-Etampage and Varinor ('VVSA') on 2 October. VVSA specialises in the manufacture of high-end metal products for the watch and jewellery industry. The acquisition of VVSA reinforces the Group's industrial capabilities via their established technical know-how in gold refining and stamping.

On 10 October 2012, the Group acquired a retail investment property in New York. The acquisition which represents a long-term investment for the Group will be independent of the activities undertaken by the property fund established in the prior year.

On 19 October 2012, the acquisition of the entire Common Units of Peter Millar LLC, a US-based, international apparel business was completed. The brand represents an addition to Richemont's portfolio of accessory brands.

The information that follows is management's best estimates of the fair value of the assets and liabilities acquired based on initial reviews. More detailed identification and valuation work will be performed before the year-end when full IFRS 3 *Business Combinations* disclosures will be made.

The acquisition of VVSA and Peter Millar LLC are not individually significant. The information provided for these acquisitions is presented on an aggregate basis.

Fair value of assets acquired:

	VVSA & Peter Millar LLC € m	Investment property € m	Total € m
Property, plant and equipment	16	–	16
Intangible assets	51	–	51
Investment property	–	297	297
Inventory	77	–	77
Cash and cash equivalents	1	–	1
Trade and other receivables	15	–	15
Trade and other payables	(61)	–	(61)
Current and deferred tax	(3)	–	(3)
Long-term borrowings	(6)	–	(6)
Fair value of net assets acquired	90	297	387
Goodwill	62	–	62
Purchase consideration	152	297	449
Deposit paid in period to 30 September 2012	–	(30)	(30)
Cash paid in October 2012	152	267	419

None of the goodwill arising on the acquisition of VVSA, representing the know-how of the highly skilled workforce and established reputation, is expected to be deductible for tax.

The goodwill arising on the acquisition of Peter Millar LLC represents the premium attributable to a pre-established, well positioned business in the apparel market and is expected to be fully deductible for tax.

Exchange rates

The results of the Group's subsidiaries and its associates 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 and the associates have been translated into euros at the closing rates set out below.

Exchange rates against the euro

	Six months to 30 September 2012	Six months to 30 September 2011
Average		
United States dollar	1.27	1.43
Japanese yen	101	113
Swiss franc	1.20	1.21
	30 September 2012	31 March 2012
Closing		
United States dollar	1.29	1.33
Japanese yen	100	110
Swiss franc	1.21	1.20

Statutory information

PRIMARY LISTING

SIX Swiss Exchange (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0045039655). The Swiss 'Valorennummer' is 4503965. Richemont 'A' bearer shares are included in the Swiss Market Index ('SMI') of leading stocks.

SECONDARY LISTING

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

The closing price of the Richemont 'A' share on 30 September 2012 was CHF 56.40 and the market capitalisation of the Group's 'A' shares on that date was CHF 29 441 million. Over the preceding six month period, the highest closing price of the 'A' share was CHF 64.15 (10 September) and the lowest closing price of the 'A' share was CHF 48.40 (12 July).

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office: 50 chemin de la Chênaie
C.P. 30
1293 Bellevue Geneva
Switzerland
Tel: (+41) (0) 22 721 3500
Fax: (+41) (0) 22 721 3550

Internet: www.richemont.com
E-mail: investor.relations@cfrinfo.net
secretariat@cfrinfo.net
pressoffice@cfrinfo.net

Designed and produced by Corporate Edge www.corporateedge.com

Printed in South Africa by Shumani Printers (Pty) Ltd.

The text paper in this report is Sappi Triple Green Silk. 60% of the pulp used in the production of this paper is sugar cane fibre, which is the material remaining after raw sugar has been extracted from sugar cane. The bleaching process is elemental chlorine-free. The remaining pulp used in the production process comprises wood fibre obtained from sustainable and internationally-certified forests, using independently-audited Chains of Custody.

ISBN 978-2-9700709-5-5

© Richemont 2012

