

RICHMONT

Consolidated Interim Financial Statements
30 September 2009

Un-audited

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Consolidated statement of financial position

		30 September 2009	31 March 2009
	Note	€ m	€ m
Assets			
Non-current assets			
Property, plant and equipment		1 082	1 148
Intangible assets		376	386
Investments in associated undertakings		19	14
Deferred income tax assets		324	305
Financial assets held at fair value through profit or loss		92	143
Other non-current assets		182	180
		<u>2 075</u>	<u>2 176</u>
Current assets			
Inventories		2 366	2 422
Trade and other receivables		800	672
Derivative financial instruments		63	18
Prepayments and accrued income		89	80
Assets of disposal groups held for sale		-	11
Financial assets held at fair value through profit or loss	10	838	-
Cash at bank and on hand		1 029	2 032
		<u>5 185</u>	<u>5 235</u>
Total assets		<u>7 260</u>	<u>7 411</u>
Equity and liabilities			
Equity			
Share capital		334	334
Treasury shares		(266)	(195)
Hedge and share option reserves		174	90
Cumulative translation adjustment reserve		126	124
Retained earnings		4 702	4 479
Total shareholders' equity		<u>5 070</u>	<u>4 832</u>
Minority interest		4	3
Total equity		<u>5 074</u>	<u>4 835</u>
Liabilities			
Non-current liabilities			
Borrowings		209	77
Deferred income tax liabilities		63	78
Retirement benefit obligations		37	39
Provisions		42	40
Other long-term liabilities		31	34
		<u>382</u>	<u>268</u>
Current liabilities			
Trade and other payables		464	545
Current income tax liabilities		216	172
Borrowings		30	188
Derivative financial instruments		38	123
Provisions		94	117
Accruals and deferred income		236	218
Short-term loans		241	276
Bank overdrafts		485	669
		<u>1 804</u>	<u>2 308</u>
Total liabilities		<u>2 186</u>	<u>2 576</u>
Total equity and liabilities		<u>7 260</u>	<u>7 411</u>

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

Consolidated statement of comprehensive income

		Six months to 30 September 2009	Six months to 30 September 2008 re-presented
	Notes	€ m	€ m
Continuing operations			
Sales	4	2 379	2 796
Cost of sales		(915)	(1 008)
Gross profit		1 464	1 788
Selling and distribution expenses		(598)	(600)
Communication expenses		(204)	(294)
Administrative expenses		(259)	(264)
Other operating (expense) / income	5	(13)	5
Operating profit		390	635
Finance costs	6	(37)	(100)
Finance income	6	61	115
Share of post-tax profit of associated undertakings		2	1
Profit before taxation		416	651
Taxation	8	(71)	(110)
Profit from continuing operations		345	541
Discontinued operations			
(Loss) / profit from discontinued operations (net of tax)	14	(1)	319
Profit for the period		344	860
Other comprehensive income:			
Currency translation adjustments		2	18
Cashflow hedges			
- net gains/(losses)		34	(34)
- reclassification to profit or loss		20	(11)
Share of other comprehensive income of associate		-	32
Other comprehensive income, net of tax		56	5
Total comprehensive income		400	865
Profit attributable to:			
Owners of parent		344	862
Minority interest		-	(2)
		344	860
Total comprehensive income attributable to:			
Owners of parent		400	867
Minority interest		-	(2)
		400	865
Earnings per share for profit and (loss) / profit from discontinued operations attributable to shareholders during the period (expressed in € per share)			
Basic:			
- from continuing operations	7	0.624	0.969
- from discontinued operations	7	(0.002)	0.570
		0.622	1.539
Diluted:			
- from continuing operations	7	0.623	0.961
- from discontinued operations	7	(0.002)	0.564
		0.621	1.525

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Consolidated statement of changes in equity

	Equity attributable to shareholders					Minority interest	Total equity	
	Shareholders' capital	Treasury shares	Other reserves	Cumulative translation adjustment				
				reserve	Retained earnings			
€ m	€ m	€ m	€ m	€ m	Total € m	€ m	€ m	
Balance at 1 April 2008	979	(268)	176	(348)	7 076	7 615	4	7 619
Changes in equity to 30 September 2008:								
Total comprehensive income	-	-	(45)	18	894	867	(2)	865
Minority interest in business combinations	-	-	-	-	-	-	6	6
Net changes in treasury shares	-	(30)	-	-	(8)	(38)	-	(38)
Employee share option plan	-	-	15	-	-	15	-	15
Dividends paid	-	-	-	-	(437)	(437)	-	(437)
Balance at 30 September 2008	979	(298)	146	(330)	7 525	8 022	8	8 030
Balance at 1 April 2009								
	334	(195)	90	124	4 479	4 832	3	4 835
Changes in equity to 30 September 2009:								
Total comprehensive income	-	-	54	2	344	400	-	400
Minority interest in business combinations	-	-	-	-	-	-	1	1
Net changes in treasury shares	-	(71)	-	-	(12)	(83)	-	(83)
Employee share option plan	-	-	24	-	-	24	-	24
Tax on share option plan	-	-	6	-	-	6	-	6
Dividends paid	-	-	-	-	(109)	(109)	-	(109)
Balance at 30 September 2009	334	(266)	174	126	4 702	5 070	4	5 074

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

Consolidated statement of cash flows

		Six months to 30 September 2009	Six months to 30 September 2008
	Notes	€ m	€ m
Cash flows from operating activities			
Cash flow generated from operations	9	321	224
Interest received		9	51
Interest paid		(15)	(19)
Other investment income		6	-
Dividends from associated undertaking		-	342
Taxation paid		(59)	(84)
Net cash generated from operating activities		<u>262</u>	<u>514</u>
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	13	(20)	(121)
Acquisition of associated undertakings		(4)	(1)
Acquisition of property, plant and equipment		(50)	(124)
Proceeds from disposal of property, plant and equipment		2	2
Acquisition of intangible assets		(12)	(15)
Proceeds from disposal of intangible assets		1	-
Investment in short-term government bond funds	10	(2)	-
Proceeds from disposal of short-term government bond funds	10	120	-
Acquisition of other non-current assets		(7)	(44)
Proceeds from disposal of other non-current assets		66	6
Net cash generated from / (used in) investing activities		<u>94</u>	<u>(297)</u>
Cash flows from financing activities			
Proceeds from borrowings		171	144
Repayment of borrowings		(203)	(146)
Dividends paid	12	(71)	(437)
Payment for treasury shares		(155)	(49)
Proceeds from sale of treasury shares		38	12
Capital element of finance lease payments		(2)	(2)
Net cash used in financing activities		<u>(222)</u>	<u>(478)</u>
Net change in cash and cash equivalents		134	(261)
Cash and cash equivalents at beginning of period		1 363	1 771
Reclassification of government bond funds	10	(956)	-
Exchange gains/(losses) on cash and cash equivalents		3	(19)
Cash and cash equivalents at end of period		<u>544</u>	<u>1 491</u>

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

Notes to the consolidated interim financial statements at 30 September 2009

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 and Azzedine Alaïa.

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

These un-audited consolidated interim financial statements have been approved for issue by the Board of Directors on 12 November 2009.

2. Basis of preparation

This interim financial information for the half year ended 30 September 2009 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2009.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3. Accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 March 2009 except as described below. There are no new standards, amendments to standards or interpretations which are mandatory for the financial year ending 31 March 2010 that will have a material effect on the Group's consolidated net income and financial position. IAS 1 (amended) *Presentation of Financial Statements* and IFRS 8 *Operating Segments* both became effective 1 January 2009.

IAS 1 (amended) *Presentation of Financial Statements* primarily affects the presentation of owner changes in equity and of comprehensive income. The Group has adopted a single statement presentation of comprehensive income, effectively combining both the income statement and all non-owner changes in equity in a single statement.

IFRS 8 *Operating Segments* introduces a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Under this standard 'Other' now includes the Leather and Accessories Maisons. The quantitative information on net segment assets has now been replaced with information on inventories and trade receivables.

4. Segment information

(a) Information on reportable segments

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

- Jewellery Maisons - businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- Specialist Watchmakers – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's specialist watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis;
- Writing Instrument Maison - business whose primary activity includes the design, manufacture and distribution of writing instruments, namely Montblanc; and
- Other - other operations mainly comprise Alfred Dunhill, Lancel, Chloé, textile brands and other manufacturing entities.

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

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

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

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

Inter-segment transactions 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 Chairman's Committee.

The segment results are as follows.

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
	€ m	€ m
External sales		
Jewellery Maisons	<u>1 222</u>	1 420
Specialist Watchmakers	655	794
Writing Instrument Maisons	239	286
Writing Instrument Maison - impact of discontinued operations	(1)	(4)
Other	<u>264</u>	300
	<u>2 379</u>	<u>2 796</u>
	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
	€ m	€ m
Operating result from continuing operations		
Jewellery Maisons	<u>349</u>	446
Specialist Watchmakers	133	233
Writing Instrument Maison	29	31
Other	(28)	(10)
Operating profit from reportable segments	<u>483</u>	700
Unallocated corporate costs	(93)	(65)
Consolidated operating profit before finance and tax	<u>390</u>	635
Finance costs	(37)	(100)
Finance income	61	115
Share of post-tax profit of associated undertakings	2	1
Profit before taxation	<u>416</u>	651
Taxation	(71)	(110)
Profit from continuing operations	<u>345</u>	541
(Loss) / profit from discontinued operations (note 14)	<u>(1)</u>	319
Profit for the period	<u>344</u>	<u>860</u>

The segment assets and additions to non-current assets which are reviewed by the Chairman's Committee comprise inventories and trade debtors and are as follows:

	At 30 September 2009	At 30 September 2008
	€ m	€ m
Segment assets		
Jewellery Maisons	1 505	1 564
Specialist Watchmakers	915	928
Writing Instrument Maisons	325	367
Other	254	298
	<u>2 999</u>	<u>3 157</u>
Total assets for reportable segments	2 999	3 157
Property, plant and equipment	1 082	1 040
Intangible assets	376	363
Investments in associated undertakings	19	3 055
Deferred income tax assets	324	273
Financial assets at fair value through profit or loss	930	104
Other non-current assets	182	188
Other receivables	167	181
Derivative financial instruments	63	6
Prepayments and accrued income	89	135
Cash at bank and on hand	1 029	2 131
Total assets	<u>7 260</u>	<u>10 633</u>

Other segment information is as follows:

	Six months to 30 September 2009	Six months to 30 September 2008
	€ m	€ m
Additions to non-current assets: property, plant, equipment and intangible assets		
Jewellery Maisons	21	35
Specialist Watchmakers	18	35
Writing Instrument Maisons	5	12
Other	9	32
Unallocated	5	25
	<u>58</u>	<u>139</u>

(b) *Information about geographical areas*

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

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
	€ m	€ m
Europe	995	1 255
France	214	268
Switzerland	109	153
Germany, Italy and Spain	252	319
Other Europe	420	515
Asia	1 059	1 044
China/Hong Kong	497	447
Japan	288	315
Other Asia	274	282
Americas	325	497
USA	237	374
Other Americas	88	123
	2 379	2 796

Sales are allocated based on the location of the wholesale customer or the boutique.

Segment tangible and intangible assets located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	At 30 September 2009	At 30 September 2008
	€ m	€ m
Switzerland	790	723
Rest of the world	668	680
	1 458	1 403

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 2009	Six months to 30 September 2008
	€ m	€ m
Watches	1 190	1 412
Jewellery	581	684
Leather goods	211	224
Writing instruments	125	147
Clothing and other	272	329
	2 379	2 796

(d) *Major customers*

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

5. Other operating income

Included in other operating income are royalties received of € 7 million (2008: € 7 million).

6. Net finance income

	Six months to 30 September 2009	Six months to 30 September 2008
	€ m	€ m
Finance costs:		
Interest expense on bank and other borrowings	(14)	(18)
Net loss in fair value of financial assets at fair value through profit or loss	-	(11)
Mark-to-market adjustment in respect of hedging activities	-	(71)
Net foreign exchange losses on monetary items	(23)	-
Finance costs	<u>(37)</u>	<u>(100)</u>
Finance income:		
Interest income on bank and other deposits	9	51
Dividends received	6	-
Net foreign exchange gains on monetary items	-	64
Net gain in fair value of financial assets at fair value through profit or loss	8	-
Mark-to-market adjustment in respect of hedging activities	38	-
Finance income	<u>61</u>	<u>115</u>
Net finance income	<u>24</u>	<u>15</u>

Foreign exchange losses resulting from effective hedge derivative instruments of € 19 million (2008: gains of € 11 million) were reflected in cost of sales during the period.

7. Earnings per share

7.1. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding shares purchased by the Company and held in treasury.

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
Profit attributable to shareholders of the Company (€ millions)	345	543
(Loss) / profit from discontinued operations attributable to shareholders of the Company (€ millions)	<u>(1)</u>	<u>319</u>
Weighted average number of shares in issue (millions)	<u>553.1</u>	<u>560.2</u>

7.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Company 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 2009	Six months to 30 September 2008 re-presented
Profit attributable to shareholders of the Company (€ millions)	345	543
(Loss) / profit from discontinued operations attributable to shareholders of the Company (€ millions)	(1)	319
	344	862
Weighted average number of shares in issue (millions)	553.1	560.2
Adjustment for share options (millions)	0.3	4.9
Weighted average number of shares for diluted earnings per share (millions)	553.4	565.1

8. Taxation

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax profit of associated undertakings. The rate for the periods ended 30 September 2009 and 2008 was 17.0 per cent.

9. Cash flow generated from operations

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
	€ m	€ m
Operating profit	389	634
Depreciation and impairment of property, plant and equipment	87	75
Amortisation of intangible assets	25	21
Increase in provisions	7	4
Decrease in retirement benefit obligations	(1)	(2)
Non-cash items	42	6
Decrease/(increase) in inventories	57	(268)
Increase in trade debtors	(131)	(218)
Increase in other receivables, prepayments and accrued income	(27)	(54)
(Decrease)/increase in current and long-term operating liabilities	(127)	26
Cash flow generated from operations	321	224

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

The Group holds investments in government bond funds and carefully monitors the maturity of each component investment within the funds. When the level of investment in instruments with a maturity capable of exceeding 90 days from inception exceeds the Group's established threshold the total value of the investment in the funds is irrevocably re-classified from cash equivalents to current assets – financial assets held at fair value through profit or loss. In April 2009 the Group's threshold was exceeded. The Group has therefore re-classified its investment in government bond funds in April 2009. The funds are immediately available.

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 2010 annual consolidated financial statements.

12. Dividends

In September 2009 a dividend of € 109 million (CHF 0.30 per share) was paid net of withholding tax of € 38 million (2008: dividend paid € 437 million: € 0.78 per unit).

13. Business combinations

During the period under review the Group acquired a number of small business units, none of which are individually significant. The information presented is on an aggregate basis and includes provisional amounts for certain assets and liabilities.

Net assets acquired in the period ended 30 September 2009

	Business operations acquired	
	Fair value	Acquirees carrying amount
	€ m	€ m
Property, plant and equipment and other long-term assets	1	1
Intangible assets	8	-
Inventories	13	13
Net assets acquired	<u>22</u>	<u>14</u>
Net assets acquired	22	
Attributable to minority interests	(1)	
Fair value of net assets acquired	<u>21</u>	
Settlement of trade receivable	(1)	
Purchase consideration - cash paid	<u>20</u>	

The complete disclosures related to these acquisitions will be provided in the annual consolidated financial statements prepared to 31 March 2010.

14. Discontinued operations

During the period under review the Group disposed of a small business unit.

The results of the discontinued operations include the business unit mentioned above and, in the period to 30 September 2008, the share of post tax profit of British American Tobacco plc ('BAT'). Full disclosure of the Group restructuring leading to the treatment of BAT as a discontinued operation was made in the annual consolidated financial statements to 31 March 2009.

Results of discontinued operations

	Six months to 30 September 2009	Six months to 30 September 2008
	€ m	€ m
Sales	<u>1</u>	<u>4</u>
Cost of sales	(2)	(2)
Gross (loss) / profit	<u>(1)</u>	<u>2</u>
Selling and distribution expenses	(1)	(2)
Communication expenses	-	(1)
Administrative income	1	-
Operating loss	<u>(1)</u>	<u>(1)</u>
Share of post-tax profit of associated undertaking	-	320
(Loss) / profit from discontinued operations	<u>(1)</u>	<u>319</u>

One of the small business units identified for disposal at 31 March 2009 and included within discontinued operations for the year ended 31 March 2009 is no longer anticipated to be sold within the timeframe specified by IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. This operation is no longer classified as a discontinued operation.

The complete disclosures related to this discontinued operation will be provided in the annual consolidated financial statements prepared to 31 March 2010.

15. Financial commitments and contingent liabilities

At 30 September 2009 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.

16. Treasury shares

During the period under review the Group acquired 10 million treasury shares in the open market at a total cost of € 153 million. These treasury shares are held to hedge partially the Group's obligation arising from the Group stock option plan.