## FY17 INTERIM RESULTS

ASAT
30 SEPIIEMBER 2016

RICHEMONT

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## H1-17 RESULTS

> Highlights
, Review of Operations
, Fina ncial Review
, Conclusion
, Q\&A Session


## Van Cleef \& Arpels

Haute Joaillerie, place Vendôme since 1906

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## H1-17 KEY FIGURES

, Sales down 13\% at actual; 12\% at constant exchange rates

- Diffic ult global environment
- Challenging comparatives
- -8\% at constant exchange rates excluding the impact of buy-backs
> Operating profit down 43\% to €798m
- 25\% down excluding one time items
> Profit for the period down 51\% to $€ 540 \mathrm{~m}$
, Cash flow from operations at $€ 666 \mathrm{~m}$


Cash flow from operations In € million


Profit for the period In $€$ million


## Review of Operations

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## H1-17 SALES IN EUROPE

, Demanding comparatives
, Weak trading across the region

- Signific a ntly lower tourist spend, partic ula rly in France
- Except in the UK, growing double digit
, Watches down, flat to positive contribution from other product lines



## H1-17 SALES IN THE MIDDLE EASTAND AFRICA

, Unsupportive c urrencies impacting resident and tourist sales
> Most product lines affected


## H1-17 SALES IN ASIA PACIFIC

, Rate of dec line softening to high single digit

- Hong Kong and Macau still weak, impacted by buy-backs
- Continued growth in mainland China and Korea
>Positive contribution from jewellery and accessories



## H1-17 SALES IN AMERICAS

, Mid single digit dec line

- Persisting weakness in watches
- Continued outperformance of accessories; resilience of jewellery



## H1-17 SALES IN J APAN

> Exceptionally challenging comparatives (+44\% in H1-16)
, Strong yen weighed on tourist spending
, All product categories impacted


- Europe
- Asia Pacific
- Americas
- Japan
- Middle East/Africa

Sept Sept 1516 in $€ m$
\%change at constant rates

## H1-17 SALES BY NETWO RK

, Retail sales dec line in tourist markets softened by

- Jewellery and accessories
- Asia Pacific and Americas
, Wholesale impacted by buy-backs and lower tourist flows


Wholesale


Sept Sept
1516
in $€ m$
\%change at constant rates

## H1-17 SALES BY PRODUCTLNE

, Watches, down 24\%
> Jewellery showed resilience
, Leather goods and writing intruments, good growth
, Clothing affected by store closures


| 6 months | €m | Sept 16 | Sept 15 | Constantrates | Actual rates |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Watches |  | 2103 | 2803 | -24\% | -25\% |
| J ewellery |  | 1962 | 1993 | 0\% | -2\% |
| Leather goods |  | 367 | 336 | 9\% | 9\% |
| Writing instruments |  | 198 | 188 | 8\% | 5\% |
| C lothing |  | 193 | 222 | -13\% | -13\% |
| Other |  | 263 | 279 | -5\% | -6\% |
| Total sales |  | 5086 | 5821 | -12\% | -13\% |

## H1-17 MAISO NS HIG HபG HTS

> Jewellery Maisons profita bility declined to 27\%
, The Specialist Watchmakers suffered the la rgest dec line in operating contribution margin - now $13 \%$ of sales
, The Other business area generated a loss; positive contribution excluding one-time charges

## H1-17 PERFO RMANCE - J EWEШERY MAISO NS

, Sales dec line prima rily attributable to watc hes
, Contribution margin of 31.7\% exc luding one-time items

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Sales |  | 2755 | 3177 | -13\% |
| Operating contribution |  | 756 | 1101 | -31\% |
| Contribution margin |  | 27.4\% | 34.7\% | -730 bps |

## H1-17 J EWELERY MAISO NS

, Downtum in retail limited to single digit thanks to

- Resilient jewellery enriched with new lines and references across price points
- New retail opportunities
> Wholesale sales affected by watch buy-backs
- Adaptation of offer to demand
- New Drive watch launched in all materials


## , Retail network enhanced with

- Reopening of the Fifth Avenue \& G inza Mansions
- New intemal boutiques, notably in Seoul, Kuala Lumpur and Melboume



## H1-17 J EWEШERY MAISO NS

, Muted growth achieved thanks to jewellery

- New models enriching existing collections
- New collections across price points
, Impactful jewellery events
- Emeraude en Majesté intemational launch
- Bouton d'orlaunch
- L'Arche de Noé exhibition
, Selective retail openings inc lude
- Shenyang in China


Bouton d'or

## H1-17 PERFO RMANCE - SPECIALSTWATC HMAKERS

, Sales dec line refiects diffic ult environment

- Prima rily in wholesale, Hong Kong and Switzerland
- Softened by a positive performance in mainland China
, Signific ant operating deleverage

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Sales |  | 1445 | 1749 | -17\% |
| Operating contribution |  | 187 | 402 | -53\% |
| Contribution margin |  | 12.9\% | 23.0\% | NR |

## H1-17 SPECIALSTWATC HMAKERS

## PiageT

, Commendable performance of jewellery
, Successful introduction of the Polo S
, Difficult trading in watc hes partially affected by buy-backs


Métiers d'Art Elégance Sartoriale

## H1-17 SPECIALSTWATC HMAKERS


, Solid trend in mainland China and Japan could not compensate weakness elsewhere
, Lange 1 relaunch now completed

## 『 <br> ROGER DUBUIS <br> Horloger genevois

, Overall sales decline cushioned by positive momentum in Asia and retail
> Launchescentered around the Exc a libur and Velvet lines


Lange 1


ExcaliburCarbon

## H1-17 SPECIAUSTWATC HMAKERS

## 

, Strong momentum in mainland China and the UK not overcoming a marked decline in most tourist destinations


## IWC <br> SCHAFFHAUSEN

, Successful relaunch of the Pilot line helped moderate the reduction in overalls sales
, Mainland China and Korea were partic ula rly noteworthy


## H1-17 SPECIALSTWATC HMAKERS

OFFICINE PANERAI
FIRENZE 1860
, Retail helped mitigate overall rate of decline in sales
, Middle East enjoyed good momentum across both channels

## $\Phi$

BAUME \& MERCIER
MAISON D'HORLOGERIE GENEVE 1830
, Difficult trading in most markets
, Classima and Promesse confimmed as the Ma ison's pillars respec tively formen and women


Lo Sc ienziato - Luminor 1950 Tourbillon GMTTitanio


Classima

## H1-17 PERFORMANCE - OTHER

, Sales dec line limited to -1\%
, Continued outperformance of Montblanc and Chloé
, One-time items of $€ 67 \mathrm{~m}$ affected profitability

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Sales |  | 886 | 895 | -1\% |
| Operating contribution |  | -40 | -11 | 264\% |
| Contribution margin |  | -4.5\% | -1.2\% | -330 bps |

## H1-17 OTHER

, Mid-single digit growth in organic sales driven by

- Writing instruments
- Leather
, E-commerce strongly supporting retail sales


Montblanc Meisterstuck

New digital device: Augmented Paper
, Retail network enhanced with

- Continued rollout of retail concept
- Six new intemal stores


Montblanc Heritage

## H1-17 OTHER

## Chloé

## LANCEL

, Double-digit growth in sales driven by Leather and most regions
, E-commerce platform operated by YNAP now operational

, Lower sales partly resulting from

- Weight of France
- Five major stores closed for renovation
> Good start of the latest la unches completing the offer with more accessible price points


Financial Review


## H1-17 OPERATING PROFIT

## > 43\% decrease in operating profit

- Lower gross profit
- Comparable operating profit excluding one-time charges down $25 \%$

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Sales |  | 5086 | 5821 | -13\% |
| Gross profit |  | 3230 | 3786 | -15\% |
| Net operating expenses |  | -2 432 | -2 396 | 2\% |
| Selling a nd distribution expenses |  | -1 452 | -1 440 | 1\% |
| Communication expenses |  | -485 | -468 | 4\% |
| Administration expenses |  | -476 | -474 |  |
| Other expenses |  | -19 | -14 |  |
| Operating profit |  | 798 | 1390 | -43\% |
|  |  |  |  |  |
| Gross margin percentage |  | 64\% | 65\% |  |
| Operating margin |  | 16\% | 24\% |  |

## H1-17 GROSS PROFIT

## > $\mathbf{1 5 \%}$ decrease in gross profit

- Positive: higher share of retail, exc hange rates environment
- Negative: buy-backs and optimisation of wholesale network



## H1-17 OPERATING EXPENSES

## > Increase of 2\% reflects

- Supportive currencies
- Conta ined expenses
- One-time charges of $€ 31 m$




## H1-17 NETFINANCE INCOME AND COSTS

## Reversal in net finance inc ome

- No movements in monetary items
- Increase in hedging losses

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Fina ncial income/(expense), net |  | 4 | -4 | +8 |
| Net foreign exc ha nge ga ins on moneta ry items |  | - | 130 | -130 |
| Net losses on hedging a ctivities |  | -91 | -8 | -83 |
| Fa ir va lue a djustments |  | -22 | -42 | +20 |
| Net finance (costs)/ income |  | -109 | 76 | -185 |

## H1-17 PROFITFROM CONTINUING OPERATIONS

## Profit for the period impacted by

- Operating profit decline
- Reversal in finance costs

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Operating profit |  | 798 | 1390 | -43\% |
| Net finance (costs)/ income |  | -109 | 76 |  |
| Sha re of post-tax results of equity-a ccounted investments |  | -10 | -5 |  |
| Profit before taxation |  | 679 | 1461 | -54\% |
| Taxation |  | -139 | -270 |  |
| Profit for the period from continuing operations |  | 540 | 1191 | -55\% |
| Loss for the period from discontinued operations |  | - | -88 |  |
| Profit for the period |  | 540 | 1103 | -51\% |
| profit margin from continuing operations |  | 10.6\% | 20.5\% |  |

## H1-17 CASH FLOW FROM OPERATIONS*

, Working capital contained
, Cash flow lower due to lower operating profit

| 6 months | €m | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Operating profit* |  | 798 | 1311 | -513 |
| Depreciation and amortisation |  | 270 | 271 | -1 |
| Other items |  | 15 | 31 | -16 |
| Movement in working capital |  | -417 | -558 | 141 |
| Cash flow from operations |  | 666 | 1055 | -389 |

[^0]
## H1-17 CAPITAL EXPENDITURE*

## , Lower capex spend

- Retail investments include fla gships

* Prior year includes disc ontinued operations


Renovated CartierMansion Fifth Avenue mansion, New York

## H1-17 CAPITAL EXPENDITURE*

## , Investments foc used on

- Store renovation and relocation
- Worldwide distribution centre


Chloé - Avenue
Montaigne, Paris


* Prior year includes disc ontinued operations



## H1-17 FREE CASH FLOW*

## > Decrease in free cash flow due to lower cash flow from operations

| 6 months | $€ \mathrm{~m}$ | Sept 16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| Cash flow from operations |  | 666 | 1055 | -389 |
| Net change in tangible assets |  | -210 | -242 | 32 |
| Net change in intangible assets |  | -18 | -35 | 17 |
| Net change in other non-curent assets |  | -10 | -20 | 10 |
| Taxation paid |  | -214 | -234 | 20 |
| Net interest received/(paid) |  | 4 | -8 | 12 |
| Total free cash inflow |  | 218 | 516 | -298 |

* Prior year includ es disc ontinued operations


## BALANCE SHEETSTRENGTH



## Conclusion



## CONCLUSION: ADDRESSING NEAR TERM CHA山ENGES

, Areas of focus

- Product attractiveness a nd quality
- Adapt to the new nom
, Sound financial position and confidence in the long term prospects for high quality products


## Q\&A Session

Appendix

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## STRATEGIC OBJ ECTIVES

, Achieve long term organic growth

- By generating
,Steady cash flows
>Value overthe long term
,Sustainable dividend growth
- By further developing competitive advantages through

〉An entrepreneurial \& creative management as well as skilled craftsmen
,Control over production \& product development and distribution

- By anticipating and adapting to changes in the environment
- By maintaining long standing commitment to doing business responsibly


## FINANC IAL HIG HLG HTS







Dividends CHF/share

| Sept 16 | NR |  |
| :---: | :---: | :---: |
| Sept 15 | NR |  |
| FY16 | +6\% | 1.70 |
| FY15 | +14\% | 1.60 |
| FY14 | +40\% | 1.40 |




Retum on operating assets

*Prior periods include discountinued operations

## HEDG ING

, 70\% of our forecasted net foreign currency cash flow exposure anising primarily in USD block, HKD, JPY, CNY is hedged versus CHF
> In the case of USD, the net exposure takes into account purc hases of precious metals and precious stones
> Different types of c urrency derivatives can be used including forward contracts and option based contracts
, Realised and unrealised gains/ losses on curency derivative contracts are recognised in net finance costs

|  | 6 months average rates to $\mathbf{3 0}$ Sept |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Actualaverage rates |  | Hedge rates |  |
| versus CHF | FY17 | FY16 | FY17 | FY16 |
| US \$ | 0.97 | 0.95 | 0.99 | 0.92 |
| HK \$ | 7.98 | 8.13 | 8.27 | 8.62 |
| CNY | 6.78 | 6.56 | 6.85 | 6.94 |
| YEN | 108 | 128 | 123 | 121 |

## H1-17 SALES BY REG ION AND BUSINESS AREA

| 6 months | $€ \mathrm{~m}$ | Sept 16 | Sept 15 | Constant rates* | Actual rates | Share of total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Europe |  | 1587 | 1943 | -17\% | -18\% | 31\% |
| Middle East/Africa |  | 432 | 489 | -10\% | -12\% | 9\% |
| Asia Pacific |  | 1769 | 1972 | -8\% | -10\% | 35\% |
| Americas |  | 821 | 883 | -5\% | -7\% | 16\% |
| Japan |  | 477 | 534 | -22\% | -11\% | 9\% |
| Total sales |  | 5086 | 5821 | -12\% | -13\% | 100\% |


| 6 months | $€ \mathrm{~m}$ | Sept 16 | Sept 15 | Constant rates* | Actual rates | Share of total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| J ewellery M a isons |  | 2755 | 3177 | -12\% | -13\% | 54\% |
| Specia list Watc hma kers |  | 1445 | 1749 | -17\% | -17\% | 28\% |
| Other |  | 886 | 895 | +0\% | -1\% | 18\% |
| Total sales |  | 5086 | 5821 | -12\% | -13\% | 100\% |

[^1]
## H1-17 OPERATING RESULTBY BUSINESS AREA

| 6 months | €m | Sept16 | Sept 15 | Period change |
| :---: | :---: | :---: | :---: | :---: |
| J ewellery M a isons |  | 756 | 1101 | -31\% |
| Spec ia list Watc hma kers |  | 187 | 402 | -53\% |
| Other |  | -40 | -11 | NR |
| Operating contribution |  | 903 | 1492 | -39\% |
|  |  |  |  |  |
| Comorate costs |  | -105 | -102 | +3\% |
| Central support services |  | -93 | -95 | -2\% |
| Otheroperating expenses |  | -12 | -7 | NR |
| Operating profit |  | 798 | 1390 | -43\% |

## H1-17 GROUP RESULTS



## SUMMARY BALANCE SHEETAND INVENTORY

|  | €m | Sept 16 | Sept 15 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Non-c urrent a ssets |  | 5639 | 4471 |  |  |
| C urrent a ssets |  | 14480 | 14476 |  |  |
| Non-c urrent lia bilities |  | -919 | -861 |  |  |
| C urrent lia bilities |  | -4 555 | -4 012 |  |  |
| Equity a ttributable to owners of the parent company |  | -14 645 | -14 094 |  |  |
| Non-controlling interests |  | 0 | 20 |  |  |
| Equity |  | -14 645 | -14074 |  |  |
| inc luding |  |  |  |  |  |
| Net cash |  | 4552 | 4763 |  |  |
|  | €m | Sept 16 | Sept 15 | Perio | ange |
| Finished goods |  | 3505 | 3308 | 197 | +6\% |
| Raw materials and work in progress |  | 1885 | 1898 | -13 | -1\% |
| Total |  | 5390 | 5206 | 184 | +4\% |
| Number of months of COGS | Rotation | 23.8 | 20.9 |  |  |

## RETAIL NETWO RK

|  | Sept 16 | Intemal | Extemal |  | Period change |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | March 16 | Intemal | Extemal | Net <br> change |
| Montblanc | 578 | 278 | 300 | 573 | 6 | -1 | 5 |
| Cartier | 283 | 202 | 81 | 279 | 5 | -1 | 4 |
| Chloé | 168 | 99 | 69 | 170 | 2 | -4 | -2 |
| Alfred Dunhill | 159 | 119 | 40 | 192 | -25 | -8 | -33 |
| Van Cleef \& Arpels | 118 | 79 | 39 | 116 | 1 | 1 | 2 |
| Piaget | 98 | 71 | 27 | 97 | 3 | -2 | 1 |
| J a eger-LeC oultre | 91 | 53 | 38 | 89 | 3 | -1 | 2 |
| IWC | 86 | 49 | 37 | 86 | 0 | 0 | 0 |
| Lancel | 83 | 68 | 15 | 84 | -2 | 1 | -1 |
| Offic ine Pa nerai | 72 | 38 | 34 | 68 | 3 | 1 | 4 |
| Vacheron Consta ntin | 61 | 30 | 31 | 58 | 0 | 3 | 3 |
| Others* | 102 | 68 | 34 | 99 | 3 | 0 | 3 |
| Total | 1899 | 1154 | 745 | 1911 | -1 | -11 | -12 |

*Others: Shanghai Tang, A. Lange \& Söhne, Baume \& Mercier, Roger Dubuis, Purdey, Azzedine Alaïa, Peter Millar

## H1-17 MAIN PRODUCTLAUNCHES

Cartier
, Jewellery

- Magic ien - High J ewellery
- Amulette de Cartier, new references
- Cactus de Cartier
, Watches
- Clé de Cartier, new references
- Drive de Cartier
- Hypnose
- Calibre Diver, new references


## Van Cleef \& Arpels

, Jewellery

- Emeraude en Majesté - High J ewellery
- L'Arche de Noé - High J ewellery
- Bouton d'or
- Two Butterfly Nacre
, Watches
- Lady Arpels Ronde des Papillons


## H1-17 MAIN PRODUCTLAUNCHES

## Plaget

Jewellery

- Sunny Side of Life - High J ewellery
- Possession, new references
- Rose, new references


## VACHERON CONSTANTIN

, Overseas, relaunch
, Patrimony, new references
, Métiers d'Art Elégance Sartoriale
, Watches

- Piaget Polo S

, Saxonia Moon Phase
, Grand Lange 1 Moon Phase "Lumen"


## 『

## ROGER DUBUIS

horloger genevois
, Velvet, new references
, Exc a libur, new skeleton references

## H1-17 MAIN PRODUCTLAUNCHES


, Reverso - High J ewellery
, Master Memovox

## OFFICINE PANERAI

FIRENZE 1860
, Lo Scienziato - Luminor 1950 Tourbillon GMT Titanio - 47mm
, Radiomir 19403 days GMT-45mm, new references
$\Phi$

## BAUME \& MERCIER MAISOND'HORLOGERIE GENEVE 1830

, Classima, new references
, Capeland Shelby Cobra
, Petite Promesse

## H1-17 MAIN PRODUCTLAUNCHES

## MONT ${ }^{\text {O }}$ <br> BLANC

, Writing Instruments

- Heritage Rouge \& Noir
- Meisterstück Ultra-Black


## , Watches

- Montblanc 4810 (Chrono), new references
- Boheme (Day \& Night)
, Leather
- Urban Spint Light


## LANCEL

Leather

- Jules
- Nine
- Max


## dunhill

, Leather

- Cadogan line relaunch
, Menswear
- New packable outwear


## Chloé

, Leather

- Faye, new references
- Drew, new references
- Lexa

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[^0]:    * Prior year includes discontinued operations

[^1]:    * Movements at constant exc hange 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 2016.

