RICHEMONT

Interim Report 2010

Contents

Financial highlights

- Sales increased by 37 per cent to € 3 259 million, or by 27 per cent at constant exchange rates.
- Excluding the impact of NET-A-PORTER.COM, sales increased by 22 per cent at constant exchange rates.
- Operating profit increased by 95 per cent to € 760 million.
- Cash flow generated from operations was € 598 million compared to € 321 million in 2009.

Key financial data (unaudited)

in € millions, unless indicated	Six months ended 30 September 2010	Six months ended 30 September 2009	Change
Sales	**3 259**	2 379	+37 %
Gross profit	**2 113**	1 464	+44 %
Gross margin (%)	**64.8**	61.5	+330 bps
Operating profit	**760**	390	+95 %
Operating margin (%)	**23.3**	16.4	+695 bps
Profit for the period	**644**	344	+87 %
Earnings per share, diluted basis (€)	**1.144**	0.621	+84 %
Cash flow generated from operations	**598**	321	+€ 277 m
Net cash position	**1 882**	902	+€ 980 m

Executive Chairman and Chief Executive Officer's commentary

The good performance achieved by Richemont in the first half of this year has been driven by a marked improvement in all business areas and across all geographies compared to the depressed levels seen last year. Richemont's Maisons were able to benefit fully from this improved trading environment, further enhancing their leading positions in jewellery, watchmaking, writing instruments and accessories. The geographic reach of the businesses, linked to the Group's efficient logistics infrastructure, has allowed the Group to report a substantial increase in profit for the period, demonstrating the operating leverage of its business model.

Richemont's financial position continues to be extremely strong: notwithstanding the acquisition of NET-A-PORTER.COM, the dividend payment and share buy-back transactions, the Group's net cash position was unchanged at some € 1.9 billion.

The robust sales momentum that the Group has seen for several months has continued through to the end of October; sales for the month were 36 per cent above those of October 2009 at actual exchange rates. At constant exchange rates and excluding the positive impact of the NET-A-PORTER.COM acquisition, they were 25 per cent higher.

For the second half of the financial year, we expect the high rate of growth in sales seen in the year to date to slow as a consequence of exchange rate movements and the more challenging prior year comparatives.

Our Maisons, with their outstanding creativity and exclusivity, are well placed to benefit from the universal appeal of European luxury goods. Their distribution networks and manufacturing resources will be further developed to meet growing customer demand in both growth and established markets.

JOHANN RUPERT
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 12 NOVEMBER 2010

Financial review

SALES

Sales for the six months ended 30 September 2010 increased by 37 per cent at actual exchange rates. At constant exchange rates and excluding the impact of the acquisition of NET-A-PORTER.COM in April 2010, sales increased by 22 per cent. The strong growth in sales reflected, in part, the low comparative figures reported in the prior period, when reported Group sales decreased by 15 per cent.

Further details of sales by region, distribution channel and business area are given in the Review of Operations on pages 5 to 7.

GROSS PROFIT

The gross margin percentage increased by 3.3 percentage points to 64.8 per cent of sales. The higher margin primarily results from the much better levels of manufacturing capacity utilisation compared to the prior period and higher sales due to the weakening euro, partly offset by the relative strengthening of the Swiss franc during the period. The Swiss franc is of particular importance to the cost of sales as the majority of the Group's manufacturing facilities are located in Switzerland. The improvement in the gross margin percentage, combined with the significant increase in the value of sales, generated an increase of 44 per cent in gross profit.

OPERATING PROFIT

Operating profit increased by 95 per cent, reflecting the significant increase in gross profit and continuing cost control. As a consequence, the operating margin increased by 695 basis points to 23.3 per cent in the period under review.

The Group's management of costs limited the increase in net operating expenses to 26 per cent overall. The significant increase in actual terms included the impacts of better trading, the relative weakening of the euro compared to the prior period, and the impact of NET-A-PORTER.COM. Selling and distribution expenses were 27 per cent higher, reflecting the three factors above and the additional costs of the expansion of the boutique network, particularly in the Asia-Pacific region. Communication expenses increased by 29 per cent, but represented just 8 per cent of sales, a relatively low figure compared with average full-year rates. Administration costs growth largely reflected new business acquisitions and exchange rate effects: underlying administration cost growth was limited to 4 per cent.

PROFIT FOR THE PERIOD

Profit for the period increased by 87 per cent to € 644 million and included the following significant factors:

- net finance costs amounting to € 120 million, primarily due to non-cash currency translation losses on net financial assets as a result of a stronger Swiss franc against the euro. The majority of the Group's financial assets are euro-denominated cash and liquid bond funds held by a Swiss franc entity. Upon translation, there was no effect on the Group's equity position;
- a € 102 million accounting gain relating to the acquisition of NET-A-PORTER.COM. This one-off gain, representing the revaluation of the Group's former equity accounted interest in that business, is reported within the Group's share of the post-tax results of associated companies; and
- an effective taxation rate of 15.4 per cent, reflecting the anticipated full-year rate.

Earnings per share increased by 84 per cent to € 1.144 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 2010 would be € 540 million (2009: € 347 million). Diluted HEPS for the period was € 0.956 (2009: € 0.627). Further details regarding earnings per share and HEPS may be found in note 7 of the Group's consolidated interim financial statements.

Financial review continued

FINANCIAL STRUCTURE AND BALANCE SHEET

Fixed assets, including tangible and intangible assets, increased by € 401 million during the six-month period. The increase largely reflects the acquisition of NET-A-PORTER.COM and increases in the Group's boutique network.

Inventories at the end of September amounted to € 2 536 million. This figure represents 18 months of gross inventories and compares with 20 months at September 2009. The improvement in the rate of stock turn reflects both the improved trading conditions and the measures previously taken to limit inventory growth within the Group. Notwithstanding these positive effects, the increase in the value of inventories partly reflects NET-A-PORTER.COM, the strengthening of the Swiss franc and the normal seasonal build-up of inventories at the end of the period during positive trading conditions.

At 30 September 2010, the Group's net cash position amounted to € 1 882 million and was in line with the position at 31 March 2010. The Group's net cash position includes short-term liquid bond funds as well as cash, cash equivalents and all borrowings. Liquid bond funds and cash balances were primarily denominated in euros, whereas borrowings were spread across the principal currencies of the countries in which the Group has significant operations. Borrowings reflect the financing of net operating assets in the countries concerned.

Shareholders' equity amounted to € 6 328 million, net of the cost of repurchased treasury shares and related instruments. At 30 September 2010, the Group held some 23 million treasury shares, representing some 5 per cent of the total number of the 'A' shares in issue, as well as options to acquire a further 10 million 'A' shares.

Richemont's financial structure remains very strong, with shareholders' equity representing 70 per cent of total equity and liabilities.

CASH FLOW

Cash flow generated from operations for the period was € 598 million. Compared to the prior period, the additional € 277 million generated from operations stemmed from operating profit. The Group's absorption of cash for working capital during the period was higher than the prior period, when manufacturing output was being reduced.

Net acquisitions of tangible fixed assets amounted to € 74 million, reflecting selected investments in the Group's network of boutiques and manufacturing facilities. Free cash flow in the period, being net cash generated from operating activities after all capital expenditure, amounted to € 390 million.

The 2010 dividend, at CHF 0.35 per share, was paid to shareholders net of withholding tax in September. The withholding tax was remitted to the Swiss authorities in October.

Significant investing activities during the period included the acquisition of a controlling interest in NET-A-PORTER.COM.

During the period under review, the Group initiated a new share buy-back programme and purchased some 5 million 'A' shares through the market at a cost of € 108 million. The gross cost of these purchases was partly offset by proceeds from the exercise of stock options by executives.

Review of operations

Sales by region

in € millions	30 September 2010	30 September 2009	Movement at Constant exchange rates*	Movement at Actual exchange rates
Europe	**1 260**	995	+23 %	+27 %
Asia-Pacific	**1 157**	771	+36 %	+50 %
Americas	**489**	325	+37 %	+51 %
Japan	**353**	288	+4 %	+23 %
	3 259	2 379	+27 %	+37 %

*Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2010.

EUROPE

Europe remains the most important region for the Group, accounting for 38 per cent of overall sales. The strong momentum benefited from purchases by locals as well as by customers from growth markets. Growth also resumed in Russia and the Middle East, albeit at a lower rate. The 27 per cent sales growth in the region also included the impact of exchange rate effects from non-euro denominated countries and the integration of NET-A-PORTER.COM. Nevertheless, at constant exchange rates and excluding the impact of NET-A-PORTER.COM, sales would have increased by 16 per cent.

ASIA-PACIFIC

The Asia-Pacific region now represents 36 per cent of Group sales. Bearing in mind the relatively robust comparative figures, the strong growth of 50 per cent was broad-based, reflecting the Maisons' continued expansion of their distribution networks and their leading positions in that region.

AMERICAS

The Americas region reported strong growth, albeit compared to very weak comparative figures. The strengthening of the dollar relative to the euro further contributed to the reported sales growth. The Americas region represented 15 per cent of Group sales. This growth has occurred despite the planned reduction in wholesale accounts.

JAPAN

In euro terms, sales increased by 23 per cent, largely due to the significant appreciation of the yen. Yen-denominated sales increased by 4 per cent. The weak performance in the Japanese market reflects the challenging conditions for luxury businesses there in general, although the return to growth was welcome.

Sales by distribution channel

in € millions	30 September 2010	30 September 2009	Movement at Constant exchange rates*	Movement at Actual exchange rates
Retail	**1 522**	1 035	+35 %	+47 %
Wholesale	**1 737**	1 344	+20 %	+29 %
	3 259	2 379	+27 %	+37 %

*Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2010.

RETAIL

Overall retail sales, which include directly operated stores and NET-A-PORTER.COM, increased by 47 per cent, well above growth in wholesale sales. As a result, retail now represents 47 per cent of the Group's sales, a historical high. Excluding NET-A-PORTER.COM, retail sales increased by 24 per cent at constant exchange rates, reflecting growth in all regions.

During the current period, the overall retail network of Group-owned boutiques increased to 855 boutiques. Store openings were primarily in growth markets.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, which suffered during the comparative period due to de-stocking by business partners, reported strong growth. The 29 per cent growth was achieved despite the impact of a reduction in the number of points of sale in some key markets, most notably in the United States.

Review of operations continued

Sales and operating results by business area

JEWELLERY MAISONS

in € millions	30 September 2010	30 September 2009	Change
Sales	**1 619**	1 222	+32 %
Operating results	**541**	349	+55 %
Operating margin	**33.4 %**	28.6 %	+491 bps

The Jewellery Maisons' sales increased by 32 per cent overall, with stronger growth in the Maisons' own boutique networks. Sales of high jewellery pieces were good and the more accessible jewellery ranges also performed well. Sales of watches, from *Calibre de Cartier* editions in precious metals to classic models in steel, were very strong, benefiting from the Maison's position in premium watchmaking. Cartier's leading position in growth and established markets provided a base for double-digit sales growth, albeit against weak comparatives.

Van Cleef & Arpels also saw double-digit sales growth during the period. Due to the Maison's relatively high exposure to Europe and the US, the comparative sales growth was lower than the business area as a whole.

SPECIALIST WATCHMAKERS

in € millions	30 September 2010	30 September 2009	Change
Sales	**901**	655	+38 %
Operating results	**259**	133	+95 %
Operating margin	**28.8 %**	20.3 %	+845 bps

Sales by the Group's specialist watchmakers are made principally to third-party retailers. In the comparative period, many such retailers prudently sought to reduce their inventories, given the impact of the financial crisis which began in September 2008 on their own businesses. Consequently, orders were significantly curtailed and sales by the Group's specialist watchmakers in the period to September 2009 decreased by 17 per cent. In the period under review, with its more favourable trading environment, sales growth was relatively high and was further augmented by positive exchange rate effects. All Maisons performed well above the expected results.

Despite the negative impact of the stronger Swiss franc on the cost of sales, the operating margin increased to 29 per cent of sales. Results in the comparative period included a one-off charge relating to the Roger Dubuis business amounting to € 13 million.

WRITING INSTRUMENT MAISON

in € millions	30 September 2010	30 September 2009	Change
Sales	**303**	238	+ 28 %
Operating results	**48**	29	+ 66 %
Operating margin	**15.8 %**	12.2 %	+ 366 bps

Montblanc's sales increased by 28 per cent, reflecting the Maison's leading position in China and good demand for its range of writing instruments, watches and accessories. Sales in the comparative period were particularly weak, reflecting Montblanc's exposure to the US and Europe and an 'aspirational' clientele more sensitive to economic slowdowns.

Sales and operating results by business area continued

OTHER BUSINESSES

in € millions	30 September 2010	30 September 2009	Change
Sales	**436**	264	+65 %
Operating results	**(19)**	(28)	+32 %
Operating margin	**(4.4) %**	(10.6) %	+629 bps

The 'Other' segment now includes NET-A-PORTER.COM as well as the Group's Fashion and Accessories businesses and the Group's watch component manufacturing activities.

The € 19 million loss in 'Other' businesses can be primarily attributed to the Group's watch component manufacturing activities. Richemont's Fashion & Accessories Maisons saw double-digit sales growth and generated profits of € 7 million against losses of € 9 million in the comparative period.

CORPORATE COSTS

in € millions	30 September 2010	30 September 2009	Change
Corporate costs	**(69)**	(93)	–25 %
Central support services	**(75)**	(68)	+11 %
Other operating income/(expense), net	**6**	(25)	n/a

Corporate costs represent the costs of central management, marketing support and other central functions, known as central support services, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. Central support service expenses increased by € 7 million, largely due to the strength of the Swiss franc. Other operating expenses included gains of € 13 million relating to the Group's exchange rate hedging programme, which are reported within gross profit. In the comparative period, equivalent exchange rate hedging losses amounted to € 19 million.

The unaudited 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, 12 NOVEMBER 2010

Consolidated statement of financial position

	30 September 2010 € m	31 March 2010 re-presented € m	31 March 2009 re-presented € m
Assets			
Non-current assets			
Property, plant and equipment	**1 181**	1 160	1 169
Goodwill	**443**	164	155
Other intangible assets	**326**	225	231
Investments in associated undertakings	**8**	24	14
Deferred income tax assets	**327**	315	305
Financial assets held at fair value through profit or loss	**87**	88	143
Other non-current assets	**200**	187	172
	2 572	2 163	2 189
Current assets			
Inventories	**2 536**	2 260	2 422
Trade and other receivables	**817**	626	672
Derivative financial instruments	**90**	13	18
Prepayments	**122**	84	80
Assets of disposal groups held for sale	**–**	–	11
Financial assets held at fair value through profit or loss	**1 340**	1 339	–
Cash at bank and on hand	**1 649**	1 258	2 032
	6 554	5 580	5 235
Total assets	**9 126**	7 743	7 424
Equity and liabilities			
Equity			
Share capital	**334**	334	334
Treasury shares	**(336)**	(248)	(195)
Hedge and share option reserves	**249**	194	90
Cumulative translation adjustment reserve	**749**	423	124
Retained earnings	**5 332**	4 956	4 480
Total shareholders' equity	**6 328**	5 659	4 833
Non-controlling interest	**21**	2	3
Total equity	**6 349**	5 661	4 836
Liabilities			
Non-current liabilities			
Borrowings	**139**	340	90
Deferred income tax liabilities	**43**	27	78
Retirement benefit obligations	**39**	39	39
Provisions	**89**	54	39
Other long-term financial liabilities	**144**	17	34
	454	477	280
Current liabilities			
Trade and other payables	**642**	574	545
Current income tax liabilities	**220**	230	172
Borrowings	**45**	3	188
Derivative financial instruments	**67**	79	123
Provisions	**105**	105	117
Accruals and deferred income	**321**	242	218
Short-term loans	**88**	54	276
Bank overdrafts	**835**	318	669
	2 323	1 605	2 308
Total liabilities	**2 777**	2 082	2 588
Total equity and liabilities	**9 126**	7 743	7 424

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

Consolidated statement of comprehensive income

	Notes	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Sales	4	**3 259**	2 379
Cost of sales		**(1 146)**	(915)
Gross profit		**2 113**	1 464
Selling and distribution expenses		**(761)**	(598)
Communication expenses		**(264)**	(204)
Administrative expenses		**(314)**	(259)
Other operating (expense)/income	5	**(14)**	(13)
Operating profit		**760**	390
Finance costs	6	**(160)**	(37)
Finance income	6	**40**	61
Share of post-tax profit of associated undertakings including gain on disposal		**102**	2
Profit before taxation		**742**	416
Taxation	8	**(98)**	(71)
Profit from continuing operations		**644**	345
Discontinued operations (net of tax)		**–**	(1)
Profit for the period		**644**	344
Other comprehensive income			
Currency translation adjustments		**327**	2
Cash flow hedges			
– net gains		**41**	34
– reclassification to profit or loss		**(13)**	20
Other comprehensive income, net of tax		**355**	56
Total comprehensive income		**999**	400
Profit attributable to:			
Owners of the parent company		**646**	344
Non-controlling interest		**(2)**	–
		644	344
Total comprehensive income attributable to:			
Owners of the parent company		**1 000**	400
Non-controlling interest		**(1)**	–
		999	400
Earnings per share attributable to owners of the parent company during the period (expressed in € per share)			
Basic:			
– from continuing operations	7	**1.171**	0.624
– from discontinued operations	7	**–**	(0.002)
		1.171	0.622
Diluted:			
– from continuing operations	7	**1.144**	0.623
– from discontinued operations	7	**–**	(0.002)
		1.144	0.621

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

Consolidated statement of changes in equity

	Notes	Share capital € m	Treasury shares € m	Hedge and share option reserves € m	Cumulative translation adjustment reserve € m	Retained earnings re-presented € m	Total re-presented € m	Non-controlling interest € m	Total equity re-presented € m
		Equity attributable to owners of the parent company							
Balance at 31 March 2009		334	(195)	90	124	4 479	4 832	3	4 835
Adoption of IAS 17 (amendment)	3	–	–	–	–	1	1	–	1
Balance at 1 April 2009		334	(195)	90	124	4 480	4 833	3	4 836
Changes in equity to 30 September 2009:									
Total comprehensive income		–	–	54	2	344	400	–	400
Non-controlling 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	11	–	–	–	–	(109)	(109)	–	(109)
Balance at 30 September 2009		334	(266)	174	126	4 703	5 071	4	5 075
Balance at 31 March 2010		334	(248)	194	423	4 955	5 658	2	5 660
Adoption of IAS 17 (amendment)	3	–	–	–	–	1	1	–	1
Balance at 1 April 2010		**334**	**(248)**	**194**	**423**	**4 956**	**5 659**	**2**	**5 661**
Changes in equity to 30 September 2010:									
Total comprehensive income		**–**	**–**	**28**	**326**	**646**	**1 000**	**(1)**	**999**
Non-controlling interest in business combinations		**–**	**–**	**–**	**–**	**–**	**–**	**20**	**20**
Initial recognition of PUT options over non-controlling interests		**–**	**–**	**–**	**–**	**(129)**	**(129)**	**–**	**(129)**
Net changes in treasury shares		**–**	**(88)**	**–**	**–**	**–**	**(88)**	**–**	**(88)**
Employee share option plan		**–**	**–**	**18**	**–**	**–**	**18**	**–**	**18**
Tax on share option plan		**–**	**–**	**9**	**–**	**–**	**9**	**–**	**9**
Dividends paid	11	**–**	**–**	**–**	**–**	**(141)**	**(141)**	**–**	**(141)**
Balance at 30 September 2010		**334**	**(336)**	**249**	**749**	**5 332**	**6 328**	**21**	**6 349**

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

Consolidated statement of cash flows

	Notes	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Cash flows from operating activities			
Cash flow generated from operations	9	**598**	321
Interest received		**7**	9
Interest paid		**(12)**	(15)
Other investment income		**4**	6
Taxation paid		**(112)**	(59)
Net cash generated from operating activities		**485**	262
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	12	**(227)**	(20)
Proceeds from disposal of subsidiary undertakings and other businesses, net of cash disposed		**(3)**	–
Acquisition of associated undertakings		**–**	(4)
Acquisition of property, plant and equipment		**(75)**	(50)
Proceeds from disposal of property, plant and equipment		**1**	2
Acquisition of intangible assets		**(21)**	(12)
Proceeds from disposal of intangible assets		**–**	1
Investment in short-term bond funds		**(939)**	(2)
Proceeds from disposal of short-term bond funds		**937**	120
Acquisition of other non-current assets		**(8)**	(7)
Proceeds from disposal of other non-current assets		**17**	66
Net cash (used in)/generated from investing activities		**(318)**	94
Cash flows from financing activities			
Proceeds from borrowings		**66**	171
Repayment of borrowings		**(207)**	(203)
Dividends paid	11	**(92)**	(71)
Payment for treasury shares		**(108)**	(155)
Proceeds from sale of treasury shares		**17**	38
Capital element of finance lease payments		**(2)**	(2)
Net cash used in financing activities		**(326)**	(222)
Net change in cash and cash equivalents		**(159)**	134
Cash and cash equivalents at beginning of period		**940**	1 363
Reclassification of short-term bond funds		**–**	(956)
Exchange gains on cash and cash equivalents		**33**	3
Cash and cash equivalents at end of period		**814**	544

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

Notes to the consolidated interim financial statements
at 30 September 2010

1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's luxury goods interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé, Azzedine Alaïa and NET-A-PORTER.COM

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 unaudited consolidated interim financial statements have been approved for issue by the Board of Directors on 11 November 2010.

2. Basis of preparation

This interim financial information for the half year ended 30 September 2010 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 2010.

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 2010 except as described below.

The Group has adopted IFRS 3 (revised), *Business Combinations*, which changes the accounting for business combinations applicable for all business combinations occurring in the financial year starting 1 April 2010. The changes are applied prospectively.

The impact of the revised standard has been:

- to allow a choice on an acquisition by acquisition basis to measure any non-controlling interest in the acquired business at either fair value or proportionate share of net assets;
- to measure contingent considerations at fair value on the acquisition date, with subsequent changes being recognised through profit or loss;
- to measure any previously held equity interest in the acquired entity to fair value and recognise any gain or loss in profit or loss; and
- to expense all acquisition related costs.

In the current period the revised standard was applied to the acquisition of Net-a-Porter Limited ('Net-a-Porter') (see note 12).

The Group has also adopted IAS 27 (revised), *Consolidated and Separate Financial Statements*. The standard requires:

- the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control with no impact on goodwill or profit or loss; and
- total comprehensive income to be attributed to the owners of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The transaction with the non-controlling interest of Net-a-Porter during the current period has been accounted for within equity in accordance with IAS 27 (revised). There has been no significant impact of adopting IAS 27 (revised) on the current period in respect of non-controlling interest with deficit balances.

IAS 17, *Leases,* was amended as part of the Improvements to IFRSs (2009). Prior to the amendment, land leases with an indefinite life were generally classified as operating leases. Following the amendment, leases of land are classified as either operating or finance leases in accordance with the general principles of the standard. These amendments are effective for accounting period beginning on or after 1 January 2010 and are applied retrospectively.

Accordingly, the classification for certain of the Group's leases of land has changed from operating leases to finance leases. The effect of the change is tabulated below.

	30 September 2010 € m	31 March 2010 € m	31 March 2009 € m
Property, plant and equipment	**23**	22	21
Other non-current assets	**(8)**	(8)	(8)
Retained earnings	**(1)**	(1)	(1)
Borrowings	**(15)**	(14)	(13)
Provisions	**1**	1	1

3. Accounting policies continued

The net impact on profit and earnings per share for the periods to 30 September 2010 and 2009 was insignificant.

Land capitalised under finance leases will be depreciated to its residual value on a straight-line basis over the final 50 years of the lease term.

The Group has also adopted the amendment to the appendix of IAS 18, *Revenue*, in respect of the further guidance for identifying principals and agents in a relationship. There has been no impact on the current period upon the adoption of this amendment as the Group's accounting policy had previously considered similar guidance.

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, NET-A-PORTER.COM, 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 2010 € m	Six months to 30 September 2009 € m
External sales		
Jewellery Maisons	**1 619**	1 222
Specialist Watchmakers	**901**	655
Writing Instrument Maisons	**303**	239
Writing Instrument Maison – impact of discontinued operations	**–**	(1)
Other	**436**	264
	3 259	2 379

Notes to the consolidated interim financial statements continued

4. Segment information continued

(a) Information on reportable segments continued

	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Operating result from continuing operations		
Jewellery Maisons	**541**	349
Specialist Watchmakers	**259**	133
Writing Instrument Maison	**48**	29
Other	**(19)**	(28)
Operating profit from reportable segments	**829**	483
Unallocated corporate costs	**(69)**	(93)
Consolidated operating profit before finance and tax	**760**	390
Finance costs	**(160)**	(37)
Finance income	**40**	61
Share of post-tax profit of associated undertakings, including gain on disposal	**102**	2
Profit before taxation	**742**	416
Taxation	**(98)**	(71)
Profit from continuing operations	**644**	345
Discontinued operations	**–**	(1)
Profit for the period	**644**	344

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 2010 € m	At 31 March 2010 re-presented € m
Segment assets		
Jewellery Maisons	**1 587**	1 376
Specialist Watchmakers	**960**	834
Writing Instrument Maisons	**310**	288
Other	**291**	243
	3 148	2 741

Total assets for reportable segments	**3 148**	2 741
Property, plant and equipment	**1 181**	1 160
Goodwill	**443**	164
Other intangible assets	**326**	225
Investments in associated undertakings	**8**	24
Deferred income tax assets	**327**	315
Financial assets at fair value through profit or loss	**1 427**	1 427
Other non-current assets	**200**	187
Other receivables	**205**	145
Derivative financial instruments	**90**	13
Prepayments	**122**	84
Cash at bank and on hand	**1 649**	1 258
Total assets	**9 126**	7 743

4. Segment information continued

(a) Information on reportable segments continued

The Chairman's Committee also reviews additions to property, plant and equipment, and other intangible assets as follows:

	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Additions to non-current assets: property, plant, equipment and other intangible assets		
Jewellery Maisons	**34**	21
Specialist Watchmakers	**19**	18
Writing Instrument Maisons	**5**	5
Other	**24**	9
Unallocated	**10**	5
	92	58

(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 2010 € m	Six months to 30 September 2009 € m
Europe	**1 260**	995
France	**280**	214
Switzerland	**143**	109
Germany, Italy and Spain	**292**	252
Other Europe	**545**	420
Asia	**1 510**	1 059
China/Hong Kong	**735**	497
Japan	**353**	288
Other Asia	**422**	274
Americas	**489**	325
USA	**366**	237
Other Americas	**123**	88
	3 259	2 379

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 2010 € m	At 31 March 2010 re-presented € m
Switzerland	**995**	949
Rest of the world	**1 081**	717
	2 076	1 666

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

4. Segment information continued

(c) Information about products

External sales by product are as follows:

	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Watches	**1 649**	1 190
Jewellery	**745**	581
Leather goods	**271**	211
Writing instruments	**166**	125
Clothing and other	**428**	272
	3 259	2 379

(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 € 8 million (2009: € 7 million).

6. Net finance (costs)/income

	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Finance costs:		
Interest expense on bank borrowings	**(12)**	(14)
Net loss in fair value of financial assets at fair value through profit or loss	**(2)**	–
Net foreign exchange losses on monetary items	**(146)**	(23)
Finance costs	**(160)**	(37)
Finance income:		
Interest income on bank, other deposits and short-term bond funds	**7**	9
Dividend income on financial assets at fair value through profit or loss	**4**	6
Net gain in fair value of financial assets at fair value through profit or loss	**–**	8
Net gain on disposal of subsidiary undertaking	**4**	–
Mark-to-market adjustment in respect of hedging activities	**25**	38
Finance income	**40**	61
Net finance income	**(120)**	24

Foreign exchange gains resulting from effective hedge derivative instruments of € 13 million (2009: losses of € 19 million) were reflected in cost of sales during the period. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

7. Earnings per share

7.1. 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 Company and held in treasury.

	Six months to 30 September 2010	Six months to 30 September 2009
Profit attributable to owners of the parent company (€ millions)	**646**	345
Discontinued operations attributable to owners of the parent company (€ millions)	**–**	(1)
	646	344
Weighted average number of shares in issue (millions)	**551.6**	553.1

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 2010	Six months to 30 September 2009
Profit attributable to owners of the parent company (€ millions)	**646**	345
Discontinued operations attributable to owners of the parent company (€ millions)	**–**	(1)
	646	344
Weighted average number of shares in issue (millions)	**551.6**	553.1
Adjustment for share options (millions)	**13.0**	0.3
Weighted average number of shares for diluted earnings per share (millions)	**564.6**	553.4

7.3. 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 2010 € m	Six months to 30 September 2009 € m
Profit attributable to owners of the parent company	**646**	344
Gain on remeasurement to fair value of associated undertaking deemed disposed of	**(102)**	–
Gain on disposal of subsidiary undertaking	**(4)**	–
Loss on disposal of non-current assets	**–**	3
Headline earnings	**540**	347

	Six months to 30 September 2010 millions	Six months to 30 September 2009 millions
Weighted average number of shares		
– Basic	**551.6**	553.1
– Diluted	**564.6**	553.4

	€ per share	€ per share
Headline earnings per share		
– Basic	**0.979**	0.627
– Diluted	**0.956**	0.627

Notes to the consolidated interim financial statements continued

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 period ended 30 September 2010 was 15.4 per cent (2009: 17.0 per cent).

9. Cash flow generated from operations

	Six months to 30 September 2010 € m	Six months to 30 September 2009 € m
Operating profit	**760**	389
Depreciation and impairment of property, plant and equipment	**99**	87
Amortisation and impairment of other intangible assets	**40**	25
Increase in provisions	**41**	7
Decrease in retirement benefit obligations	**–**	(1)
Non-cash items	**6**	42
(Increase)/decrease in inventories	**(144)**	57
Increase in trade debtors	**(134)**	(131)
Increase in other receivables and prepayments	**(84)**	(27)
Increase/(decrease) in current and long-term operating liabilities	**14**	(127)
Cash flow generated from operations	**598**	321

10. 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 2011 annual consolidated financial statements.

11. Dividends

In September 2010, a dividend of € 141 million (2009: € 109 million) was paid net of withholding tax of € 49 million (2009: € 38 million). The dividend per share was CHF 0.35 (2009: CHF 0.30).

12. Business combinations

On 1 April 2010, the Group obtained effective control of 93.0 per cent of the voting rights of Net-a-Porter Limited ('Net-a-Porter'), a successful luxury fashion on-line retailer, by acquiring the additional 62.5 per cent not previously owned for a net cash consideration of € 245 million.

The gross amount settled to shareholders of Net-a-Porter of € 381 million was offset by the receipt of € 120 million from the deemed disposal of the Group's previously held interest and a € 16 million capital contribution received from the sale of shares in the acquiring entity.

Immediately prior to gaining control, the Group held an interest of 30.5 per cent and accounted for Net-a-Porter as an associated undertaking applying the equity accounting method. The investment in the associated undertaking was remeasured to fair value of € 120 million, resulting in a fair value gain of € 102 million recognised in share of post-tax profit of associated undertakings.

Acquisition-related transaction costs of € 7 million were expensed in the year to 31 March 2010 as other income/expenses.

During the period, the Group also acquired the operations of external boutiques and agents in strategic markets, mostly in Asia. The impact of those acquisitions on the financial position and performance is not significant.

12. Business combinations continued

Details of the provisional values for assets acquired and liabilities assumed are as follows.

Net assets acquired

	Net-a-Porter		Other business operations		Total	
	Fair value €m	Acquirees' carrying amount €m	Fair value €m	Acquirees' carrying amount €m	Fair value €m	Acquirees' carrying amount €m
Property, plant and equipment and other long-term assets	16	16	–	–	16	16
Intangible assets	103	2	3	–	106	2
Inventories	37	37	1	1	38	38
Trade and other receivables	16	16	–	–	16	16
Cash and cash equivalents	18	18	–	–	18	18
Deferred tax	(25)	3	–	–	(25)	3
Current and long-term liabilities	(41)	(41)	–	–	(41)	(41)
Net assets acquired	124	51	4	1	128	52
Fair value of net assets acquired	124		4		128	
Attributable to non-controlling interest	(20)		–		(20)	
Fair value of previous holding	(120)		–		(120)	
Goodwill	261		–		261	
Total purchase consideration	245		4		249	
Payable due to parent	–		(2)		(2)	
Consideration deferred to future periods	–		(2)		(2)	
Purchase consideration – cash paid	245		–		245	
Cash acquired	(18)		–		(18)	
Cash outflow on acquisition	227		–		227	

Goodwill represents certain intangible assets that do not qualify for separate recognition, including

- a knowledgeable and integrated workforce;
- technical know-how; and
- a potential distribution platform for Richemont Fashion and Accessories brands.

None of the goodwill is deductible for tax purposes.

The gross contractual amount of trade and other receivables is € 16 million and settlement is expected in full.

In the period to 30 September 2010, Net-a-Porter contributed revenue of € 122 million and an operating loss of € 8 million.

INCORPORATION OF NEW HOLDING COMPANY

The acquisition of Net-a-Porter was transacted through Largenta Limited ('Largenta'), a UK holding company set up with the sole purpose of acquiring the business.

The ordinary shares of Largenta were subscribed 95.9 per cent by Richemont and 4.1 per cent by an executive of Net-a-Porter.

In addition to the ordinary shares, the executive of Net-a-Porter acquired 'B' non-voting shares in Largenta.

Together, the ordinary and the 'B' shares carry an economic entitlement equivalent to 14.1 per cent of the increase in equity value of Net-a-Porter over the period to 31 March 2015. This is achieved through two separate put and call option arrangements. The arrangements give Richemont the right to acquire and the shareholder the right to sell all, but not part, of the shareholding on 1 April 2015.

12. Business combinations continued

TRANSACTIONS INVOLVING THE SHARES OF NET-A-PORTER

Ordinary 'C' shares

Largenta offered and certain ordinary shareholders of Net-a-Porter accepted the opportunity to retain an interest in the ordinary shares, representing approximately 3.0 per cent of Net-a-Porter. This interest is in the form of ordinary 'C' shares which have the same voting and dividend rights as the ordinary shares.

The Group has entered into put and call option arrangements with the holders of the ordinary 'C' shares. The arrangements give Richemont the right to acquire and the holders of the ordinary 'C' shares the right to sell all, but not part, of their shareholding between 1 April and 30 September 2015 at a value equal to the higher of the fair value at the date of exercise and £ 10.1 million (less any share of capital distributions).

Transactions with management

During the current period, Net-a-Porter sold 'B' shares to their senior executive team. The 'B' shares entitle the holders to an economic interest equivalent in aggregate to 2.5 per cent of the growth in Net-a-Porter above a threshold value of £ 350 million.

The 'B' shares carry a put right entitling the holder to sell all, but not some, of their 'B' shares to Richemont on 31 March 2015 at the fair market value at the date of exercise (less threshold value). There is an equivalent call right for Richemont to acquire the 'B' shares at the same price.

The complete disclosures related to these acquisitions will be provided in the annual consolidated financial statements prepared to 31 March 2011.

13. Financial commitments and contingent liabilities

At 30 September 2010, 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

During the current period, the Group acquired 4 658 509 treasury shares in the open market at a total cost of € 106 million. These treasury shares are held to hedge partially the Group's obligation arising from the Group stock option plan.

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 2010	Six months to 30 September 2009
Average		
United States dollar	**1.28**	1.40
Japanese yen	**113**	133
Swiss franc	**1.36**	1.52

	30 September 2010	31 March 2010
Closing		
United States dollar	**1.36**	1.35
Japanese yen	**114**	126
Swiss franc	**1.33**	1.42

Statutory information

'A' shares issued by Compagnie Financière Richemont SA are listed and traded on the SIX Swiss Exchange (Reuters 'CFR.VX'/ Bloomberg 'CFR:VX'/ISIN CH0045039655) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 4503965.

South African Depository Receipts in respect of Richemont 'A' shares are traded on the Johannesburg stock exchange operated by JSE Limited (Reuters 'CFRJ.J'/Bloomberg 'CFR:SJ'/ISIN CH0045159024).

The closing price of the Richemont 'A' share on 30 September 2010 was CHF 47.31 and the market capitalisation of the Group's 'A' shares on that date was CHF 24 696 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 47.31 (30 September 2010), and the lowest closing price of the 'A' share was CHF 35.65 (1 July 2010).

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