

# RICHEMONT

## COMPANY ANNOUNCEMENT

6 November 2015

### Richemont announces its unaudited consolidated results for the six month period ended 30 September 2015

#### Financial highlights

- Sales increased by 15 % to € 5 821 million; a 3 % increase at constant exchange rates
- Strong sales through Maisons' own boutiques offset mixed wholesale sales, which were particularly weak in the Asia Pacific region
- Operating profit increased by 6 % to € 1 390 million
- Operating margin was resilient at 24 %
- Profit for the period increased by 22 % to € 1 103 million
- Solid cash flow from operations of € 1 055 million

#### Key financial data (unaudited)

	Six months ended 30 September 2015	Six months ended 30 September 2014 re-presented <sup>1</sup>	Change
Sales	€ 5 821 m	€ 5 073 m	+15%
Gross profit	€ 3 786 m	€ 3 349 m	+13%
Gross margin	65%	66%	- 100 bps
Operating profit	€ 1 390 m	€ 1 315 m	+6%
Operating margin	24%	26%	- 200 bps
Loss for the period from discontinued operations	€ (88) m	€ (10) m	
Profit for the period	€ 1 103 m	€ 907 m	+22%
Earnings per share, diluted basis	€ 1.949	€ 1.603	+22%
Cash flow generated from operations	€ 1 055 m	€ 1 008 m	+5%
Net cash position	€ 4 763 m	€ 4 276 m	€ 487 m

Note (1): the income statement has been re-presented to reflect discontinued operations (The NET-A-PORTER GROUP) as a separately identifiable item

## Chairman's commentary

Richemont results for the first half were satisfactory. Strong growth in our Maisons' retail sales compensated for the decline in wholesale demand, which was principally driven by the Asia Pacific region. Jewellery sales grew strongly; this product area now accounts for one third of the Group's sales.

Tourist traffic represents an important part of the Group's sales. Our Maisons must be responsive to changing trends and continuously adapt to meet demand in various markets. The positive results seen during the period evidence the Maisons' capabilities in this respect.

The impact of exchange rate volatility, in particular the strengthening of the Swiss franc, was largely absorbed through price adjustments and administrative cost controls. Operating profit in the period increased by 6 %. This growth and the movements in currency gains and losses contributed to a net profit increase of 22 %.

Cash flow from operations remained solid, reflecting strict working capital management. Net cash at 30 September 2015 amounted to € 4.8 billion.

On 5 October, the merger of The NET-A-PORTER GROUP with YOOX Group announced in March of this year was completed. The all-share transaction has generated a one-time accounting gain of some € 620 million to be recognised during the second half of the current financial year. Following the merger, Richemont holds a non-controlling interest in the enlarged group.

In the month of October, sales decreased by 1 % at actual exchange rates. In constant currency terms, sales decreased by 6 %. The patterns seen in the first six months in terms of geography, product and channel mix were accentuated during the month, with growth in Europe and Japan, albeit at a lower rate, offsetting continuing weakness in Asia Pacific and the Americas. Jewellery continues to outperform the watch category, whilst retail sales remained stronger than the wholesale channel.

For the second half of the year, we expect the situation, particularly in wholesale, to continue to be challenging. Our Maisons will continue to pursue their differentiated marketing strategies with their planned investments, increasing the ability for each to react to a volatile environment. We remain optimistic for the long term as the demand in the retail environment remains healthy, demonstrating the continued desirability for the craftsmanship and quality of our Maisons.

**Johann Rupert**  
Chairman

Compagnie Financière Richemont SA  
Geneva, 6 November 2015

# Financial review

## SALES

In the six-month period, sales increased by 15 % at actual exchange rates or by 3 % at constant exchange rates. The increase reflected the continued demand for jewellery and to a lesser degree for leather goods and clothing, as well as the strong performance of the Maisons' own boutiques. Overall demand for watches was weak. In regional terms, Europe and Japan continued to report very strong growth, whereas Asia Pacific posted a significant decline, primarily due to weakness in Hong Kong and Macau. Further details of sales by region, distribution channel and business area are given in the Review of operations on pages 4 to 6.

## GROSS PROFIT

Gross profit increased by 13 % and accounted for 65 % of sales. The 100 basis points margin decrease versus the prior period largely reflected the impact of the Swiss franc's appreciation and lower capacity utilisation, partly offset by the positive effects of other exchange rates and the growing proportion of retail sales.

## OPERATING PROFIT

The increase in operating expenses reflected good cost control amid adverse exchange rate effects. Operating profit increased to € 1 390 million in the six-month period; at 24 %, the operating margin was resilient.

Compared to the 26 % increase in sales through the Maisons' own boutique networks, the 22 % growth in selling and distribution costs primarily reflected unfavourable exchange rate effects as well as depreciation charges linked to the opening of new boutiques in the prior year, and higher fixed rental costs. In the comparative period, communication expenses included the cost of participation in the *Biennale des Antiquaires et de la Haute-Joaillerie* in Paris. The current period did not include such costs; communication expenses increased by 7 %. The increase in administration costs was largely driven by the stronger Swiss franc.

## PROFIT FOR THE PERIOD

Profit for the period increased by 22 % or € 196 million to € 1 103 million.

Compared with the increase in operating profit, the higher increase in net profit for the period largely reflected € 8 million of mark-to-market net losses in respect of currency hedging activities (2014: net losses of € 239 million) included in net finance income/(costs).

The loss from discontinued operations primarily relates to the settlement of incentive plans which occurred during the period under review. For the full year to 31 March 2016, the net income from discontinued operations is estimated at € 530 million.

Earnings per share increased by 22 % to € 1.949 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 2015 would be € 1 112 million (2014: € 910 million). Basic HEPS for the period was € 1.972 (2014: € 1.616). Diluted HEPS for the period was € 1.968 (2014: € 1.607). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 10 of the Group's condensed consolidated interim financial statements.

## CASH FLOW

Cash flow generated from operations remained solid at € 1 055 million. The absorption of cash for working capital in the current period was € 558 million (2014: € 553 million), including no net absorption in inventories. The realised net impact of foreign exchange hedging activities on the cash flow for the period was an outflow of € 40 million (2014: inflow of € 13 million).

The net investment in tangible fixed assets during the period amounted to € 242 million, reflecting further selective investments in the Group's network of boutiques and in manufacturing facilities.

The 2015 dividend of CHF 1.60 per share was paid to 'A' and 'B' shareholders, net of withholding tax, in September. Due to timing differences, the equivalent dividend was paid to South African Depository Receipt holders in early October. The 35 % withholding tax on all dividends was remitted to the Swiss tax authorities in September. The cash outflow in the period amounted to € 759 million. The full-year outflow, including the October payments, is € 854 million (2014: € 650 million).

The Group acquired some 1.8 million 'A' shares during the six-month period 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 related to the hedging programme, leading to a net outflow of € 97 million.

## FINANCIAL STRUCTURE AND BALANCE SHEET

At the end of September, inventories amounted to € 5 206 million, representing 21 months of cost of sales. In value terms, the change during the six-month period reflected foreign exchange effects only.

At 30 September 2015, the Group's net cash position amounted to € 4 763 million. Compared with 31 March 2015, the position represents a decrease of € 656 million, reflecting the annual dividend payment. The Group's net cash position includes highly liquid, highly rated Money Market Funds, short-term bank deposits and medium-duration bond funds, primarily denominated in Swiss francs, euros and US dollars. Bank loans to finance local operating entities are denominated in their local currency.

Richemont's balance sheet remains strong, with shareholders' equity representing 74 % of total equity and liabilities.

# Review of operations

## Sales by region

in € millions	30 September 2015	30 September 2014 re-presented	Movement at	
			Constant exchange rates*	Actual exchange rates
Europe	<b>1 943</b>	1 547	+24%	+26%
Asia Pacific	<b>1 972</b>	2 030	-17%	-3%
Americas	<b>883</b>	744	+1%	+19%
Japan	<b>534</b>	358	+44%	+49%
Middle East and Africa	<b>489</b>	394	+4%	+24%
	<b>5 821</b>	5 073	+3%	+15%

\* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2015.

### EUROPE

Europe accounted for 33 % of overall sales. Sales growth in the region benefited from good levels of tourism, helped by the weakness of the euro versus the US dollar and other currencies. Retail sales to Europeans during the period showed good growth.

### ASIA PACIFIC

Sales in the Asia Pacific region accounted for 34 % of the Group total, with Hong Kong and mainland China the two largest markets. The significant sales decline in Hong Kong and Macau during the period was partly offset by positive developments elsewhere. In particular, mainland China resumed growth with strong retail sales, largely offsetting challenging wholesale sales.

### AMERICAS

The Americas region reported subdued demand overall, with lower watch sales offset by growing sales in jewellery, clothing and leather goods categories.

### JAPAN

Japan reported strong momentum, both from local and tourist demand, helped by the favourable exchange rate movements.

### MIDDLE EAST AND AFRICA

In spite of challenging comparative figures and unfavourable exchange rate movements, markets in the Middle East and Africa continued to report growth.

## Sales by distribution channel

in € millions	30 September 2015	30 September 2014 re-presented	Movement at	
			Constant exchange rates*	Actual exchange rates
Retail	<b>3 149</b>	2 494	+13%	+26%
Wholesale	<b>2 672</b>	2 579	-6%	+4%
	<b>5 821</b>	5 073	+3%	+15%

\* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2015.

## RETAIL

Retail sales, comprising directly operated boutiques and e-commerce, increased by 26 %. With 54 % of Group sales, retail sales growth continues to exceed the growth in wholesale sales. The rates of sales growth in Europe and Japan were notable, reflecting strong demand across jewellery and leather goods. The growth in retail sales partly reflected the positive impact of renovations and the addition of 26 internal boutiques to the Maisons' network, which reached 1 159 stores. The boutique openings during the period were primarily in tourist destinations.

## WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported slower growth. The period's performance reflected the caution of our Maisons' business partners, particularly in Asia Pacific where the environment continues to be challenging.

## Sales and operating results by business area

### JEWELLERY MAISONS

in € millions	30 September 2015	30 September 2014	Change
Sales	<b>3 177</b>	2 683	+18%
Operating results	<b>1 101</b>	973	+13%
Operating margin	<b>34.7%</b>	36.3%	-160 bps

Sales at the Jewellery Maisons – Cartier, Van Cleef & Arpels and Giampiero Bodino – grew by 18 % overall. Within their own boutique networks, the Maisons reported growth, including watch sales. Sales of their watch collections through the wholesale channel were lower in the period, primarily due to the challenging environment in certain Asia Pacific markets.

The operating results were well above the prior period and operating margin was resilient at 35 %. The decrease in operating margin primarily relates to anticipated manufacturing subactivity and cost increases relating to the Swiss franc.

### SPECIALIST WATCHMAKERS

in € millions	30 September 2015	30 September 2014	Change
Sales	<b>1 749</b>	1 625	+8%
Operating results	<b>402</b>	461	-13%
Operating margin	<b>23.0%</b>	28.4%	-540 bps

The Specialist Watchmakers' sales increased by 8 % overall, with favourable exchange rate effects offsetting lower sales in local currencies. The decrease largely reflected cautious sentiment among business partners in the Asia Pacific region.

The lower demand for fine watches, together with the adverse impact on manufacturing costs as a consequence of the Swiss franc's appreciation, combined to reduce operating results. Under such challenging conditions, the operating margin for the period declined to 23 %.

### OTHER

in € millions	30 September 2015	30 September 2014 re-presented	Change
Sales	<b>895</b>	765	+17%
Operating results	<b>(11)</b>	(17)	-35%
Operating margin	<b>(1.2)%</b>	(2.2)%	+100 bps

'Other' includes Montblanc, the Group's Fashion and Accessories businesses and the Group's watch component manufacturing activities. The prior period comparatives have been re-presented to reflect the reclassification of Net-a-Porter to discontinued operations.

The reported operating losses were reduced to € 11 million, primarily due to positive performances at Montblanc, Chloé and Peter Millar.

## CORPORATE COSTS

in € millions	30 September 2015	30 September 2014	Change
Corporate costs	(102)	(102)	
Central support services	(95)	(97)	-2%
Other operating income/(expense), net	(7)	(5)	

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.

Bernard Fornas  
Co-Chief Executive Officer

Richard Lepeu  
Co-Chief Executive Officer

Gary Saage  
Chief Financial Officer

Compagnie Financière Richemont SA  
Geneva, 6 November 2015

## Presentation

The results will be presented via a live audio webcast on 6 November 2015, starting at 09:00 (CET). The direct link is available from 07:00 (CET) at: <https://www.richemont.com>. The presentation may be viewed using a mobile device.

- Live telephone connection: call one of these numbers 10 minutes before the start of the presentation:
  - Europe +41 (0) 58 310 50 00
  - USA +1 (1) 866 291 4166 (toll free)
  - UK +44 (0) 203 059 5862
  - South Africa 0800 992 635 (toll free)
- An archive of the audio webcast will be available at 14:00 (CET) the same day from:
  - <https://www.richemont.com/investor-relations/results-presentations.html>
- A transcript of the audio webcast will be available on 10 November from:
  - <https://www.richemont.com/investor-relations/results-presentations.html>

## Disclaimer

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek', and similar expressions may identify forward-looking statements.

Such forward-looking statements are not guarantees of future performance. Richemont's forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results.

As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. 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.

# Condensed consolidated statement of financial position

	30 September 2015	31 March 2015
	€m	€m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2 325	2 446
Goodwill	308	320
Other intangible assets	432	461
Investment property	191	70
Equity-accounted investments	120	115
Deferred income tax assets	694	701
Financial assets held at fair value through profit or loss	6	11
Other non-current assets	395	398
	<b>4 471</b>	<b>4 522</b>
<b>Current assets</b>		
Inventories	5 206	5 438
Trade and other receivables	1 276	1 071
Derivative financial instruments	29	41
Prepayments	153	140
Financial assets held at fair value through profit or loss	2 754	2 858
Cash at bank and on hand	4 281	5 654
Assets of disposal groups held for sale	777	726
	<b>14 476</b>	<b>15 928</b>
<b>Total assets</b>	<b>18 947</b>	<b>20 450</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the parent company</b>		
Share capital	334	334
Treasury shares	(420)	(364)
Share option reserve	293	291
Cumulative translation adjustment reserve	2 780	3 306
Retained earnings	11 107	10 854
	<b>14 094</b>	<b>14 421</b>
<b>Non-controlling interests</b>	<b>(20)</b>	<b>(1)</b>
<b>Total equity</b>	<b>14 074</b>	<b>14 420</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	389	405
Deferred income tax liabilities	60	71
Employee benefits obligation	197	237
Provisions	81	96
Other long-term financial liabilities	134	133
	<b>861</b>	<b>942</b>
<b>Current liabilities</b>		
Trade and other payables	1 314	1 514
Current income tax liabilities	322	236
Borrowings	118	186
Derivative financial instruments	112	160
Provisions	160	277
Bank overdrafts	1 765	2 502
Liabilities of disposal groups held for sale	221	213
	<b>4 012</b>	<b>5 088</b>
<b>Total liabilities</b>	<b>4 873</b>	<b>6 030</b>
<b>Total equity and liabilities</b>	<b>18 947</b>	<b>20 450</b>

# Condensed consolidated statement of comprehensive income

	Six months to 30 September 2015	Six months to 30 September 2014 re-presented
	€m	€m
Sales	5 821	5 073
Cost of sales	(2 035)	(1 724)
<b>Gross profit</b>	<b>3 786</b>	<b>3 349</b>
Selling and distribution expenses	(1 440)	(1 179)
Communication expenses	(468)	(437)
Administrative expenses	(474)	(419)
Other operating (expense)/income	(14)	1
<b>Operating profit</b>	<b>1 390</b>	<b>1 315</b>
Finance costs	(79)	(265)
Finance income	155	48
Share of post-tax results of equity-accounted investments	(5)	(3)
<b>Profit before taxation</b>	<b>1 461</b>	<b>1 095</b>
Taxation	(270)	(178)
Profit for the period from continuing operations	1 191	917
Loss for the period from discontinued operations	(88)	(10)
<b>Profit for the period</b>	<b>1 103</b>	<b>907</b>
<b>Other comprehensive income:</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Defined benefit plan actuarial gains/(losses)	33	(25)
Tax on defined benefit plan actuarial gains/(losses)	(7)	5
	<b>26</b>	<b>(20)</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Currency translation adjustments		
– movement in the period	(526)	138
	<b>(526)</b>	<b>138</b>
Other comprehensive (loss)/income, net of tax	(500)	118
<b>Total comprehensive income</b>	<b>603</b>	<b>1 025</b>
<b>Profit attributable to:</b>		
Owners of the parent company	1 101	908
Non-controlling interests	2	(1)
	<b>1 103</b>	<b>907</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	601	1 025
– continuing operations	703	1 017
– discontinued operations	(102)	8
Non-controlling interests	2	–
	<b>603</b>	<b>1 025</b>
<b>Earnings per share attributable to owners of the parent company</b>		
<b>during the period (expressed in € per share)</b>		
From profit for the year		
Basic	1.952	1.613
Diluted	1.949	1.603
From continuing operations		
Basic	2.115	1.631
Diluted	2.112	1.621



# Condensed consolidated statement of cash flows

	Six months to 30 September 2015	Six months to 30 September 2014
	€m	€m
Operating profit	1 390	1 315
Operating loss from discontinued operations	(79)	(4)
Depreciation of property, plant and equipment	222	183
Depreciation of investment property	1	1
Amortisation of other intangible assets	48	49
Loss on disposal of property, plant and equipment	2	2
Profit on disposal of intangible assets	(1)	–
Increase in long-term provisions	9	8
Decrease in retirement benefit obligations	(1)	(5)
Non-cash items	22	12
Increase in inventories	–	(269)
Increase in trade receivables	(241)	(211)
Increase in other receivables and prepayments	(48)	(126)
(Decrease)/increase in current liabilities	(236)	29
Increase in long-term liabilities	7	11
(Decrease)/increase in derivative financial instruments	(40)	13
Cash flow generated from operations	1 055	1 008
Interest received	26	8
Interest paid	(34)	(15)
Taxation paid	(234)	(333)
Net cash generated from operating activities	813	668
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	(122)	(21)
Acquisition of equity-accounted investments	(9)	(99)
Acquisition of property, plant and equipment	(245)	(214)
Proceeds from disposal of property, plant and equipment	3	13
Acquisition of intangible assets	(37)	(46)
Proceeds from disposal of intangible assets	2	3
Investment in financial assets held at fair value through profit and loss	(3 753)	(553)
Proceeds from disposal of financial assets held at fair value through profit and loss	3 859	876
Acquisition of other non-current assets	(33)	(40)
Proceeds from disposal of other non-current assets	13	13
Net cash used in investing activities	(322)	(68)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	60	72
Repayment of borrowings	(116)	(11)
Dividends paid	(759)	(569)
Payment for treasury shares	(144)	(103)
Proceeds from sale of treasury shares	47	52
Acquisition of non-controlling interests in a subsidiary	(126)	–
Capital element of finance lease payments	(1)	(1)
Net cash used in financing activities	(1 039)	(560)
<b>Net change in cash and cash equivalents</b>	<b>(548)</b>	<b>40</b>
Cash and cash equivalents at the beginning of the period	3 152	2 214
Exchange losses on cash and cash equivalents	(88)	–
<b>Cash and cash equivalents at the end of the period</b>	<b>2 516</b>	<b>2 254</b>

# Interim report

The Richemont 2015 Interim Report will be available for download from the Group's website from 13 November 2015 at <https://www.richemont.com/investor-relations/reports.html>

## Statutory information

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

South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg stock exchange operated by JSE Limited, the Company's secondary listing, (Reuters 'CFRJ.J'/Bloomberg 'CFR:SJ'/ISIN CH0045159024).

The closing price of the Richemont 'A' share on 30 September 2015 was CHF 75.70 and the market capitalisation of the Group's 'A' shares on that date was CHF 39 515 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 86.85 (21 May) and the lowest closing price was CHF 68.85 (24 August).

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