RICHEMONT

Interim Report 2021

BUCCELLATI
MILANO DAL 1919
Cartier
Van Cleef & Arpels
A. LANGE & SÖHNE
GLASHÜTTE I/SA
BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830
IWC
SCHAFFHAUSEN
JAEGER-LECOULTRE
PANERAI
PIAGET
ROGER DUBUIS
VACHERON CONSTANTIN
GENÈVE
WATCHFINDER&Co.
THE PRE-OWNED WATCH SPECIALIST
YOOX
NET-A-PORTER
GROUP
ALAÏA
AZ FACTORY
Chloé
dunhill
MONT BLANC
PETER MILLAR
PURDEY

Contents

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. Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop and a decline in consumers traffic could have a negative effect on our comparable store sales and/or average sales per square foot and store profitability resulting in impairment charges, which could have a material adverse effect on our business, results of operations and financial condition. Reduced travel resulting from economic conditions, retail store closure orders of civil authorities, travel restrictions, travel concerns and other circumstances, including disease epidemics and other health-related concerns, could have a material adverse effect on us, particularly if such events impact our customers' desire to travel to our retail stores.

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.

Financial highlights

Richemont sales rose by strong double-digits across all business areas, channels and regions compared to the prior-year period. Sales also significantly exceeded pre-pandemic levels.

Compared to the six-month period ended 30 September 2020

- Strong double-digit increases across Maisons, businesses and channels led to half-year sales up by 63% at actual exchange rates to € 8 907 million, and by 65% at constant exchange rates.
- Triple-digit growth in the Americas, reaching sales levels close to Europe; substantial double-digit growth in the other regions.
- Significant improvements across all business areas, led by the Jewellery Maisons and Specialist Watchmakers.
- Group operating profit of € 1 949 million, leading to a 22% operating margin.
- Profit for the period rose to € 1 249 million.
- Cash flow from operating activities nearly doubled to € 1 781 million.

Compared to the six-month period ended 30 September 2019

- Sequential growth acceleration from first quarter to second quarter led to half-year sales increases of 20% at actual exchange rates and 24% at constant exchange rates.
- Pre-pandemic sales levels exceeded in most business areas, channels and regions at actual and constant rates.
- Outstanding sales performance of Jewellery Maisons (+36% and +41% sales growth at actual and constant exchange rates, respectively); robust rebound of Specialist Watchmakers (+7% and +10%); consolidation of Other (-1% and +3%) and steady growth of Online Distributors (+8% and +11%).
- Solid double-digit sales increases in the Americas, Asia Pacific and Middle East and Africa, with Europe and Japan seeing a gradual recovery.
- Robust double-digit sales growth in online and offline retail sales (74% of Group sales).

Key financial data (unaudited)

				% change 2021	
Six months ended 30 September	2021	2020	2019	vs 2020	vs 2019
Sales	**€ 8 907 m**	€ 5 478 m	€ 7 397 m	+63%	+20%
Gross profit	**€ 5 638 m**	€ 3 165 m	€ 4 610 m	+78%	+22%
Gross margin	**63.3%**	57.8%	62.3%	+550 bps	+100 bps
Operating profit	**€ 1 949 m**	€ 452 m	€ 1 165 m	+331%	+67%
Operating margin	**21.9%**	8.3%	15.7%	+1 360 bps	+ 620 bps
Profit for the period	**€ 1 249 m**	€ 159 m	€ 869 m	+686%	+44%
Earnings per ‘A’ share/10 ‘B’ shares, diluted basis	**€ 2.145**	€ 0.281	€ 1.533	+663%	+40%
Cash flow generated from operating activities	**€ 1 781 m**	€ 926 m	€ 928 m	+92%	+92%
Net cash position	**€ 3 153 m**	€ 2 111 m	€ 1 770 m		

Chairman's commentary

Richemont has delivered an excellent set of results in the first six months of the financial year; a period marked by a volatile but improving 'post-vaccination' environment. These results demonstrate the strength of our business model and the benefits of patient long-term capital. Sales were 20% higher than the pre-pandemic levels of the six-month period ended 30 September 2019. On a year-on-year basis, sales increased by 65% at constant exchange rates and by 63% at actual exchange rates to € 8.91 billion leading to an operating profit of € 1.95 billion.

Region-wise, the Americas, Asia Pacific and Middle East and Africa generated robust double-digit sales increases over the six-month period ended 30 September 2019. This notable performance more than offset the softness seen in Europe and Japan where encouraging domestic demand helped mitigate the impact of low levels of inbound tourism.

Strong engagement with local clientele through digital tools and our physical and online stores has driven a significant double-digit growth in direct sales to customers, alongside improved wholesale sales. The Group's continued focus on customer centricity and digital has resulted in even higher levels of customer experience in our stores. This focus also led us to extend our online offer to new markets, and within existing markets to additional Maisons. As a testimony to the success of this strategy, direct sales to customers reached 74% of Group sales. The enhanced retail share in Group sales allowed us to further deepen and nurture our relationships with clients.

Our Jewellery Maisons have emerged ever stronger from the global economic crisis caused by the Covid-19 pandemic, achieving record half-year sales and operating margin of 37.9%. Cartier and Van Cleef & Arpels have reaffirmed their leadership position as jewellers of choice while Buccellati's distinctive *savoir faire* and aesthetics are getting international recognition. In addition, Cartier was entrusted by Richemont to launch the 'Watch and Jewellery 2030 Initiative' with Kering and the Responsible Jewellery Council to begin a collective journey to ensure the industry creates positive outcomes for the planet and its people, as well as the 'Aura Blockchain Consortium' with LVMH and Prada Group. The consortium aims to address the challenges of transparency and sustainability, thereby enabling customers to follow a product's lifecycle, from conception through distribution, with trusted data throughout.

We are also seeing tangible returns on our past investments to evolve our Specialist Watchmakers' business model. They delivered substantial sales growth, in particular in direct sales to clients now approaching 50%, and increased their operating margin to 22.4%. Every watch Maison participated in this notable improvement. Relationships with multi-brand retailers remain part of our strategy as evidenced by the opening of seven TimeVallée boutiques, now totalling 19. Managed by our retail partners, this multi-brand innovative concept was developed in 2014 to give clients access to our prestigious watch Maisons in a highly qualitative environment. It was primarily developed for China where we see much potential in the years ahead. More generally, we are confident in the growth potential of our Specialist Watchmakers, particularly in the US and China.

The Group's Online Distributors recorded higher sales and a stable EBITDA loss as NET-A-PORTER, MR PORTER, THE OUTNET and Watchfinder faced new temporary absorption of Brexit-related custom duties and value-added tax while intensifying their outreach and communication efforts. With NET-A-PORTER's replatforming successfully completed, resulting in improved customer satisfaction, the teams are fully dedicated to localising the sites and further evolving the YOOX NET-A-PORTER business model into a hybrid model of curated inventory ownership with an e-concession/marketplace offer combining a richer customer experience and lower capital requirements. Watchfinder entered the Italian market and further extended its services to the rest of the Group. It notably introduced a pre-owned watch offer to NET-A-PORTER and MR PORTER's clients in the US and further rolled out their watch trade-in programme across a larger number of select Specialist Watchmakers, Montblanc and Cartier stores.

Our 'Other' business area has returned to profit benefiting from better trading at our Fashion & Accessories Maisons and a gain on the sale of an investment property. Peter Millar continued its robust performance and there was renewed impetus at Alaïa, Chloé and Montblanc with the recent appointments of highly acclaimed creative directors. In addition, Chloé and Montblanc further improved the quality and selectivity of their distribution network. In parallel, much attention has been devoted to sustainability, particularly at Chloé which became the first luxury brand to obtain the demanding B-Corporation certification. The addition of Delvaux, the renowned Belgian luxury leather goods Maison, to the Richemont family will strengthen our presence and raise our craftmanship capabilities in high-quality leather. Delvaux's integration is progressing well under a new management.

Working closely with Alibaba, our teams gained a better understanding of their approach to digital marketing in China, including 'shoppertainment', and of their operating model centred around a network of Tmall partners. Along with Alibaba, we each acquired 12.5% of the share capital and voting rights of Farfetch China Holdings Limited.

Operating profit in the period increased by 331% (+67% compared to the six-month period ended 30 September 2019) to € 1.95 billion. The substantial increase in operating profit combined with a careful management of working capital led to cash flow from operating activities nearly doubling to € 1.78 billion. Profit for the period rose to € 1.25 billion and net cash amounted to € 3.15 billion at the end of September 2021.

Our continued focus on excellence implies that we constantly strive to seek to refine our organisation while bringing in the very best professionals in their fields. At the executive level, the Senior Executive Committee was streamlined while our Board of Directors was further strengthened with the appointments of Jasmine Whitbread, an experienced non-executive director and highly regarded ESG expert, and of

Patrick Thomas, former CEO of Hermès. Both bring unparalleled experience and skills in areas of great importance to Richemont.

Similarly, we are guided by principles of sustainability and long-term impact. Sustainability and concern for the environment are not only matters of importance to our clients and colleagues, but are also embedded in Richemont's own heritage, notably through our long-term relationship with World Wide Fund for Nature and Peace Parks. I am therefore truly pleased that the Science Based Targets initiative validated our Science Based Targets to reduce greenhouse gas emissions in line with the 2015 Paris Agreement and also that we committed to eliminate the use of polyvinyl chloride ('PVC') from all our products and packaging by December 2022. We will continue to allocate more resources to sustainability to meet our climate and other sustainability targets, with a particular focus on biodiversity, the environment, education and the preservation of *Métiers d'Art*.

Before concluding, I would like to thank all the teams at Richemont for their unrelenting dedication, agility, creativity and operational excellence that made these strong results possible.

The post-Covid world is yet to emerge. For the second half of the year, volatility is likely to persist, including in terms of inflation and geopolitical tensions. The Group will also face challenging comparatives. We look to the remainder of the year with vigilance and cautious optimism: the appeal and enduring nature of our distinctive and highly qualitative creations resonate well with the values and expectations of our discerning clientele.

Richemont will continue to focus on timelessness, love, beauty and sustainability. Together, we will craft the future.

Johann Rupert
Chairman

Compagnie Financière Richemont SA

Financial review

Any long form references to Hong Kong, Macau and Taiwan within this Company Announcement are Hong Kong SAR, China; Macau SAR, China; Taiwan, China respectively.

Given the magnitude of the impact of the pandemic on our operations in the six-month period ended 30 September 2020, additional comments compared to the six-month period ended 30 September 2019 are provided below for a more comprehensive view of our performance.

Sales

In the first six months of the year, Richemont reported a strong performance with sales increasing by 63% at actual exchange rates and 65% at constant exchange rates. On a two-year comparison basis, sales exceeded pre-Covid-19 levels by 20% and 24%, at actual and constant exchange rates, respectively.

On a year-on-year basis and at actual exchange rates, sales in the Americas grew by triple-digits, with the other regions recording high double-digit rates of growth. Compared to the same period of calendar year 2019, most regions delivered robust double-digit sales progressions. Only Europe and Japan posted lower sales due to reduced international tourism, with trading improving sequentially in the second quarter of the year.

During the period under review, all business areas enjoyed high double-digit sales increases compared to the prior-year period, with Jewellery Maisons expanding by 67%. Specialist Watchmakers and the 'Other' business area reported strong recoveries at 74% and 72%, respectively. Compared to the first half ended 30 September 2019, Jewellery Maisons led the growth with a 36% sales increase and Specialist Watchmakers returned to growth, expanding by 7%.

Sales across the Group's directly operated stores and online channels increased by solid double-digits, both year-on-year and on a two-year basis. Wholesale sales, while moderately lower compared to the same period in calendar 2019, grew by 71% compared to the same period in 2020.

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

Gross profit

Year-on-year, gross profit rose by 78% to € 5 638 million, with a corresponding gross margin increased to 63.3% of sales.

The 550 basis point increase in gross margin is mainly due to higher manufacturing capacity utilisation, a favourable geographical sales mix as well as a further shift towards retail sales.

Operating profit

Higher sales, a higher gross profit and good cost control have resulted in a six-month operating profit of € 1 949 million, up by 331% over the prior-year period, and increasing by 67% on a two-year basis. Operating margin reached 21.9%.

Overall, operating expenses were strictly controlled, with the year-on-year increase contained to 36%, well below the 63% sales increase. The increase in selling and distribution expenses, up by 31%, partially reflected the one-off rental concessions and government employment support received in the prior period. Depreciation was broadly in line with the prior-year period, reflecting with our capital allocation discipline. As a result, selling and distribution expenses decreased from 26% to 21% of Group sales. Given the improved trading environment, communication activity and client events resumed, driving communication expenses up by 104% compared to the prior-year period, accounting for 8% of Group sales. Fulfilment expenses increased by 39% to € 216 million, broadly in line with the increase in online retail sales across the Group. The increase in Administration costs was limited to 16% due to stringent cost management that more than offset a relatively stronger Swiss franc and continued technology and digital investments. Other operating expenses of € 107 million primarily reflected the impact of the amortisation of intangible assets recognised on acquisition, mainly related to Online Distributors, Buccellati and Delvaux.

Profit for the period

Profit for the period amounted to € 1 249 million. The € 1 090 million year-on-year increase reflected a strong operating profit, partly offset by higher net finance costs. Net finance costs increased from € 117 million in the comparative period to € 385 million, and largely reflect the non-cash fair value loss on the investment in the Farfetch convertible note of € 108 million, as well as the impact of foreign exchange rate fluctuations, which result in a loss of € 55 million. A further non-cash fair value loss of € 81 million, arising from the option held by the Group over its shares in Farfetch China, was also recorded during the period.

Earnings per share (1 'A' share/10 'B' shares) increased more than six-fold to € 2.145 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 2021 was € 1 235 million (2020: € 154 million). Basic HEPS for the period was € 2.181 (2020: € 0.273); diluted HEPS for the period was € 2.150 (2020: € 0.272). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 10.3 of the Group's condensed consolidated interim financial statements.

Cash flow

At € 1 781 million, cash flow generated from operating activities increased by € 855 million compared to the prior-year period. This achievement reflected the substantial increase in operating profit along with prudent working capital management. The significant sales acceleration in the period under review led to a € 663 million increase in working capital mostly due to higher receivables and increased inventories to support the sales expansion.

At € 215 million, net investment in tangible fixed assets was 79% higher year-on-year. Investments were predominantly directed towards the Maisons' store network, including refurbishments and selective openings, as well as technology investments principally at the Online Distributors.

The 2021 dividend of CHF 2.00 per share (1 'A' share/10 'B' shares) was paid to shareholders and to South African Depository Receipt holders, net of withholding tax, in September. The overall dividend cash outflow in the period amounted to € 1 041 million.

In the period under review, the Group did not acquire any treasury shares to hedge executive share options but instead opted to hedge through the repurchase of warrants. Proceeds from the exercise of share options by executives and other activities related to the hedging programme amounted to a net cash inflow of € 83 million.

Balance sheet

At 30 September 2021, inventories of € 6 773 million were € 454 million higher than at 31 March 2021. Given the significant increase in sales, rotation improved to 16.0 months of cost of sales (September 2020: 19.2 months).

The Group's gross cash position at 30 September 2021 amounted to € 8 265 million while the Group's net cash position stood at € 3 153 million, a € 240 million decrease compared to the position at 31 March 2021. The Group's net cash position included highly liquid, highly rated money market funds, short-term bank deposits and short-duration bond funds, primarily denominated in Swiss francs, euros and US dollars.

Shareholders' equity represented 50% of total equity and liabilities compared to 51% at 31 March 2021.

Acquisition of Delvaux

On 30 June 2021, Richemont completed the acquisition of 100% of the share capital of DLX Holdings SA ('Delvaux') for a total cash consideration of € 178 million. Delvaux's results are consolidated within the 'Other' business area with effect from 1 July 2021. During the three-month period to 30 September 2021, Delvaux contributed € 28 million of sales and posted a net loss of € 1 million. The acquisition has resulted in the recognition of € 60 million in provisional goodwill and € 113 million of intangible assets.

Review of operations

Sales by region

			Change at	
in €m	Six months to 30 September 2021	Six months to 30 September 2020	Constant exchange rates*	Actual exchange rates
Europe	**2 009**	1 234	+62%	+63%
Asia Pacific	**3 789**	2 556	+47%	+48%
Americas	**1 926**	900	+123%	+114%
Japan	**526**	365	+56%	+44%
Middle East and Africa	**657**	423	+62%	+55%
	8 907	5 478	+65%	+63%

* 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 2021.

The following comments on Group sales refer to year-on-year movements at constant exchange rates. Contributions to Group sales relate to sales at actual exchange rates.

Europe

For the first half of the financial year, Europe delivered a robust 62% year-on-year increase in sales. All business areas showed growing momentum underpinned by encouraging local demand. On a two-year basis, sales were 9% lower, reflecting lower tourist spending due to ongoing Covid-19 related travel restrictions. However, over the second quarter of the current financial year, sales benefited from a gradual recovery.

With 23% contribution to Group sales, Europe remained the Group's second largest region.

Asia Pacific

Asia Pacific saw a 47% year-on-year increase in sales with substantial double-digit increases across all business areas and main markets. Compared to two years ago, sales were 41% higher.

With a 42% contribution to Group sales, Asia Pacific accounted for the largest share of Group sales.

Americas

With a 123% year-on-year increase in sales, the Americas region posted the highest rate of growth, raising its contribution to 22% of Group sales. The region is now nearly on par with Europe in terms of overall sales. The Jewellery Maisons and Specialist Watchmakers generated triple-digit sales growth, while the other business areas recorded robust double-digit increases. On a two-year basis, the performance was strong, with all business areas achieving double-digit sales increases.

Japan

In Japan, the 56% year-on-year increase in sales reflected double-digit growth in all business areas, benefiting from robust domestic demand. Covid-19 however continued to impact the market, notably tourism flows and related purchases, causing a 12% reduction in sales compared to the six-month period ended 30 September 2019.

Japan represented 6% of overall sales, compared to 7% in the prior-year period.

Middle East and Africa

Sales in the Middle East and Africa were 62% higher than the prior-year period, benefiting from sustained domestic and tourist spending. On a two-year basis, sales were equally strong with a 53% increase.

The Middle East and Africa region, with a 7% contribution to Group sales, was a slightly larger contributor to Group sales than Japan.

Sales by distribution channel

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change at Constant exchange rates*	Change at Actual exchange rates
Retail	**4 976**	2 930	+71%	+70%
Online retail	**1 633**	1 208	+38%	+35%
Wholesale and royalty income	**2 298**	1 340	+74%	+71%
	8 907	5 478	+65%	+63%

* 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 2021.

The following comments on Group sales refer to year-on-year movements at constant exchange rates unless otherwise stated.

Retail

The Retail channel incorporates sales from the Group's directly operated stores at the Maisons and Watchfinder & Co ('Watchfinder').

The 71% year-on-year increase in retail sales was broad-based, reflecting notable performances across all business areas and regions. Compared to the six-month period ended 30 September 2019, the retail channel posted a 34% sales growth, with Jewellery Maisons and Specialist Watchmakers leading the way.

Retail was the largest contributor to Group sales with the 1 259 directly operated boutiques generating 56% of Group sales.

Online retail

This distribution channel comprises the sales of YOOX NET-A-PORTER as well as the online retail sales of the Group's Maisons and Watchfinder.

Online retail sales grew by 38% compared to the prior-year period and by 33% compared to two years ago. Significant growth occurred across business areas and regions with the largest increases coming from the Specialist Watchmakers, albeit from a low base, and the Fashion & Accessories Maisons as the Group increasingly leverages its multi-year investments and learnings in digital.

The Group Maisons' online retail sales maintained a contribution of 6% of Group sales excluding Online Distributors, with online retail sales continuing to grow alongside the reopening of physical stores. Overall, including Online Distributors, the online retail channel contributed 18% of Group sales.

Wholesale and royalty income

This distribution channel includes sales to mono-brand franchise partners, to third party multi-brand retail partners as well as sales to agents, in addition to royalty income.

The 74% progression in wholesale sales versus the prior-year period was broad-based across business areas and regions. On a two-year basis, the increase amounted to 2% as the channel returned to growth in the second quarter of financial year 2022, supported by a gradual recovery in Europe and Japan as well as solid trading in the other regions.

The contribution of the Group's wholesale business was broadly stable at 26% of Group sales.

Sales and operating results by segment

Jewellery Maisons

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Sales	**5 097**	3 061	+67%
Operating result	**1 930**	922	+109%
Operating margin	**37.9%**	30.1%	+780 bps

With sales for the period increasing by 67%, the Jewellery Maisons generated a record operating margin of 37.9%. This outstanding performance was supported by strong watch and jewellery sales across iconic collections and Maisons. The Maisons benefited from increased high jewellery sales and additions to their iconic jewellery collections, notably *Tulle* at Buccellati, *Panthère* at Cartier and *Frivole* at Van Cleef & Arpels. Buccellati, acquired in September 2019, successfully accelerated its development, notably in Asia Pacific and Japan. Overall, the Americas, Asia Pacific and Middle East and Africa exceeded prior 2019 levels with Europe back to growth in the second quarter, supported by sustained local demand and initial signs of a resumption of international tourism. Overall, the Jewellery Maisons achieved a solid double-digit growth of 36% compared to the six-month period ended 30 September 2019.

The 109% increase in operating result to € 1 930 million primarily reflected higher sales, supported by higher and effective media spend, increased utilisation of manufacturing facilities and good cost control overall. Investments in store renovations included the Cartier boutique in Geneva rue du Rhône and Singapore Marina Bay Sands. New store openings during the period included Buccellati in Tokyo Ginza, Cartier in Paris La Samaritaine and Van Cleef & Arpels in US Wynn Las Vegas.

Specialist Watchmakers

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Sales	**1 679**	966	+74%
Operating result	**376**	(8)	n/r
Operating margin	**22.4%**	(0.8)%	n/r

Sales at the Specialist Watchmakers were 74% higher than in the prior-year period, and 7% higher on a two-year basis. This commendable performance was driven by strong demand from local clientele and was achieved across all Maisons, channels and regions. The shift in demand from a multi-brand environment towards directly operated stores, the Maison’s e-commerce sites and mono-brand franchise stores accelerated and drove this strong performance, with sales in a mono-brand environment now accounting for around 69% of Specialist Watchmakers’ sales.

Demand was high for new references at our iconic collections, namely *Odysseus* at A. Lange & Söhne, *Pilot* at IWC Schaffhausen, *Reverso* at Jaeger-LeCoultre, *Luminor* at Panerai and *Overseas* at Vacheron Constantin, to name a select few.

Higher sales and increased manufacturing activity combined with strict cost control resulted in a € 376 million operating result, with operating margin reaching 22.4%. Targeted investments included the renovations of the Piaget flagship store on London New Bond Street as well as the openings of Jaeger-LeCoultre in Wuhan, China and of Panerai in Shanghai Qiantan Taikoo Li, China.

Online Distributors

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Sales	**1 278**	934	+37%
Operating result	**(141)**	(138)	-2%
Operating margin	**(11.0)%**	(14.8)%	+380 bps

Sales of Richemont Maisons’ own products generated by YNAP are reported under both the Maisons’ and YNAP’s business area reporting. In Group sales, these are subsequently eliminated as ‘intersegment sales’.

The 37% increase in sales and 28% increase in Gross Merchandise Value (‘GMV’) at the Online Distributors compared to the prior-year period was driven by double-digit growth across all regions. Compared to the six-month period ended 30 September 2019, sales rose by 8% and GMV by 9%. The Americas, which is the second largest contributor to sales, posted the highest growth rate. NET-A-PORTER continued its development in China with its flagship store on Alibaba’s Tmall Luxury Pavilion now offering over 400 luxury brands, enabling the development of curated assortments. The NET-A-PORTER and MR PORTER Italian distribution centre in Landriano became fully operational in September and is now acting as a central hub serving millions of customers around the world. Watchfinder focused on extending its array of services and its international presence by entering the Italian market, and notably started offering pre-owned watches to NET-A-PORTER and MR PORTER’s clients in the US while the watch trade-in programme continued to be rolled out, now available across 89 boutiques, including in select Cartier stores.

Investments remained focused on information technology linked to YNAP’s global technology and logistics platform migration, successfully completed in September, and the shift to a hybrid business model currently underway. The Online Distributors recorded a € 141 million operating loss, notwithstanding higher sales and an improved gross margin, due to increased communication investments and temporary absorption of

Brexit-driven customs duties and value-added tax amounting to some € 40 million. At € 49 million, the EBITDA loss was unchanged from the prior-year period.

Other

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Sales	**935**	545	+72%
Operating result	**29**	(108)	n/r
Operating margin	**3.1%**	(19.8)%	n/r

'Other' includes the Fashion & Accessories Maisons and, amongst others, the Group's watch component manufacturing and real estate activities.

Sales rose by 72% for the period or 66% excluding the impact of Delvaux, the world's oldest luxury leather goods Maison acquired at the end of June 2021. Whilst sales were slightly below pre-Covid levels in the first six-month period, double-digit sales growth was achieved in the second quarter, exceeding pre-Covid levels. In an environment marked by significantly reduced footfall in airports, Montblanc sales increased markedly compared to the prior-year period. Its new *Mark Makers* campaign is starting to positively impact sales. Worth noting is the continued outstanding performance of Peter Millar, compared both to 2020 and 2019. The launches of the first collections from new creative directors Gabriela Hearst at Chloé and Pieter Mulier at Alaïa have also been strongly acclaimed and show a promising debut.

Store investments were limited, and included a new store for Montblanc in Wuhan, China, renovated stores for dunhill in Tokyo Ginza and Alaïa in Paris as well as a relocated store in Florida Palm Beach for Peter Millar. Higher sales, improved gross margin, tight cost control and a positive contribution from a real estate transaction resulted in a € 29 million operating profit.

Valuation adjustments on acquisitions

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Valuation adjustments on acquisitions	**(89)**	(99)	-10%

The amortisation of certain intangible assets and inventory adjustments made on acquisition are not included in the operating result of the respective segments. They primarily relate to Online Distributors, Buccellati and Delvaux.

Corporate costs

in €m	Six months to 30 September 2021	Six months to 30 September 2020	Change
Corporate costs	**(153)**	(116)	+32%
Central support services	**(129)**	(116)	+11%
Other unallocated expenses, net	**(24)**	–	n/r

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central functions), as well as other expenses and income that are not allocated to specific segments. These increased by 32% compared to the prior-year period and represented close to 2% of Group sales.

Jérôme Lambert
Chief Executive Officer

Burkhart Grund
Chief Finance Officer

Compagnie Financière Richemont SA
Geneva, 12 November 2021

Condensed consolidated balance sheet

	Notes	30 September 2021 €m	31 March 2021 €m
Assets			
Non-current assets			
Property, plant and equipment		**2 620**	2 583
Goodwill		**3 521**	3 456
Other intangible assets		**2 431**	2 436
Right of use assets		**3 352**	3 339
Investment property		**207**	220
Equity-accounted investments	*6*	**248**	187
Deferred income tax assets		**618**	614
Financial assets held at fair value through profit or loss	*17*	**470**	506
Financial assets held at fair value through other comprehensive income	*17*	**358**	377
Other non-current assets		**466**	435
		14 291	14 153
Current assets			
Inventories		**6 773**	6 319
Trade receivables and other current assets		**1 566**	1 369
Derivative financial instruments	*17*	**6**	12
Financial assets held at fair value through profit or loss	*17*	**5 771**	5 550
Assets held for sale		**69**	79
Cash at bank and on hand		**8 265**	7 877
		22 450	21 206
Total assets		**36 741**	35 359
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**334**	334
Treasury shares		**(390)**	(490)
Hedge and share option reserves		**453**	419
Cumulative translation adjustment reserve		**2 928**	2 626
Retained earnings		**14 946**	14 885
		18 271	17 774
Non-controlling interests		**73**	110
Total equity		**18 344**	17 884
Liabilities			
Non-current liabilities			
Borrowings		**5 953**	5 937
Lease liabilities		**2 955**	2 927
Deferred income tax liabilities		**294**	258
Employee benefits obligations		**70**	65
Provisions		**52**	55
Other long-term financial liabilities		**111**	97
		9 435	9 339
Current liabilities			
Trade payables and other current liabilities		**2 471**	2 537
Current income tax liabilities		**615**	550
Borrowings		**1**	–
Lease liabilities		**593**	590
Derivative financial instruments	*17*	**127**	114
Provisions		**226**	248
Bank overdrafts		**4 929**	4 097
		8 962	8 136
Total liabilities		**18 397**	17 475
Total equity and liabilities		**36 741**	35 359

The notes on pages 14 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Revenue	5	**8 907**	5 478
Cost of sales		**(3 269)**	(2 313)
Gross profit		**5 638**	3 165
Selling and distribution expenses		**(1 869)**	(1 429)
Communication expenses		**(699)**	(342)
Fulfilment expenses		**(216)**	(155)
Administrative expenses		**(798)**	(690)
Other operating expenses	7	**(107)**	(97)
Operating profit		**1 949**	452
Finance costs	8	**(438)**	(225)
Finance income	8	**53**	108
Share of post-tax results of equity-accounted investments		**13**	9
Profit before taxation		**1 577**	344
Taxation	9	**(328)**	(185)
Profit for the period		**1 249**	159
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses		**–**	(21)
Tax on defined benefit plan actuarial losses		**–**	4
Fair value changes on financial assets held at fair value through other comprehensive income		**(76)**	(6)
		(76)	(23)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the period		**303**	(278)
Cash flow hedging			
– reclassification to profit or loss, net of tax		**2**	1
Share of other comprehensive income of equity-accounted investments		**1**	–
		306	(277)
Other comprehensive income/(loss), net of tax		**230**	(300)
Total comprehensive income/(loss)		**1 479**	(141)
Profit attributable to:			
Owners of the parent company		**1 232**	159
Non-controlling interests		**17**	–
		1 249	159
Total comprehensive income attributable to:			
Owners of the parent company		**1 461**	(140)
Non-controlling interests		**18**	(1)
		1 479	(141)
Earnings per 'A' share/10 'B' shares attributable to owners of the parent company during the period (expressed in € per share)			
Basic	10	**2.176**	0.281
Diluted	10	**2.145**	0.281

The notes on pages 14 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed 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 €m	Total €m	Non-controlling interests €m	Total equity €m
		Equity attributable to owners of the parent company							
Balance at 1 April 2020		334	(539)	368	3 133	13 840	17 136	123	17 259
Comprehensive income									
Profit for the period		–	–	–	–	159	159	–	159
Other comprehensive loss		–	–	1	(277)	(23)	(299)	(1)	(300)
		–	–	1	(277)	136	(140)	(1)	(141)
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*13*	–	5	–	–	(2)	3	–	3
Employee share-based compensation		–	–	21	–	–	21	–	21
Tax on share option plan		–	–	–	–	–	–	–	–
Dividends paid	*12*	–	–	–	–	(529)	(529)	–	(529)
		–	5	21	–	(531)	(505)	–	(505)
Balance at 30 September 2020		334	(534)	390	2 856	13 445	16 491	122	16 613
Balance at 1 April 2021		**334**	**(490)**	**419**	**2 626**	**14 885**	**17 774**	**110**	**17 884**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**1 232**	**1 232**	**17**	**1 249**
Other comprehensive income		**–**	**–**	**2**	**302**	**(75)**	**229**	**1**	**230**
		–	**–**	**2**	**302**	**1 157**	**1 461**	**18**	**1 479**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*13*	**–**	**100**	**–**	**–**	**(16)**	**84**	**–**	**84**
Acquisition of warrants on own equity	*13*	**–**	**–**	**–**	**–**	**(39)**	**(39)**	**–**	**(39)**
Employee share-based compensation		**–**	**–**	**31**	**–**	**–**	**31**	**–**	**31**
Tax on share option plan		**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Changes in non-controlling interests	*15*	**–**	**–**	**–**	**–**	**–**	**–**	**(55)**	**(55)**
Dividends paid	*12*	**–**	**–**	**–**	**–**	**(1 041)**	**(1 041)**	**–**	**(1 041)**
		–	**100**	**32**	**–**	**(1 096)**	**(964)**	**(55)**	**(1 019)**
Balance at 30 September 2021		**334**	**(390)**	**453**	**2 928**	**14 946**	**18 271**	**73**	**18 344**

The notes on pages 14 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Cash flows from operating activities			
Operating profit		**1 949**	452
Adjustment for non-cash items	*11*	**767**	737
Changes in working capital	*11*	**(663)**	(91)
Cash flow generated from operations		**2 053**	1 098
Interest received		**50**	37
Interest paid		**(84)**	(59)
Dividends from equity-accounted investments		**3**	–
Taxation paid		**(241)**	(150)
Net cash generated from operating activities		**1 781**	926
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*18*	**(190)**	(27)
Acquisition of equity-accounted investments	*6*	**(104)**	–
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**–**	50
Acquisition of property, plant and equipment		**(216)**	(126)
Proceeds from disposal of property, plant and equipment		**1**	6
Acquisition of intangible assets		**(56)**	(62)
Payments capitalised as right of use assets		**(4)**	–
Proceeds from disposal of investment property		**86**	–
Investment in money market and externally managed funds		**(7 496)**	(5 803)
Proceeds from disposal of money market and externally managed funds		**7 272**	5 578
Acquisition of other non-current assets and investments		**(222)**	(45)
Proceeds from disposal of other non-current assets and investments		**15**	5
Net cash used in investing activities		**(914)**	(424)
Cash flows from financing activities			
Proceeds from borrowings		**–**	2 069
Repayment of borrowings		**(8)**	(1)
Corporate bond issue transaction costs		**–**	(8)
Dividends paid	*12*	**(1 041)**	(529)
Proceeds from sale of treasury shares	*13*	**83**	3
Acquisition of warrants on own equity		**(39)**	–
Acquisition of non-controlling interests in a subsidiary		**(55)**	–
Lease payments – principal		**(315)**	(260)
Net cash (used in)/generated by financing activities		**(1 375)**	1 274
Net change in cash and cash equivalents		**(508)**	1 776
Cash and cash equivalents at the beginning of the period		**3 780**	1 985
Exchange gains/(losses) on cash and cash equivalents		**64**	(96)
Cash and cash equivalents at the end of the period		**3 336**	3 665

The notes on pages 14 to 27 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

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 interests encompass several of the most prestigious names in the industry, including Buccellati, Cartier, Van Cleef & Arpels, A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis, Vacheron Constantin, Watchfinder, YOOX NET-A-PORTER ('YNAP'), Alaïa, Chloé, Delvaux, dunhill, Montblanc, Peter Millar, Purdey and Serapian.

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

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 11 November 2021.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2021 have been prepared in accordance with International Accounting Standard ('IAS') 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2021, which were prepared in accordance with International Financial Reporting Standards ('IFRS').

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2021.

3. Accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2021.

New standards and interpretations not yet adopted

Certain new accounting standards and amendments, issued by the IASB, are not yet effective and have not yet been adopted by the Group. None are expected to have a significant impact on the financial statements of the Group.

4. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated chief executive officer and management team allowing management to maintain and develop the specific identity of each Maison or distributor. These operating segments have been aggregated into the following business areas for reporting purposes:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Buccellati, 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 A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis and Vacheron Constantin.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This business area comprises Watchfinder and YNAP.

In order to determine which operating segments share similar economic characteristics and thus meet the criteria for aggregation, management has focused on the distribution network, product mix and gross margin of the Maisons.

Other operating segments include Alaïa, AZ Factory, Chloé, Delvaux, dunhill, Montblanc, Peter Millar, Purdey, Serapian, investment property companies and other manufacturing entities. None of these segments meets the quantitative thresholds for determining reportable segments. Delvaux is presented within this group of segments for the first time following its recent acquisition (see note 18).

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

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated. Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

Performance measurement is based on segment contribution before corporate costs, valuation adjustments on acquisitions, 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.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

4. Segment information continued

(a) Information on reportable segments continued
Revenue by business area is as follows:

Six months to 30 September 2021	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**5 096**	**1 675**	**1 278**	**858**	**–**	**8 907**
Inter-segment revenue	**1**	**4**	**–**	**77**	**(82)**	**–**
	5 097	**1 679**	**1 278**	**935**	**(82)**	**8 907**

Six months to 30 September 2020	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	3 060	963	934	521	–	5 478
Inter-segment revenue	1	3	–	24	(28)	–
	3 061	966	934	545	(28)	5 478

The results by business area are as follows:

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Operating result		
Jewellery Maisons	**1 930**	922
Specialist Watchmakers	**376**	(8)
Online Distributors	**(141)**	(138)
Other	**29**	(108)
	2 194	668
Elimination of internal transactions	**(3)**	(1)
Impact of valuation adjustments from acquisitions	**(89)**	(99)
Corporate costs	**(153)**	(116)
Operating profit	**1 949**	452
Finance costs	**(438)**	(225)
Finance income	**53**	108
Share of post-tax results of equity-accounted investments	**13**	9
Profit before taxation	**1 577**	344
Taxation	**(328)**	(185)
Profit for the period	**1 249**	159

	Six months to 30 September 2021 €m	Six months to 30 September 2020 represented €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**272**	252
Specialist Watchmakers	**123**	128
Online Distributors	**93**	89
Other	**98**	95
Unallocated	**170**	185
	756	749

Notes to the condensed consolidated interim financial statements
at 30 September 2021

4. Segment information continued

(a) Information on reportable segments continued

The segment assets which are reviewed by the CODM comprise inventories and trade debtors.

	At 30 September 2021 €m	At 31 March 2021 €m
Segment assets		
Jewellery Maisons	**3 851**	3 561
Specialist Watchmakers	**1 661**	1 539
Online Distributors	**1 124**	955
Other	**1 086**	951
	7 722	7 006
Eliminations	**(109)**	(49)
	7 613	6 957

	At 30 September 2021 €m	At 31 March 2021 €m
Total segment assets	**7 613**	6 957
Property, plant and equipment	**2 620**	2 583
Goodwill	**3 521**	3 456
Other intangible assets	**2 431**	2 436
Right of use assets	**3 352**	3 339
Investment property	**207**	220
Equity-accounted investments	**248**	187
Deferred income tax assets	**618**	614
Financial assets at fair value through profit or loss	**6 241**	6 056
Financial assets at fair value through other comprehensive income	**358**	377
Other non-current assets	**466**	435
Other receivables	**726**	731
Derivative financial instruments	**6**	12
Cash at bank and on hand	**8 265**	7 877
Assets held for sale	**69**	79
Total assets	**36 741**	35 359

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

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**162**	86
Specialist Watchmakers	**32**	16
Online Distributors	**41**	55
Other	**19**	15
Unallocated	**20**	8
	274	180

Notes to the condensed consolidated interim financial statements
at 30 September 2021

4. Segment information continued

(b) Information about geographical areas

Each operating segment operates on a worldwide basis. External revenue presented in the four main geographical areas where the Group's operating segments operate are as follows:

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Europe	**2 009**	1 234
United Kingdom	**442**	273
France	**291**	169
Italy	**281**	169
Switzerland	**211**	100
Other Europe	**784**	523
Middle East and Africa	**657**	423
Asia	**4 315**	2 921
China, including Hong Kong SAR and Macau SAR	**2 789**	1 897
– of which mainland China	***2 194***	*1 672*
– of which Hong Kong SAR and Macau SAR	***595***	*225*
Japan	**526**	365
South Korea	**472**	303
Other Asia	**528**	356
Americas	**1 926**	900
United States	**1 725**	803
Other Americas	**201**	97
	8 907	5 478

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for online 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 2021 €m	At 31 March 2021 €m
Italy	**4 322**	4 295
United Kingdom	**1 898**	2 030
Switzerland	**1 837**	1 837
United States	**1 157**	1 133
France	**1 156**	1 123
Rest of the world	**2 326**	2 106
	12 696	12 524

Segment assets are allocated based on the physical location of the asset. In the case of equity-accounted investments, the allocation of the asset is determined by the location of the shareholding.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

4. Segment information continued

(c) Information about products

External revenue by product is as follows:

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Jewellery	**3 803**	2 253
Watches	**2 924**	1 747
Clothing	**956**	692
Leather goods and accessories	**731**	493
Writing instruments	**191**	122
Other	**302**	171
	8 907	5 478

5. Revenue

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Revenue from contracts with customers	**8 884**	5 466
Royalty income	**23**	12
	8 907	5 478

Analysis of revenue by geographical area and by operating segment is as follows:

Six months to 30 September 2021	Asia €m	Europe €m	Japan €m	Americas €m	Middle East and Africa €m	Total €m
Jewellery Maisons	**2 370**	**862**	**343**	**1 069**	**453**	**5 097**
Specialist Watchmakers	**1 023**	**287**	**78**	**198**	**93**	**1 679**
Online Distributors	**165**	**610**	**47**	**380**	**76**	**1 278**
Other	**238**	**289**	**63**	**307**	**38**	**935**
	3 796	**2 048**	**531**	**1 954**	**660**	**8 989**
Intersegment eliminations	**(7)**	**(39)**	**(5)**	**(28)**	**(3)**	**(82)**
	3 789	**2 009**	**526**	**1 926**	**657**	**8 907**

Six months to 30 September 2020	Asia €m	Europe €m	Japan €m	Americas €m	Middle East and Africa €m	Total €m
Jewellery Maisons	1 638	435	232	442	314	3 061
Specialist Watchmakers	643	159	55	68	41	966
Online Distributors	116	494	36	236	52	934
Other	163	158	44	162	18	545
	2 560	1 246	367	908	425	5 506
Intersegment eliminations	(4)	(12)	(2)	(8)	(2)	(28)
	2 556	1 234	365	900	423	5 478

6. Equity-accounted investments

	€m
At 1 April 2020	180
Exchange adjustments	3
Disposal of equity-accounted investments	(1)
Share of post-tax results	5
Share of other comprehensive income	–
At 31 March 2021	**187**
Exchange adjustments	**–**
Increase in equity-accounted investments	**104**
Dividends received	**(3)**
Share of post-tax results	**13**
Share of other comprehensive income	**1**
Transfer to Assets held for sale	**(54)**
At 30 September 2021	**248**

The value of equity-accounted investments at 30 September 2021 includes goodwill of € 57 million (2020: € 43 million).

The Group's principal equity-accounted investments at 30 September 2021 are as follows:

		September 2021 interest held (%)	March 2021 interest held (%)	Country of incorporation	Country of operation
Associates					
Greubel Forsey SA	Watchmaker	**20**	20	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	**35**	35	Switzerland	Switzerland
Schwab-Feller AG	Watch component manufacturer	**20**	20	Switzerland	Switzerland
Kering Eyewear SpA	Eyewear manufacturer/distributor	**30**	30	Italy	Worldwide
Farfetch China Holdings Limited	Online distributor	**13**	–	United Kingdom	China
Joint ventures					
Laureus World Sports Awards Limited	Sports Awards	**50**	50	United Kingdom	Worldwide
DPS Beaune SAS	Jewellery manufacturer	**33**	33	France	France
New Bond Street JV Jersey Unit Trust	Investment entity	**48**	48	United Kingdom	United Kingdom
New Bond Street JV II Unit Trust	Investment entity	**46**	46	United Kingdom	United Kingdom
MDA SAS	Leather goods manufacturer	**50**	–	France	France

In August 2021, the Group acquired 12.5% of the share capital and voting rights of Farfetch China Holdings Limited ('Farfetch China'), an entity registered in the UK, which manages the marketplace operations of Farfetch Limited, a luxury online retailer, in the China region. Despite a shareholding of 12.5%, Farfetch China is considered to be an associate because the Group has significant influence in the entity, as evidenced by its ability to appoint 1 out of 5 members of the Board of Directors, which has responsibility for matters such as overall business strategy, relationships with key stakeholders and the annual financial budget.

The agreement includes an option to purchase a further 12.5% of Farfetch China after the third year of operations, and an additional option to potentially convert the investment to shares in Farfetch Limited, a company listed on the New York Stock Exchange, under specific conditions. This option is accounted for as a financial instrument held at fair value through profit or loss, with a value of € 121 million at 30 September 2021 and is classified as Level 3 in the IFRS fair value hierarchy. For further details on the valuation of this option, see note 17. Total consideration for the transaction is € 211 million (US$ 250 million), of which € 197 million was allocated to the option on initial recognition.

As at 30 September 2021, the Group is actively preparing the sale of its investment in New Bond Street JV II Unit Trust, which is expected to be completed in the second half of the current financial year. As a result, this investment has been reclassified to assets held for sale.

During the period, the Group increased its investment in Kering Eyewear by € 90 million, with no change to the percentage interest held.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

7. Other operating income/(expenses)

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Royalty expenses	**(2)**	(1)
Investment property rental income	**1**	1
Investment property costs	**(3)**	(1)
Gain on sale of investment property	**24**	–
Amortisation of intangible assets and inventory adjustments recognised on acquisition	**(92)**	(100)
Other (expenses)/income	**(35)**	4
	(107)	(97)

8. Finance costs and income

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(15)**	(12)
– corporate bond	**(47)**	(43)
– other financial expenses	**(17)**	(16)
– lease liabilities	**(32)**	(34)
Net foreign exchange losses on monetary items	**(55)**	(103)
Mark-to-market adjustment in respect of hedging activities	**(21)**	–
Net loss on financial instruments at fair value through profit or loss	**(251)**	(17)
Finance costs	**(438)**	(225)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**33**	19
– from financial assets held at fair value through profit or loss	**17**	19
– other financial income	**3**	–
Mark-to-market adjustment in respect of hedging activities	**–**	70
Finance income	**53**	108
Net finance (costs)/income	**(385)**	(117)

9. Taxation

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period, based on circumstances and available information at the reporting date. The effective tax rate for the period ended 30 September 2021 was 21.0% (2020: 55.2%). The change compared to the prior period mostly reflects the exceptional circumstances faced by the Group in the prior period due to the Covid-19 pandemic which led to a significant reduction in consolidated profit before tax, as well as changes in the geographical distribution of profits in local entities.

10. Earnings per share

10.1. Basic

Basic earnings per 'A' share/10 'B' shares is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of shares in issue during the period, excluding shares purchased by the Group and held in treasury. Holders of 'A' and 'B' shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, 'B' shareholders receive one tenth of the dividend per share paid to the 'A' shareholders.

	Six months to 30 September 2021	Six months to 30 September 2020
Total profit attributable to owners of the parent company (€ millions)	**1 232**	159
Weighted average number of shares in issue (millions)	**566.2**	565.0
Basic earnings per 'A' share/10 'B' shares	**2.176**	0.281

10.2. Diluted

Diluted earnings per 'A' share/10 'B' shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has three categories of dilutive potential shares: share options, restricted share units and shareholder warrants.

The calculation is performed for all potential shares 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 and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the instrument.

For the period ended 30 September 2021, all instruments are dilutive and so none are excluded from the calculation of diluted earnings per share (2020: 8 166 477 options were not dilutive).

	Six months to 30 September 2021	Six months to 30 September 2020
Total profit attributable to the owners of the parent company (€ millions)	**1 232**	159
Weighted average number of shares in issue (millions)	**566.2**	565.0
Adjustment for dilutive potential ordinary shares (millions)	**8.3**	1.4
Weighted average number of shares for diluted earnings per 'A' share/10 'B' shares (millions)	**574.5**	566.4
Diluted earnings per 'A' share/10 'B' shares	**2.145**	0.281

Notes to the condensed consolidated interim financial statements
at 30 September 2021

10. Earnings per share continued

10.3. Headline earnings per 'A' share/ 10 'B' shares

The presentation of headline earnings per 'A' share/10 'B' shares as an alternative measure to earnings per share is required under the Johannesburg Stock Exchange listing requirements.

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Profit attributable to owners of the parent company	**1 232**	159
Loss on disposal of non-current assets	**3**	–
Gain on disposal of equity-accounted investments	**–**	(5)
Headline earnings	**1 235**	154

	Six months to 30 September 2021 millions	Six months to 30 September 2020 millions
Weighted average number of shares:		
– Basic	**566.2**	565.0
– Diluted	**574.5**	566.4
	€ per share	€ per share
Headline earnings per 'A' share/10 'B' shares:		
– Basic	**2.181**	0.273
– Diluted	**2.150**	0.272

11. Cash flow generated from operations

	Six months to 30 September 2021 €m	Six months to 30 September 2020 €m
Depreciation of property, plant and equipment	**243**	245
Depreciation of right of use assets	**342**	325
Depreciation of investment property	**2**	2
Amortisation of other intangible assets	**169**	177
Loss on disposal of property, plant and equipment	**2**	1
Loss on disposal of intangible assets	**1**	–
Profit on disposal of investment property	**(24)**	(1)
Fixed rent concessions related to Covid-19	**(6)**	(38)
Increase in non-current provisions	**7**	5
Other non-cash items	**31**	21
Adjustments for non-cash items	**767**	737
(Increase)/decrease in inventories	**(333)**	239
Increase in trade receivables	**(184)**	(253)
Increase in other current assets	**(7)**	(27)
Decrease in current liabilities	**(138)**	(69)
Increase/(decrease) in other long-term liabilities	**3**	(4)
Cash (outflow)/inflow on derivative financial instruments	**(4)**	23
Changes in working capital	**(663)**	(91)

Notes to the condensed consolidated interim financial statements
at 30 September 2021

12. Dividends

On 8 September 2021 shareholders approved a dividend of CHF 2.00 per 'A' share and CHF 0.20 per 'B' share (2020: CHF 1.00 and CHF 0.10 respectively).

13. Treasury shares

During the current period the Group did not acquire any treasury shares directly in the open market (2020: none). In the same period the Group delivered 1 226 289 treasury shares for proceeds of € 83 million in settlement of options exercised in the period and traded options exercised in previous periods (2020: 51 807 shares for € 3 million).

In the six months to 30 September 2021, the Group also acquired 67 million warrants issued in November 2020 at a total cost of € 39 million. The cost of these warrants is recorded in retained earnings.

These warrants, together with the treasury shares, will be used to provide a hedge of the Group's potential obligations arising under its share option and restricted share unit plans.

14. Financial commitments and contingent liabilities

At 30 September 2021, 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.

The Group's commitments for lease agreements which had not yet commenced at the balance sheet date amounted to € 198 million (31 March 2021: € 102 million). Commitments to purchase items of plant, property and equipment amounted to € 298 million (31 March 2021: € 99 million).

15. Related-party transactions

Following the sale of an investment property, the non-controlling interest in a Group company held by the Rupert family's interests reduced. At 30 September 2021, this non-controlling interest amounts to € 24 million (31 March 2021: € 62 million). There have been no other significant changes 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 2022 annual consolidated financial statements.

16. Share-based payments

Equity-settled share option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire Richemont 'A' shares at the market price on the date of grant. Awards under the share option plan vest over periods of three to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted between 2008 and 2016 include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

Restricted share units

A further share-based compensation plan is operated by the Group under which executives are awarded Restricted Share Units ('RSUs'). Awards under this plan vest over periods of three to five years from the date of grant. On vesting, the executive will receive a share in the Company. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSUs'). Executives are not entitled to dividends during the vesting period.

Awards during the period

During the period ended 30 September 2021, no awards of options were made (31 March 2021: 653 758 at exercise price CHF 75.84). Awards of 665 850 RSU and 247 302 PSU were made during the period (31 March 2021: 809 889 RSU, of which 178 663 were subject to performance conditions).

The fair value of options and PSU awarded to members of the Senior Executive Committee ('SEC') is fixed on the date of approval of SEC remuneration by the shareholders of the Company. Following the AGM in September 2021, the award date value of share options and PSU in December 2020 of CHF 20.34 and CHF 71.53 respectively was revalued at CHF 37.67 and CHF 96.86 respectively.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

17. Financial instruments: Fair values and risk management

The Group's financial risk management objectives and policies are consistent with those described in the consolidated financial statements for the year ended 31 March 2021.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the IFRS fair value hierarchy.

	Carrying amount					Fair value			
30 September 2021	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Derivative financial instruments	121	–	–	–	121	–	–	121	121
Listed investments	–	358	–	–	358	358			358
Unlisted investments	349	–	–	–	349		342	7	349
Non-current assets held at fair value	470	358	–	–	828				
Investments in externally managed funds	5 430	–	–	–	5 430	5 430			5 430
Investments in money market funds	341	–	–	–	341		341		341
Derivative financial instruments	6	–	–	–	6		6		6
Current assets held at fair value	5 777	–	–	–	5 777				
	6 247	358	–	–	6 605				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	8	–	8				
Non-current lease deposits	–	–	141	–	141				
Trade and other receivables	–	–	1 168	–	1 168				
Cash and cash equivalents	–	–	8 265	–	8 265				
	–	–	9 582	–	9 582				
Financial liabilities measured at fair value									
Derivatives	(127)	–	–	–	(127)		(127)		(127)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(5 941)	(5 941)	(6 509)			(6 509)
Floating rate borrowings	–	–	–	(13)	(13)				
Lease liabilities	–	–	–	(3 548)	(3 548)				
Other non-current financial liabilities	–	–	–	(111)	(111)				
Trade and other payables	–	–	–	(2 257)	(2 257)				
Bank overdrafts	–	–	–	(4 929)	(4 929)				
	–	–	–	(16 799)	(16 799)				

Unlisted investments at 30 September 2021 include an investment in a convertible note issued by Farfetch Limited. Non-current derivative financial instruments relates to the Farfetch China option.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

17. Financial instruments: Fair values and risk management continued

31 March 2021	Carrying amount					Fair value			
	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	50	377	–	–	427	427			427
Unlisted investments	456	–	–	–	456		446	10	456
Non-current assets held at fair value	506	377	–	–	883				
Investments in externally managed funds	5 388	–	–	–	5 388	5 388			5 388
Investments in money market funds	162	–	–	–	162		162		162
Derivative financial instruments	12	–	–	–	12		12		12
Current assets held at fair value	5 562	–	–	–	5 562				
	6 068	377	–	–	6 445				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	7	–	7				
Non-current lease deposits	–	–	125	–	125				
Trade and other receivables	–	–	946	–	946				
Cash and cash equivalents	–	–	7 877	–	7 877				
	–	–	8 955	–	8 955				
Financial liabilities measured at fair value									
Derivatives	(114)	–	–	–	(114)		(114)		(114)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(5 937)	(5 937)	(6 554)			(6 554)
Lease liabilities	–	–	–	(3 517)	(3 517)				
Other non-current financial liabilities	–	–	–	(97)	(97)				
Trade and other payables	–	–	–	(2 304)	(2 304)				
Bank overdrafts	–	–	–	(4 097)	(4 097)				
	–	–	–	(15 952)	(15 952)				

The Group does not disclose the fair value for financial instruments where the carrying value is a reasonable approximation of the fair value.

17. Financial instruments: Fair values and risk management continued

Valuation techniques

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price for financial assets held by the Group is the current bid price. These instruments are included in Level 1 and comprise listed investments and investments in externally managed funds made up of listed bonds.

The euro, Swiss franc and US dollar-denominated externally managed funds are mandated to invest in Sovereign, Supranational & Agency ('SSA') bonds. The weighted average rating is AA+ and the weighted average maturity is 228 days.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, maximising the use of observable market data, where available, and relying as little as possible on entity-specific estimates. If all significant inputs are observable the instrument is included as Level 2; if one or more of the significant inputs is not based on observable market data then the instrument is included as Level 3.

Specific valuation techniques used for Level 2 financial instruments include:

- currency forwards are measured based on observable spot exchange rates, the term interest rates of the respective currencies and the currency basis spread between the respective currencies; and
- the Farfetch convertible note is valued using the Black-Scholes model, with key inputs being the market price of Farfetch shares on the date of the valuation of US$ 37.5, the risk-free rate of 0.3% and the expected volatility of the underlying equity instrument of 44.5%. The value of the underlying bond is determined using a discounted cash flow model with a credit spread of 2.2%. As the note is convertible at any time into Farfetch shares, its valuation is closely correlated to the evolution of the Farfetch share price.

The nominal value of the investments in money market funds approximates the fair value, as the maximum average life is 120 days and the maximum average maturity is 60 days. These instruments are included in Level 2.

Level 3 financial instruments consist of the Farfetch China option, together with numerous relatively small investments in unlisted equities. Specific valuation techniques used for Level 3 financial instruments include:

- the Farfetch China option is valued using the Black-Scholes model, with key inputs being the market price of Farfetch shares on the date of the valuation of US$ 37.5, the risk-free rate of 0.9% and the expected volatility of the underlying equity instrument of 44.5%. The strike price of the option is derived from the value of the underlying investment in Farfetch China, which is determined using recent transactions in the shares of the entity with third parties. As the option is convertible in the future into Farfetch shares, its valuation is also closely correlated to the evolution of the Farfetch share price.

Movements in Level 3 financial instruments during the period are set out below:

	€m
At 1 April 2020 and 1 April 2021	**10**
Exchange adjustments	**5**
Additions	**197**
Disposal	**(3)**
Unrealised losses recognised in net finance costs	**(81)**
At 30 September 2021	**128**

Management performs valuations of investments as necessary for financial reporting purposes, including for level 3 items. The Group's reporting specialists regularly present the valuation processes employed and results to the Group Chief Finance Officer and these are also presented to the Group Audit Committee in advance of publication.

The main level 3 input used by the Group is derived and evaluated as follows:

- The fair value of the underlying investment in Farfetch China is based on recent transactions with third parties, supported by an analysis of trading multiples of listed peer companies and business plans. A plus/(minus) 1% change in the fair value of this investment would lead to a (minus)/plus 0.7% change in the fair value of the option (€ 0.8 million).

Hedging activities

Cash flow hedge accounting was applied to a euro-denominated interest rate swap contract, which was used to hedge the Group's corporate bond issue in 2018 and, as a result, the loss realised on this interest rate swap was deferred in equity. This loss is recycled to the income statement over the life of the related bond.

Notes to the condensed consolidated interim financial statements
at 30 September 2021

18. Business combinations

On 30 June 2021, the Group completed the acquisition of 100% of the share capital and voting rights of DLX Holdings SA ('Delvaux') for a total consideration of € 178 million. Delvaux is a luxury leather goods Maison registered in Belgium and the acquisition is intended to strengthen the Group's presence in the leather goods sector. The results of Delvaux are consolidated into those of the Group with effect from 1 July 2021.

Fair value of assets acquired

	Delvaux €m	Other €m	Total €m
Property, plant and equipment	21	–	21
Intangible assets	113	–	113
Right of use assets	97	–	97
Other non-current assets	7	–	7
Inventories	36	–	36
Cash and cash equivalents	9	–	9
Trade and other receivables	18	–	18
Trade and other payables	(26)	–	(26)
Short-term borrowings	(20)	–	(20)
Current and deferred tax	(38)	–	(38)
Retirement benefit liability	(4)	–	(4)
Lease liabilities	(94)	–	(94)
Non-current liabilities	(1)	–	(1)
Net assets acquired	118	–	118
Fair value of net assets acquired	118	–	118
Goodwill	60	–	60
Total consideration paid	178	–	178
Cash and cash equivalents acquired	(9)	–	(9)
Payment of amounts deferred in prior periods	–	21	21
Cash outflow on acquisitions	169	21	190

The fair value of these assets is provisional, pending finalisations of valuation work. Goodwill represents certain intangible assets that do not qualify for separate recognition, including an integrated workforce and technical know-how in terms of leather goods design and creation. None of the goodwill is expected to be deductible for tax purposes.

The gross contractual value of receivables acquired was € 8 million, all of which is considered to be recoverable.

Since the acquisition, the Delvaux group has contributed € 28 million and € 1 million to consolidated sales and net loss during the period to 30 September 2021. Had the acquisition been made on 1 April 2021, the contribution to revenue and net loss for the period would have been € 54 million and € 5 million respectively.

Acquisition-related transaction costs of € 3 million were expensed in the period to 30 September 2021.

Contingent consideration

At 30 September 2021, the Group has a total provision of € 32 million related to contingent consideration payable as a result of business combinations in prior periods (31 March 2021: € 36 million). The fair value of contingent consideration is updated at each reporting date, based on latest forecasts and budgets. Estimates are based on a discount rate which reflects the risk profile of the investment and probability-adjusted sales and operating profit figures. As this valuation is based on unobservable inputs, it is classified as a Level 3 in the IFRS fair value hierarchy. Reassessment of the expected cash flows, based on the methodology described above, resulted in an increase of € 17 million in the expected payments, which is offset by payments made, amounting to € 21 million. The only other movement in this balance during the year was due to exchange rates.

19. Events after the balance sheet date

The Group completed the sale of its joint venture, New Bond Street JV II Unit Trust, in October 2021 with proceeds of approximately £ 50 million.

Exchange rates

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

Exchange rates against the euro

	Six months to 30 September 2021	Six months to 30 September 2020
Average		
United States dollar	**1.19**	1.14
Chinese renminbi	**7.70**	7.94
Japanese yen	**131**	121
Swiss franc	**1.09**	1.07

	30 September 2021	31 March 2021
Closing		
United States dollar	**1.16**	1.17
Chinese renminbi	**7.48**	7.69
Japanese yen	**129**	130
Swiss franc	**1.08**	1.11

Statutory information

Compagnie Financière Richemont SA

Registered office

50 chemin de la Chênaie
CP 30, 1293 Bellevue
Geneva
Switzerland
Tel: +41 (0) 22 721 3500
Internet: www.richemont.com

Registrar

Computershare Schweiz AG
P.O. Box, 4601 Olten
Switzerland
Tel: +41 (0) 62 205 7700
Email: share.register@computershare.com

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Swen H. Grundmann
Company Secretary

Tel: +41 (0) 22 721 3500
Email: secretariat@cfrinfo.net

Investor and Media contact

Sophie Cagnard
Group Corporate Communications Director

James Fraser
Investor Relations Executive

Tel: +41 (0) 22 721 3003 (investor relations)
Email: investor.relations@cfrinfo.net

Tel: +41 (0) 22 721 3507 (press enquiries)
Email: pressoffice@cfrinfo.net

'A' shares and 'A' warrants issued by Compagnie Financière Richemont SA are listed and traded on the SIX Swiss Exchange, the Company's primary listing. 'A' shares (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0210483332) 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 Computershare Schweiz AG, the registrar. 'A' warrants (SIX 'CFRAO'/ISIN CH0559601544) were issued as part of a shareholder loyalty scheme and can be exercised upon maturity in 2023 (subject to terms and conditions).

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 2021 was CHF 97.42 and the market capitalisation of the Group's 'A' shares on that date was CHF 50 853 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 118.05 (2 August) and the lowest closing price was CHF 92.10 (1 April).

Personal data processing
Shareholders are informed that the Company, as data controller, processes the personal data of the shareholders and proxyholders (name, address, contact details, number of shares held, voting instructions) in accordance with applicable data protection laws. The Company processes such personal data for share administration purposes and to facilitate the running of any relevant meetings. You have the right to ask for access to any information that we hold about you and to correct any inaccuracies. For further details on how we process your information and for details of who you can contact for further information or to exercise your rights, please refer to the Privacy Policy found at https://www.richemont.com/

Notes

ISBN 978-2-9701373-3-7

www.richemont.com