

RICHEMONT

COMPANY ANNOUNCEMENT

10 November 2017

Richemont announces its unaudited consolidated results for the six month period ended 30 September 2017

Financial highlights

- Sales increased by 10% at actual exchange rates to € 5 605 million and by 12% at constant exchange rates. Excluding the prior year period's inventory buy-backs, sales increased by 8% at constant exchange rates.
- Growth in all segments, regions and distribution channels
- Double digit growth in jewellery and watches
- Double digit increases in mainland China, Korea, Hong Kong and the United Kingdom
- Operating profit increased by 46% to € 1 166 million, with profit for the period up 80% to € 974 million
- Cash flow from operations increased by 66% to € 1 108 million

Key financial data (unaudited)

	Six months ended 30 September 2017	Six months ended 30 September 2016	Change
Sales	€ 5 605 m	€ 5 086 m	+10%
Gross profit	€ 3 665 m	€ 3 230 m	+13%
Gross margin	65.4%	63.5%	+190 bps
Operating profit	€ 1 166 m	€ 798 m	+46%
Operating margin	20.8%	15.7%	+510 bps
Profit for the period	€ 974 m	€ 540 m	+80%
Earnings per A share/10 B shares, diluted basis	€ 1.721	€ 0.955	+80%
Cash flow generated from operations	€ 1 108 m	€ 666 m	+66%
Net cash position	€ 4 610 m	€ 4 552 m	€ +58m

Chairman's commentary

The positive sales and profit performance achieved by Richemont in the first half of this financial year highlights the generally improved macro environment. The Group also benefited from easier comparative figures and favourable movements in period-end exchange rates.

Sales in the six month period increased by 10% at actual exchange rates and by 12% at constant exchange rates driven by growth across all segments, distribution channels and regions. Excluding the impact of the inventory buy-backs in the prior year period, sales would have increased by 8% at constant exchange rates. Jewellery and the retail channel posted the strongest performances. Most markets were in positive territory, led by mainland China, Korea, the United Kingdom and notably a return to growth in Hong Kong.

Operating profit on a reported basis rose by 46%, while profit for the period grew by 80% compared to the prior year period. Excluding the prior year period's one-time charges of € 249 million, operating profit increased by 11%. The first half of the year's results and cash flow on a comparative basis have been exceptional, primarily due to weak results in the prior year period. While we cannot predict the environment for the full year, it is clear that the full year results on a comparative basis will not see the exceptional level of growth reported in the period under review.

Cash flow from operations increased by 66% to € 1 108 million as a result of improved operating profit and continued working capital discipline, with decreased inventories. Net cash at 30 September 2017 amounted to € 4 610 million, slightly up compared to September 2016.

In the period under review, Richemont disclosed that it had taken a stake in Dufry, a leading travel retail specialist listed on the Swiss stock exchange, reflecting our view that travel retail spending will increase over time.

Richemont's new Board and management team bring diverse skillsets which are relevant to the challenges our business is facing. They are focused on defining the Group's transformation agenda to meet the rapidly changing demands of luxury consumers. Our solid balance sheet provides the flexibility and resilience necessary to support our Maisons through this transformation journey.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 10 November 2017

Financial review

Sales

In the six-month period, sales increased by 10% at actual exchange rates and by 12% at constant exchange rates. Excluding inventory buy-backs in the prior year period, sales increased by 8% at constant exchange rates. This performance reflected growth in all major product categories, particularly jewellery. All regions posted higher sales, led by a strong performance in Asia Pacific, benefiting from double digit progression in mainland China and Hong Kong, amongst others. Both retail and wholesale channels delivered higher sales, with the latter primarily reflecting the non-recurrence of the above mentioned buy-backs. Further details on sales by region, distribution channel and segment are given below.

Gross profit

Gross profit increased by 13%, representing 65.4% of sales. The 190 basis point margin increase versus the prior year period is largely explained by the non-recurrence of the inventory buy-backs and improved manufacturing capacity absorption.

Operating profit

Operating profit rose by 46% to € 1 166 million in the six-month period mainly due to improved sales and gross margin. Operating margin strengthened to 21%.

The 3% increase in total operating expenses factors in a 3% growth in selling and distribution costs linked, in particular, to higher variable rental costs, notably in mainland China. Communication expenses were broadly in line with the prior year period, while administration costs grew by 5%, the latter mainly reflecting investments in ERP and digital initiatives.

Excluding the € 249 million one-time items in the prior year period, operating profit for the half year increased by 11%.

Profit for the period

Profit for the period increased by 80% to € 974 million. This mainly reflects a higher operating profit and a € 181 million reversal in net finance income. Favourable movements in period-end exchange rates on our mark-to-market cash position led to an income of € 72 million, compared to a net cost of € 109 million in the prior year period. This is detailed below under 'Financial structure and balance sheet'.

Earnings per share (1 A share/10 B shares) increased by 80% to € 1.721 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 2017 would be € 1 000 million (2016: € 530 million). Basic HEPS for the period was € 1.773 (2016: € 0.940). Diluted HEPS for the period was € 1.767 (2016: € 0.937). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 8.3 of the Group's condensed consolidated interim financial statements.

Cash flow

Cash flow generated from operations amounted to € 1 108 million, up € 442 million. The year-on-year improvement reflected the above-mentioned operating profit increase and a lower absorption of cash for working capital. The latter, at € 360 million, was below last year (2016: € 417 million) as a consequence of decreased inventories.

Net investment in tangible fixed assets during the period amounted to € 136 million, predominantly reflecting selective investments in the Maisons' network of boutiques and in the Group logistics centre at Villars-sur-Glâne in Switzerland.

The acquisition of other non-current assets primarily relates to the acquisition of a stake in Dufry, an entity listed on the SIX Swiss exchange.

The 2017 dividend of CHF 1.80 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 35% withholding tax on all dividends was remitted to the Swiss tax authorities in September. The overall dividend cash outflow in the period amounted to € 918 million.

The Group acquired 1.9 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 € 72 million.

Financial structure and balance sheet

At 30 September 2017, inventories of € 4 928 million were € 374 million lower than at 31 March 2017, representing 20 months of cost of sales.

At 30 September 2017, the Group's net cash position amounted to € 4 610 million. The position is € 1 181 million lower than on 31 March 2017, including a cash outflow relating to the annual dividend payment and the Dufry investment. 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 currencies.

Richemont's balance sheet remains strong, with shareholders' equity representing 76% of total equity and liabilities.

Review of operations

Sales by region

in € million	30 September 2017	30 September 2016	Movement at	
			Constant exchange rates*	Actual exchange rates
Europe	1 623	1 587	+3%	+2%
Asia Pacific	2 175	1 769	+25%	+23%
Americas	890	821	+10%	+8%
Japan	479	477	+7%	-
Middle East and Africa	438	432	+3%	+1%
	5 605	5 086	+12%	+10%

* 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 2017.

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

Europe

Europe accounted for 29% of overall sales. Sales in the region grew by 3%, partly impacted by the increasing strength of the Euro. Performance within the region was characterised by double digit growth in the United Kingdom, moderate growth in most major markets and stable sales in France.

Asia Pacific

Sales in the Asia Pacific region accounted for 39% of Group sales, with mainland China being the largest market in the region. Sales increased by 25% with double digit growth in most markets led by mainland China, Hong Kong, Korea and Macau. All product categories enjoyed growth. Jewellery and watch sales were particularly strong year-on-year, with the latter benefiting from the non-recurrence of the inventory buy-backs of the prior year period.

Americas

Sales in the Americas region grew by 10% on the strength of jewellery and to a lesser degree clothing. Of particular note is the performance of Cartier, Van Cleef & Arpels, Piaget and Peter Millar. The reopening of the Cartier flagship store in New York in September 2016 and the opening of the Van Cleef & Arpels Design District store in Miami in March 2017 had a positive impact.

Japan

The 7% growth in sales was driven by higher domestic and tourist spending, which benefited from a weaker yen as well as easy year-on-year comparative figures. Jewellery and watches led sales growth, partly supported by the reopening of the Cartier flagship store (September 2016) and new Piaget (November 2016) and Van Cleef & Arpels (April 2017) flagship stores, all in Ginza.

Middle East and Africa

The good performance in watches and writing instruments was partly offset by weak sales in the other product categories. Overall, sales increased by 3%, affected by geopolitical uncertainties in the region.

Sales by distribution channel

in € million	30 September 2017	30 September 2016	Movement at	
			Constant exchange rates*	Actual exchange rates
Retail	3 293	2 971	+13%	+11%
Wholesale	2 312	2 115	+11%	+9%
	5 605	5 086	+12%	+10%

* 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 2017.

Retail

Retail sales recorded strong growth of 13%, driven by watches and jewellery. All regions showed higher retail sales, with Asia Pacific, Japan and the Americas posting double digit growth rates. The Maisons' 1 115 directly operated boutiques and online stores contributed 59% of Group sales.

Wholesale

The Group's wholesale business, including sales to franchise partners, increased by 11%, with all major product categories showing growth. Watch and clothing sales registered double digit improvements, benefiting from the non-recurrence of the prior year period's inventory buy-backs. Most regions showed growth with Asia Pacific enjoying the strongest increase.

Sales and operating results by segment

Jewellery Maisons

in € million	30 September 2017	30 September 2016	Change
Sales	3 163	2 755	+15%
Operating results	981	756	+30%
Operating margin	31.0%	27.4%	+360 bps

The 15% increase in sales at the Jewellery Maisons included double digit growth at both Cartier and Van Cleef & Arpels, with good performance in jewellery and watches, and improvements in all regions. The higher sales were supported by the non-recurrence of the prior year period's watch inventory buy-backs at Cartier.

The operating results improved by 30% compared to the prior year period. The operating margin increased 360 basis points to 31%, a level broadly in line with the prior year period excluding the above-mentioned initiative.

Specialist Watchmakers

in € million	30 September 2017	30 September 2016	Change
Sales	1 527	1 445	+6%
Operating results	294	187	+57%
Operating margin	19.3%	12.9%	+640 bps

The Specialist Watchmakers' sales increased by 6% with improvements in both the retail and wholesale channels. Performance was varied among the Maisons and the regions, led by good growth in Asia Pacific. The performances of Piaget, Roger Dubuis and Officine Panerai were particularly noteworthy.

The operating results recovered to € 294 million driven by a return to growth, the non-recurrence of inventory buy-backs and fixed costs discipline. Consequently, the operating margin for the period increased to 19%.

Other

in € million	30 September 2017	30 September 2016	Change
Sales	915	886	+3%
Operating results	6	(40)	n/a
Operating margin	+0.7%	(4.5)%	+520 bps

'Other' includes Montblanc, the Group's Fashion and Accessories businesses and the Group's watch component manufacturing activities.

The modest growth was driven by Asia Pacific and Europe. Most Maisons showed an increase in sales, with Alfred Dunhill and Lancel returning to growth.

The increase in operating results to € 6 million comes after one-time items of € 67 million in the prior year period stemming from the inventory buy-back as well as from the optimisation of certain retail and wholesale locations.

Corporate costs

in € million	30 September 2017	30 September 2016	Change
Corporate costs	(115)	(105)	+10%
Central support services	(102)	(93)	+10%
Other operating income/(expense), net	(13)	(12)	+8%

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 segments. They were stable at c. 2% of Group sales on a year-on-year basis.

Burkhardt Grund

Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 10 November 2017

Presentation

The results will be presented via a live audio webcast on 10 November 2017, starting at 09:30 (CET). The direct link is available from 07:00 (CET) at: <https://www.richemont.com>. The presentation may be viewed using a mobile device or from a browser.

- Live telephone connection: call one of these numbers 10 minutes before the start of the presentation:
 - Europe +41 (0) 58 310 50 00
 - UK +44 (0) 207 107 0613
 - USA +1 (1) 631 570 5613
 - South Africa +27 (0) 11 589 8373/ 0800 992 635 (toll free)
- An archive of the audio webcast will be available at 15:00 (CET) the same day from:
 - <https://www.richemont.com/investor-relations/results-presentations.html>
- A transcript of the audio webcast will be available on 14 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.

Appendix 1

Condensed consolidated statement of comprehensive income

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Sales	5 605	5 086
Cost of sales	(1 940)	(1 856)
Gross profit	3 665	3 230
Selling and distribution expenses	(1 490)	(1 452)
Communication expenses	(484)	(485)
Administrative expenses	(502)	(476)
Other operating expense	(23)	(19)
Operating profit	1 166	798
Finance costs	(53)	(146)
Finance income	125	37
Share of post-tax results of equity-accounted investments	(16)	(10)
Profit before taxation	1 222	679
Taxation	(248)	(139)
Profit for the period	974	540
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gains/(losses)	27	(29)
Tax on defined benefit plan actuarial gains/(losses)	(5)	5
	22	(24)
Items that are or may be reclassified subsequently to profit or loss		
Currency translation adjustments movement in the period	(858)	24
reclassification to profit or loss	–	–
Share of other comprehensive income of equity-accounted investments	(5)	(3)
	(863)	21
Other comprehensive loss, net of taxation	(841)	(3)
Total comprehensive income	133	537
Profit attributable to:		
Owners of the parent company	974	540
Non-controlling interests	–	–
	974	540
Total comprehensive income attributable to:		
Owners of the parent company	(841)	537
Non-controlling interests	–	–
	(841)	537
Earnings per A share/10 B shares attributable to owners of the parent company during the period (expressed in € per share)		
Basic	1.727	0.958
Diluted	1.721	0.955

Condensed consolidated statement of cash flow

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Operating profit	1 166	798
Depreciation of property, plant and equipment	225	224
Amortisation of other intangible assets	40	46
Loss on disposal of property, plant and equipment	–	2
Loss/(profit) on disposal of intangible assets	1	(12)
Increase in long-term provisions	3	16
(Increase)/decrease in retirement benefit obligations	1	(1)
Non-cash items	32	10
Decrease/(increase) in inventories	110	(31)
Increase in trade receivables	(244)	(127)
Increase in other receivables and prepayments	(42)	(50)
Decrease in current liabilities	(174)	(160)
(Decrease)/increase in long-term liabilities	(2)	11
Decrease in derivative financial instruments	(8)	(60)
Cash flow generated from operations	1 108	666
Interest received	36	39
Interest paid	(27)	(36)
Dividends received from equity-accounted investments	2	1
Taxation paid	(159)	(214)
Net cash generated from operating activities	960	456
Cash flows from investing activities		
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	(45)	(2)
Disposal of subsidiary undertakings, net of cash disposed of	(14)	–
Acquisition of equity-accounted investments	(63)	(24)
Proceeds from disposal of, and capital distributions from, equity-accounted investments	17	–
Acquisition of property, plant and equipment	(139)	(220)
Proceeds from disposal of property, plant and equipment	3	10
Acquisition of intangible assets	(22)	(31)
Proceeds from disposal of intangible assets	1	13
Acquisition of investment property	(31)	–
Investment in financial assets held at fair value through profit and loss	(2 669)	(2 742)
Proceeds from disposal of financial assets held at fair value through profit and loss	2 682	2 575
Acquisition of other non-current assets	(601)	(18)
Proceeds from disposal of other non-current assets	3	8
Net cash used in investing activities	(878)	(431)
Cash flows from financing activities		
Proceeds from borrowings	51	89
Repayment of borrowings	(79)	(83)
Dividends paid	(918)	(878)
Payment for treasury shares	(141)	(95)
Proceeds from sale of treasury shares	69	28
Capital element of finance lease payments	(1)	(1)
Net cash used in financing activities	(1 019)	(940)
Net change in cash and cash equivalents	(937)	(915)
Cash and cash equivalents at the beginning of the period	2 765	2 548
Exchange losses on cash and cash equivalents	(190)	(21)
Cash and cash equivalents at the end of the period	1 638	1 612

Condensed consolidated balance sheet

	30 September 2017 €m	31 March 2017 €m
Assets		
Non-current assets		
Property, plant and equipment	2 288	2 558
Goodwill	298	298
Other intangible assets	375	391
Investment property	42	12
Equity-accounted investments	1 338	1 307
Deferred income tax assets	637	724
Financial assets held at fair value through profit or loss	549	7
Other non-current assets	408	430
	5 935	5 727
Current assets		
Inventories	4 928	5 302
Trade and other receivables	1 208	996
Derivative financial instruments	25	20
Prepayments	168	163
Financial assets held at fair value through profit or loss	3 358	3 481
Assets held for sale	4	21
Cash at bank and on hand	3 639	4 450
	13 330	14 433
Total assets	19 265	20 160
Equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	334	334
Treasury shares	(522)	(432)
Share option reserve	340	327
Cumulative translation adjustment reserve	2 146	3 004
Retained earnings	12 379	12 296
	14 677	15 529
Non-controlling interests	1	–
Total equity	14 678	15 529
Liabilities		
Non-current liabilities		
Borrowings	381	402
Deferred income tax liabilities	7	8
Employee benefits obligations	68	98
Provisions	67	91
Other long-term financial liabilities	126	132
	649	731
Current liabilities		
Trade and other payables	1 295	1 508
Current income tax liabilities	400	365
Borrowings	5	53
Derivative financial instruments	59	67
Provisions	178	215
Liabilities of disposal groups held for sale	–	7
Bank overdrafts	2 001	1 685
	3 938	3 900
Total liabilities	4 587	4 631
Total equity and liabilities	19 265	20 160

Interim report

The Richemont 2017 Interim Report will be available for download from the Group's website from 17 November 2017 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 Computershare Schweiz 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 29 September 2017 was CHF 88.50 and the market capitalisation of the Group's 'A' shares on that date was CHF 46 197 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 88.90 (12 September) and the lowest closing price was CHF 77.50 (6 July).