RICHEMONT

Interim Report 2017

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.

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

- 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	€ +58 m

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*	Movement at 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*	Movement at 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.

Sales by distribution channel continued

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.

Review of operations continued

Sales and operating results by segment continued

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.

Burkhart Grund

Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 10 November 2017

Condensed consolidated balance sheet

	Notes	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	*5*	**1 338**	1 307
Deferred income tax assets		**637**	724
Financial assets held at fair value through profit or loss	*16*	**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	*16*	**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

The notes on pages 11 to 22 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Sales	4	**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	6	**(23)**	(19)
Operating profit		**1 166**	798
Finance costs	7	**(53)**	(146)
Finance income	7	**125**	37
Share of post-tax results of equity-accounted investments	5	**(16)**	(10)
Profit before taxation		**1 222**	679
Taxation	9	**(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	**(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	8	**1.727**	0.958
Diluted	8	**1.721**	0.955

The notes on pages 11 to 22 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	Share option reserve €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 2016		334	(412)	289	2 725	12 111	15 047	–	15 047
Comprehensive income									
Profit for the period		–	–	–	–	540	540	–	540
Other comprehensive loss		–	–	–	24	(27)	(3)	–	(3)
		–	–	–	24	513	537	–	537
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares		–	(46)	–	–	(21)	(67)	–	(67)
Employee share option plan		–	–	10	–	–	10	–	10
Tax on share option plan		–	–	(4)	–	–	(4)	–	(4)
Dividends paid	12	–	–	–	–	(878)	(878)	–	(878)
		–	(46)	6	–	(899)	(939)	–	(939)
Balance at 30 September 2016		334	(458)	295	2 749	11 725	14 645	–	14 645
Balance at 1 April 2017		**334**	**(432)**	**327**	**3 004**	**12 296**	**15 529**	**–**	**15 529**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**974**	**974**	**–**	**974**
Other comprehensive loss		**–**	**–**	**–**	**(858)**	**17**	**(841)**	**–**	**(841)**
		–	**–**	**–**	**(858)**	**991**	**133**	**–**	**133**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	14	**–**	**(90)**	**–**	**–**	**10**	**(80)**	**–**	**(80)**
Employee share option plan		**–**	**–**	**13**	**–**	**–**	**13**	**–**	**13**
Tax on share option plan		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Increase in non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Dividends paid	12	**–**	**–**	**–**	**–**	**(918)**	**(918)**	**–**	**(918)**
		–	**(90)**	**13**	**–**	**(908)**	**(985)**	**1**	**(984)**
Balance at 30 September 2017		**334**	**(522)**	**340**	**2 146**	**12 379**	**14 677**	**1**	**14 678**

The notes on pages 11 to 22 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Cash flows from operating activities			
Cash flow generated from operations	*10*	**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	*17*	**(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 current financial assets held at fair value through profit and loss		**(2 669)**	(2 742)
Proceeds from disposal of current 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	*12*	**(918)**	(878)
Payment for treasury shares	*14*	**(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

The notes on pages 11 to 22 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2017

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 Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé, Peter Millar, Azzedine Alaïa and Purdey.

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.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 9 November 2017.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2017 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 2017 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 2017.

3. Accounting policies

Except as described below the accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2017.

Amendments to IFRSs effective for the financial year ending 31 March 2018 are not expected to have a material impact on the Group.

New standards and interpretations not yet adopted

Certain new accounting standards, issued by the IASB, are not yet effective and have not yet been adopted by the Group. The most significant are as follows:

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and a new model for impairment testing and the calculation of loss allowances. The standard will be adopted by the Group with effect from 1 April 2018. The impact is not expected to be significant.

IFRS 15 *Revenue from Contracts with Customers* establishes a model to apply to the accounting of revenue, and will be adopted by the Group from 1 April 2018. The Group does not expect the impact of the new standard to be significant.

IFRS 16 *Leases* eliminates the distinction between operating and finance leases, resulting in the recognition of a right-to-use asset and corresponding lease liabilities for all of the Group's lease contracts. The income statement will record depreciation and finance costs, rather than rental expenses, and the cost of an individual rental contract will be higher at the beginning of the lease term, rather than spread evenly across the life of the lease. The Group will apply these new requirements from 1 April 2019. While still assessing the full impact of the new requirements, the Group expects that the adoption of this new standard will lead to a significant increase in total assets and total liabilities, and to a moderate increase in operating profit.

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. These operating segments have been aggregated into reportable segments as follows:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier, Van Cleef & Arpels and Giampiero Bodino;
- **Specialist Watchmakers** – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's Specialist Watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis.

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 Montblanc, Alfred Dunhill, Lancel, Chloé, Peter Millar, Purdey, Azzedine Alaia, investment property companies and other manufacturing entities. None of these segments meet the quantitative thresholds for determining reportable segments.

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.

Notes to the condensed consolidated interim financial statements continued

4. Segment information continued

(a) Information on reportable segments continued

Performance measurement is based on segment contribution before corporate costs, interest and tax, as management believes that such information is most relevant in evaluating the results of segments relative to other entities that operate within similar markets.

All inter-segment transactions are eliminated in the reports reviewed by the CODM.

The segment results are as follows:

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
External sales		
Jewellery Maisons	**3 163**	2 755
Specialist Watchmakers	**1 527**	1 445
Other	**915**	886
	5 605	5 086

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Operating result		
Jewellery Maisons	**981**	756
Specialist Watchmakers	**294**	187
Other	**6**	(40)
	1 281	903
Unallocated corporate costs	**(115)**	(105)
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

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**98**	95
Specialist Watchmakers	**73**	76
Other	**51**	57
Unallocated	**43**	42
	265	270

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 2017 €m	At 31 March 2017 €m
Segment assets		
Jewellery Maisons	**3 140**	3 289
Specialist Watchmakers	**1 662**	1 739
Other	**956**	904
	5 758	5 932

	At 30 September 2017 €m	At 31 March 2017 €m
Total segment assets	**5 758**	5 932
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 at fair value through profit or loss	**3 907**	3 488
Other non-current assets	**408**	430
Other receivables	**378**	366
Derivative financial instruments	**25**	20
Prepayments	**168**	163
Cash at bank and on hand	**3 639**	4 450
Assets held for sale	**4**	21
Total assets	**19 265**	20 160

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

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**59**	111
Specialist Watchmakers	**25**	41
Other	**62**	59
Unallocated	**31**	34
	177	245

Notes to the condensed consolidated interim financial statements continued

4. Segment information continued

(b) Information about geographical areas

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

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Europe	**1 623**	1 587
France	**368**	367
Switzerland	**245**	239
Germany, Italy and Spain	**461**	433
Other Europe	**549**	548
Middle East and Africa	**438**	432
Asia	**2 654**	2 246
China, Hong Kong and Macau	**1 440**	1 146
Japan	**479**	477
Korea	**316**	246
Other Asia	**419**	377
Americas	**890**	821
USA	**715**	657
Other Americas	**175**	164
	5 605	5 086

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 2017 €m	At 31 March 2017 €m
Switzerland	**1 823**	1 982
United Kingdom	**1 339**	1 371
USA	**305**	353
Rest of the world	**1 142**	1 138
	4 609	4 844

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

(c) Information about products

External sales by product are as follows:

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Watches	**2 387**	2 103
Jewellery	**2 189**	1 962
Leather goods	**379**	367
Clothing	**202**	193
Writing instruments	**199**	198
Other	**249**	263
	5 605	5 086

5. Equity-accounted investments

	€m
At 1 April 2016	1 283
Exchange adjustments	(5)
Acquisition of equity-accounted investments	55
Disposal of equity-accounted investments	–
Dividends received	(2)
Share of post-tax results	(34)
Share of other comprehensive income	–
Share of losses offset against long-term receivable from an equity-accounted investment	10
At 31 March 2017	**1 307**
Exchange adjustments	**(4)**
Increase in equity-accounted investments	**73**
Capital distribution from equity accounted investments	**(17)**
Dividends received	**(2)**
Share of post-tax results	**(16)**
Share of other comprehensive income	**(5)**
Share of losses offset against long-term receivable from an equity-accounted investment	**2**
At 30 September 2017	**1 338**

The value of equity-accounted investments at 30 September 2017 includes goodwill of € 894 million (31 March 2017: € 844 million).

Of the closing balance at 30 September 2017, € 1 129 million (2016: € 1 142 million) relates to the investment in YOOX NET-A-PORTER GROUP.

The Group's principal equity-accounted investments are as follows:

		30 September 2017 % interest held	31 March 2017 % 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
YOOX-NET-A-PORTER GROUP S.p.A. [1]	e-Commerce	49	49	Italy	Worldwide
Kering Eyewear S.p.A.	Eyewear manufacturer/distributor	30	–	Italy	Worldwide
Joint ventures					
Fook Ming Watch Limited	Distributor of watch products	50	50	Hong Kong	Hong Kong
Laureus World Sports Awards Limited	Sports Awards	50	50	United Kingdom	Worldwide
Ralph Lauren Watch & Jewelry Company Sàrl	Watchmaker	50	50	Switzerland	Worldwide
Dalloz Pre-Setting SAS	Jewellery manufacturer	33	33	France	France
New Bond Street JV Jersey Unit Trust	Investment entity	48	48	United Kingdom	United Kingdom
Montblanc India Retail Private Limited [2]	Distributor of products	51	51	India	India
New Bond Street JV II Unit Trust	Investment entity	46	46	United Kingdom	United Kingdom

1. The Group's share of the total voting rights of YOOX-NET-A-PORTER S.p.A. is limited to 25%.

2. Montblanc India Retail Private Limited is classified as a joint venture due to the terms of the agreement between the Group and the joint venture partner.

Notes to the condensed consolidated interim financial statements
continued

6. Other operating (expense)/income

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Royalty income	**15**	17
Royalty expenses	**(2)**	(1)
Investment property rental income	**–**	3
Investment property costs	**(1)**	(2)
Investment property lease termination payment	**–**	(16)
Amortisation of other intangible assets acquired on business combinations	**(8)**	(8)
Other income/(expense)	**(27)**	(12)
	(23)	(19)

7. Finance costs and income

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(14)**	(24)
– other financial expenses	**(13)**	(9)
Mark-to-market adjustment in respect of hedging activities	**–**	(91)
Net loss on financial instruments at fair value through profit or loss:		
– designated on initial recognition	**(11)**	–
– held for trading	**(15)**	(22)
Finance costs	**(53)**	(146)
Finance income:		
Interest income:		
– bank, other deposits, and money market and externally managed funds	**33**	34
– other financial income	**3**	3
Net foreign exchange gains on monetary items	**84**	–
Mark-to-market adjustment in respect of hedging activities	**5**	–
Finance income	**125**	37
Net finance income/(costs)	**72**	(109)

8. Earnings per share

8.1. 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.

	Six months to 30 September 2017	Six months to 30 September 2016
Profit attributable to owners of the parent company (€ millions)	**974**	540
Weighted average number of shares in issue (millions)	**564.1**	563.9
Basic earnings per A share/10 B shares	**1.727**	0.958

8.2. 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 only one category of dilutive potential shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the period ended 30 September 2017, 3 397 025 options (2016: 6 464 921 options) granted to employees are not dilutive and so are excluded from the calculation of diluted earnings per share.

	Six months to 30 September 2017	Six months to 30 September 2016
Profit attributable to the owners of the parent company (€ millions)	**974**	540
Weighted average number of shares in issue (millions)	**564.1**	563.9
Adjustment for share options (millions)	**1.8**	1.5
Weighted average number of shares for diluted earnings per A share/10 B shares (millions)	**565.9**	565.4
Diluted earnings per A share/10 B shares	**1.721**	0.955

Notes to the condensed consolidated interim financial statements continued

8. Earnings per share continued

8.3. Headline earnings per share

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

	Six months to 30 September 2017 €m	Six months to 30 September 2016 €m
Profit attributable to owners of the parent company	**974**	540
Loss/(profit) on disposal of non-current assets	**1**	(10)
Loss on disposal of subsidiary undertakings	**18**	–
Write-down of assets of disposal group held for sale	**7**	–
Headline earnings	**1 000**	530

	Six months to 30 September 2017 millions	Six months to 30 September 2016 millions
Weighted average number of shares:		
– basic	**564.1**	563.9
– diluted	**565.9**	565.4
	€ per share	€ per share
Headline earnings per A share/10 B shares:		
– basic	**1.773**	0.940
– diluted	**1.767**	0.937

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. The effective tax rate for the period ended 30 September 2017 was 20.0% (2016: 20.2%).

10. Cash flow generated from operations

	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

11. Related-party transactions

There has been no significant change in the nature and magnitude of the related-party transactions and relationships during the period. Full details of related-party transactions will be included in the 2018 annual consolidated financial statements.

12. Dividends

On 13 September 2017 shareholders approved a dividend of CHF 1.80 per ‘A’ share and CHF 0.18 per ‘B’ share (2016: CHF 1.70 and CHF 0.17 respectively).

13. Financial commitments and contingent liabilities

At 30 September 2017, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise.

14. Treasury shares

The Group holds treasury shares to hedge its obligation arising under the Group stock option plan.

During the current period the Group acquired 1 900 000 treasury shares directly in the open market for € 141 million (2016: 1 760 000 shares for € 95 million). In the same period the Group delivered 1 581 106 treasury shares for proceeds of € 69 million in settlement of options exercised in the period and traded options exercised in previous periods (2016: 1 080 741 shares for € 28 million).

15. 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 shares at the market price on the date of grant. Awards under the stock 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 as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

The fair value of options awarded to members of the Senior Executive Committee (‘SEC’) is fixed on the date of approval of SEC remuneration by the shareholders of the parent company. The award date value in May 2016 of CHF 13.54 was revalued following the AGM in September 2017 at CHF 33.23. The estimated fair value of options awarded to members of the SEC in the period ended 30 September 2017 is based on the valuation at the award date. Changes in the fair value of these options between the award date and 30 September 2017 are not significant to the Group. The final fair value will be fixed in September 2018 following approval by the shareholders.

During the period ended 30 September 2017, awards of 2 080 515 options were made (31 March 2016: 1 979 600) at an exercise price of CHF 80.20 (2016: CHF 56.55).

Notes to the condensed consolidated interim financial statements
continued

16. 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 2017.

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

	Carrying amount					Fair value			
30 September 2017	Designated at fair value €m	Held for trading €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Unlisted investments	**6**	**–**	**–**	**–**	**6**			**6**	**6**
Listed investments	**543**	**–**	**–**	**–**	**543**	**543**			**543**
Investments in externally managed funds	**–**	**2 995**	**–**	**–**	**2 995**	**2 995**			**2 995**
Investments in money market funds	**363**	**–**	**–**	**–**	**363**		**363**		**363**
Derivative financial instruments	**–**	**25**	**–**	**–**	**25**		**25**		**25**
	912	**3 020**	**–**	**–**	**3 932**				
Financial assets not measured at fair value									
Non-current loans and receivables	**–**	**–**	**8**	**–**	**8**				
Non-current lease deposits	**–**	**–**	**132**	**–**	**132**				
Trade and other receivables	**–**	**–**	**1 208**	**–**	**1 208**				
Cash and cash equivalents	**–**	**–**	**3 639**	**–**	**3 639**				
	–	**–**	**4 987**	**–**	**4 987**				
Financial liabilities measured at fair value									
Derivatives	**–**	**(59)**	**–**	**–**	**(59)**		**(59)**		**(59)**
Financial liabilities not measured at fair value									
Fixed rate borrowings	**–**	**–**	**–**	**(355)**	**(355)**		**(354)**		**(354)**
Floating rate borrowings	**–**	**–**	**–**	**(4)**	**(4)**				
Finance lease obligations	**–**	**–**	**–**	**(27)**	**(27)**				
Other long-term financial liabilities	**–**	**–**	**–**	**(126)**	**(126)**				
Trade and other payables	**–**	**–**	**–**	**(1 130)**	**(1 130)**				
Bank overdrafts	**–**	**–**	**–**	**(2 001)**	**(2 001)**				
	–	**–**	**–**	**(3 643)**	**(3 643)**				

16. Financial instruments: Fair values and risk management continued

	Carrying amount					Fair value			
31 March 2017	Designated at fair value €m	Held for trading €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Unlisted investments	7	–	–	–	7	–		7	7
Investments in externally managed funds	–	2 847	–	–	2 847	2 847		–	2 847
Investments in money market funds	634	–	–	–	634		634		634
Derivative financial instruments	–	20	–	–	20		20		20
	641	2 867	–	–	3 508				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	9	–	9				
Non-current lease deposits	–	–	143	–	143				
Trade and other receivables	–	–	996	–	996				
Cash and cash equivalents	–	–	4 450	–	4 450				
	–	–	5 598	–	5 598				
Financial liabilities measured at fair value									
Derivatives	–	(67)	–	–	(67)		(67)		(67)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(374)	(374)		(368)		(368)
Floating rate borrowings	–	–	–	(52)	(52)				
Finance lease obligations	–	–	–	(29)	(29)				
Other long-term financial liabilities	–	–	–	(132)	(132)				
Trade and other payables	–	–	–	(1 372)	(1 372)				
Bank overdrafts	–	–	–	(1 685)	(1 685)				
	–	–	–	(3 644)	(3 644)				

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

Listed investments at 30 September 2017 include the Group's investment in Dufry SA, an entity listed on the SIX Swiss exchange.

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.

For the euro-denominated externally managed funds the maximum maturity is 2 years and 1 month and the maximum spread duration is 0.9 years. For the US dollar-denominated externally managed funds, the maximum maturity is 3 years and the maximum spread duration is 2 years. A weighted average rating of AA is applied to euro- and US dollar-denominated externally managed funds.

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:

- Interest rate swaps are valued on the basis of discounted cash flows. The variable flows are determined for each payment date using forward interest rate curves.
- Fixed rate cross-currency swaps are valued on the basis of discounted cash flows.
- 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.

Notes to the condensed consolidated interim financial statements continued

16. Financial instruments: Fair values and risk management continued

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 entirely of small investments in unlisted equities. During the six-month period to 30 September 2017, the carrying amount decreased to € 6 million due to the exchange rate impact.

17. Business combinations

During the six months to 30 September 2017, the Group concluded several business combinations, none of which were individually significant to the Group. The details that follow are presented on an aggregate basis.

Fair value of assets acquired

	Business operations €m
Property, plant and equipment	**1**
Intangible assets	**25**
Other non-current assets	**–**
Inventory	**5**
Cash and cash equivalents	**1**
Trade and other receivables	**4**
Trade and other payables	**(3)**
Current and deferred tax	**–**
Non-current liabilities	**(7)**
Fair value of net assets acquired	**26**
Goodwill	**19**
Consideration deferred to future periods	**–**
Purchase consideration – cash paid	**45**
Cash and cash equivalents acquired	**(1)**
Payment of amounts deferred in prior periods	**1**
Cash outflow on acquisitions	**45**

The fair value of these assets is provisional pending finalisation of valuation work. None of the goodwill is expected to be deductible for tax purposes.

The contribution of the acquired businesses to sales and to net profit in the period was insignificant.

Acquisition-related transaction costs of € 1 million were expensed in the period to 30 September 2017.

18. Events after the reporting period

On 2 October 2017 the Group purchased an investment property in Paris for total consideration of € 170 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 2017	Six months to 30 September 2016
Average		
United States dollar	**1.14**	1.12
Japanese yen	**126**	118
Swiss franc	**1.11**	1.09

	30 September 2017	31 March 2017
Closing		
United States dollar	**1.18**	1.07
Japanese yen	**133**	119
Swiss franc	**1.14**	1.07

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office

50 chemin de la Chênaie
CP 30, 1293 Bellevue
Geneva
Switzerland
Tel: +41 (0) 22 721 35 00
Internet : www.richemont.com

Registrar

Computershare Schweiz AG
P.O. Box, 4601 Olten
Switzerland
Tel: +41 (0) 62 205 77 00
E-mail: share.register@computershare.com

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Matthew Kilgarriff
Company Secretary

Tel: +41 (0) 22 721 35 00
E-mail: secretariat@cfrinfo.net

Investor and Media contact

Sophie Cagnard
Group Corporate Communications Director

James Fraser
IR Executive

Tel: +41 (0) 22 721 30 03 (investor relations)
E-mail: investor.relations@cfrinfo.net

Tel: +41 (0) 22 721 35 07 (press enquiries)
E-mail: pressoffice@cfrinfo.net

'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).

ISBN 978-2-9701006-5-2

www.richemont.com