

FY16  
INTERIM  
RESULTS

**AS AT SEPTEMBER 30  
2015**



**RICHEMONT**

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.

# H1-16 RESULTS

- › Highlights
- › Review of Operations
- › Financial Review
- › Conclusion
- › Q&A Session



**RICHEMONT**

# H1-16 KEY FIGURES

## › Reported sales\* growth up 15%, organic +3%

- Strong retail
- Good performance in Japan & Europe offsetting negative environment in Hong Kong & Macau
- Very strong jewellery

## › Operating profit\* up 6% to €1 390m

- Favourable euro
- Good cost control
- Operating margin of 23.9%

## › Net profit up 22% to €1 103m

- Lower hedging losses

## › Cash flow from operations up by €47m to €1 055m

\* excluding Net-a-Porter

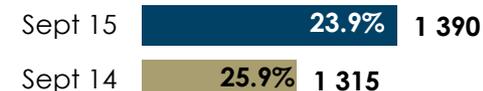
### Sales

In € million



### Operating profit

In € million



### Cash flow from operations

In € million



### Net profit

In € million



# Review of Operations

Excluding  
Net-a-Porter

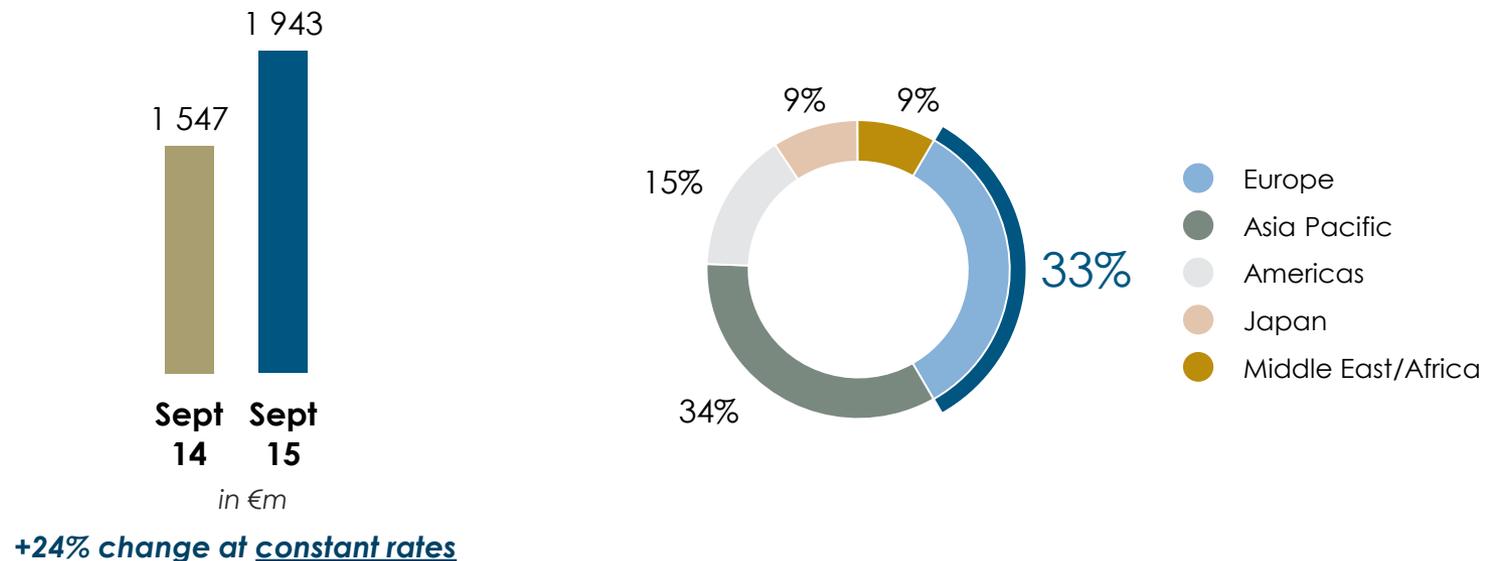
RICHMONT



# H1-16 SALES IN EUROPE

## › Strong increases across countries and product lines

- Increased tourism driven by weak euro

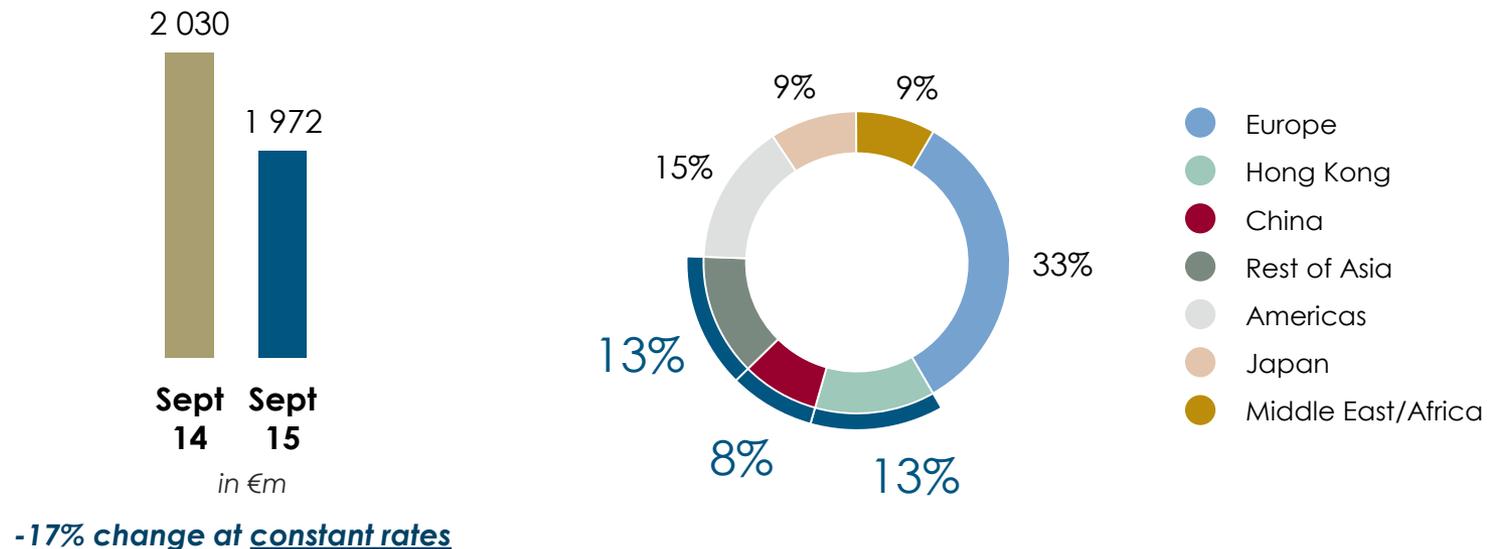


# H1-16 SALES IN ASIA PACIFIC

## › Significant sales decline

- Underperformance of Hong Kong and Macau
- Positive development in other countries
- China resumed growth

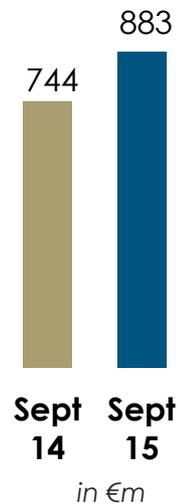
## › High jewellery outperformed



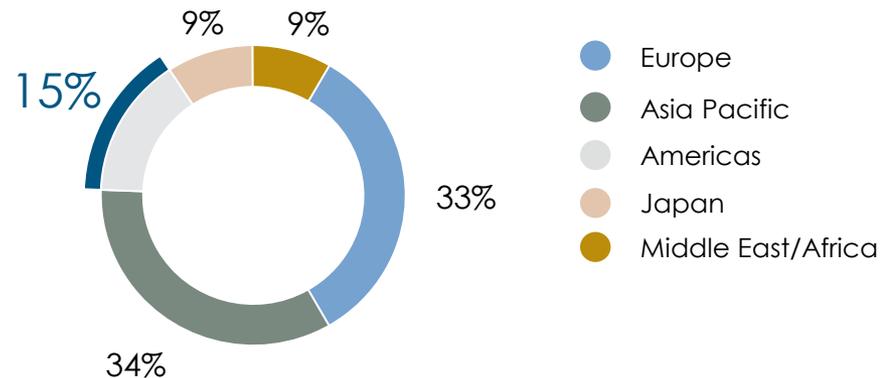
# H1-16 SALES IN AMERICAS

## › Subdued sales growth

- Solid contribution of jewellery
- Good performance from Chloé and Peter Millar



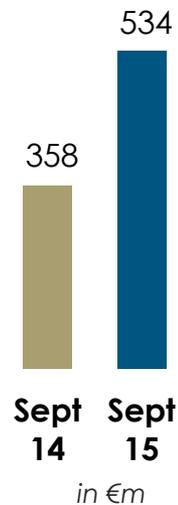
+1% change at constant rates



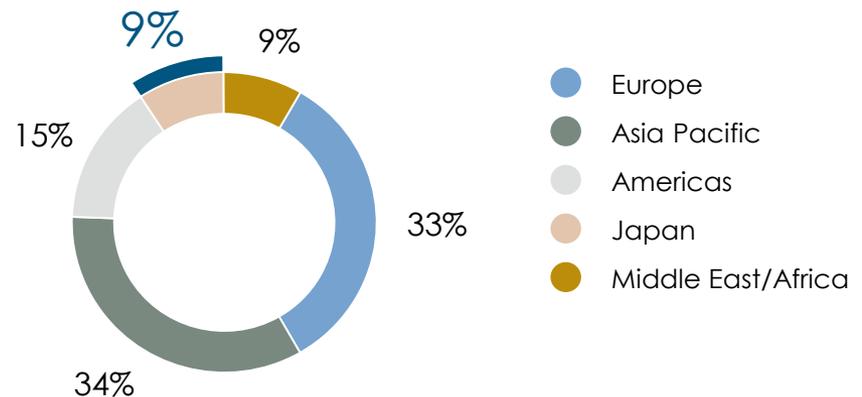
# H1-16 SALES IN JAPAN

## › Exceptional sales growth

- Positive impact of weak yen and easy comparables
- Strong performance of jewellery and watches



**+44% change at constant rates**

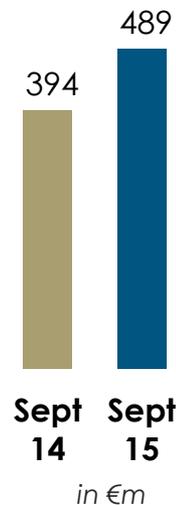


# H1-16 SALES IN THE MIDDLE EAST AND AFRICA

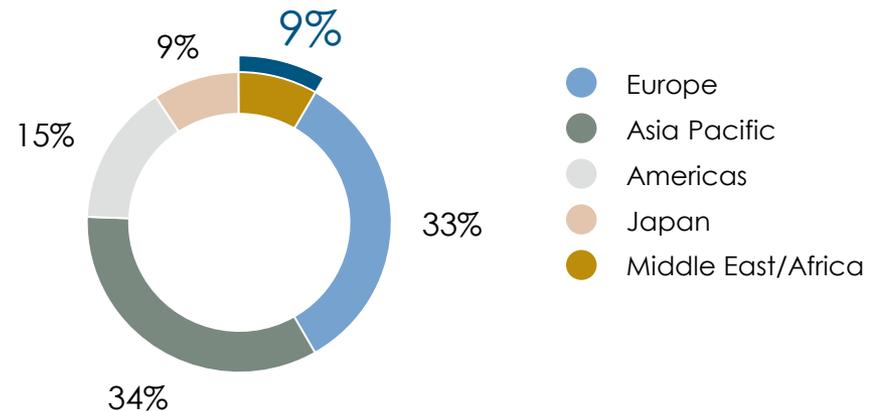
## › Softer growth

- Challenging comparables
- Unfavourable currencies

## › Jewellery and leather enjoyed strong momentum



+4% change at constant rates



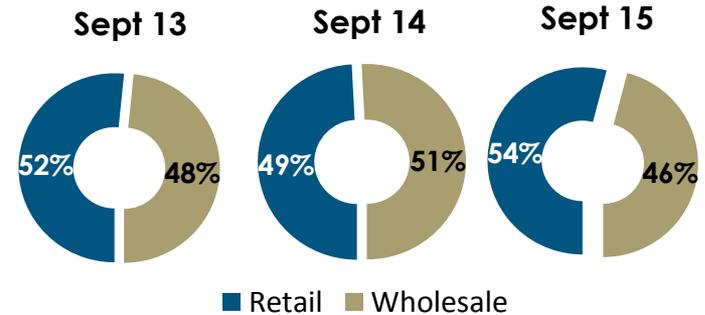
# H1-16 SALES BY NETWORK

## › Strong retail sales in most geographies

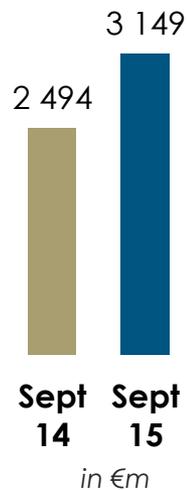
- In particular in Japan and Europe

## › Significant decline in wholesale

- Primarily impacted by Asia Pacific

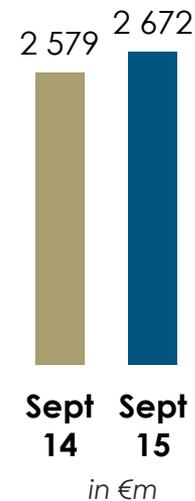


### Retail



+13% change at constant rates

### Wholesale



-6% change at constant rates

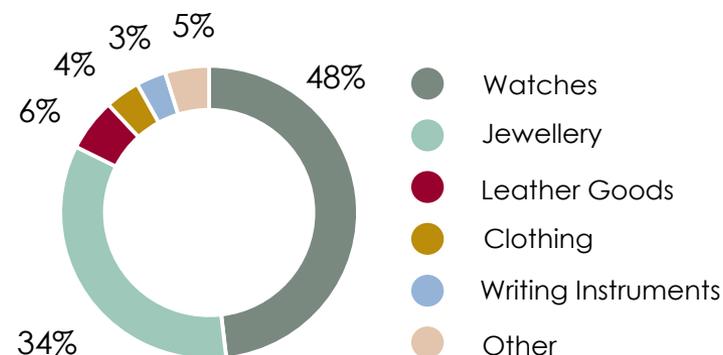
# H1-16 SALES BY PRODUCT LINE

## › Watches, down mid-single digit

- Primarily affected by wholesale in Asia Pacific and Americas
- Positive in retail

## › Jewellery continues to enjoy strong double digit growth

## › Leather goods and clothing, strong growth



6 months	€m	Sept 15	Sept 14	Constant rates	Actual rates
Watches		2 803	2 650	-4%	6%
Jewellery		1 993	1 531	16%	30%
Leather goods		336	282	11%	19%
Clothing		222	175	12%	27%
Writing instruments		188	172	1%	9%
Other		279	263	-4%	6%
<b>Total sales</b>		<b>5 821</b>	<b>5 073</b>	<b>3%</b>	<b>15%</b>

# H1-16 MAISONS HIGHLIGHTS

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- › Cartier and Van Cleef & Arpels continued their strong performance with a contribution margin of 35%
- › Weak demand in Asia Pacific and strong Swiss franc weighed on Specialist Watchmakers: contribution margin down to 23%
- › Improvement at Montblanc, Chloé and Peter Millar helped mitigate underperformance at other Fashion & Accessories Maisons

# H1-16 PERFORMANCE – JEWELLERY MAISONS

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- › **Strong increase in reported sales thanks to jewellery**
- › **Watches up in retail; challenging wholesale in Hong Kong & Macau**
- › **Growth in operating contribution, margin decreases**
  - Anticipated manufacturing subactivity
  - Swiss franc strength

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Actual rates</b>
Sales		3 177	2 683	18%
Operating contribution		1 101	973	13%
Contribution margin		34.7%	36.3%	-160bps

# H1-16 JEWELLERY MAISONS

## › **Very strong retail**

- Significant jewellery sales across all price points
- Good momentum in watches (Clé de Cartier)

## › **Underperformance of watches in wholesale**

## › **Stable retail network with two flagships under renovation**

- Paris Champs Elysées flagship re-opened

## › **Investments in jewellery**

- Jewellery workshop opened at Le Locle

*Cartier*



*Teinte, Etourdissant collection*



*Clé de Cartier*

# H1-16 JEWELLERY MAISONS

Van Cleef & Arpels

## › Excellent performance

- New *Seven Seas* high jewellery collection
- *Perlée* and *Alhambra* jewellery collections
- Rejuvenated *Cadenas* timepieces

## › Continued qualitative retail development

- New Avenue Mall boutique in Kuwait City
- Cannes boutique relocated to La Croisette



*Cadenas Serrie*



*Vagues Mystérieuses, Seven Seas*

# H1-16 PERFORMANCE – SPECIALIST WATCHMAKERS

- › **Slight decline in organic sales; +8% in reported growth**
- › **Lower operating contribution**
  - Difficult environment in Hong Kong and Macau
  - Strong CHF
  - Manufacturing subactivity

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Actual rates</b>
Sales		<b>1 749</b>	1 625	8%
Operating contribution		<b>402</b>	461	-13%
Contribution margin		<b>23.0%</b>	28.4%	-540bps

# H1-16 SPECIALIST WATCHMAKERS

## PIAGET

- › Good growth across Jewellery (Secrets & Light, Possession)
- › Lower watch sales reflecting positioning and exposure to Hong Kong and Macau



*Jessica Chastain with the Secrets & Lights Collection*



*New Possession*



## VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

- › Good organic growth in Europe, Japan and the Middle East
- › Momentum driven by the 260th anniversary collection (Harmony), high end pieces, and best-seller Patrimony



*Harmony Chronograph*

# H1-16 SPECIALIST WATCHMAKERS

**A. LANGE & SÖHNE**  
GLASHÜTTE I/SA

- › Good performance of high end watches (e.g. the 1815 Tourbillon)
- › Extension of manufacturing site completed

  
**ROGER DUBUIS**  
HORLOGER GENEVOIS

- › Impacted by HK & Macau
- › Confirmed success of the Excalibur collection
- › Growing appeal to women (Velvet)
- › First deliveries of Hommage Minute Repeater



*Lange 1 with the new movement design*



*Hommage Minute Repeater*

# H1-16 SPECIALIST WATCHMAKERS



- › Continued good performance of Master, high complications and Rendez-vous
- › Roll out of the new POS concept



*Hybris Artistica*



- › Good organic growth across channels
- › Driven by the rejuvenated Portugieser and Portofino lines



*Portugieser Perpetual Calendar  
Digital Date-Month Edition  
"75th Anniversary"*

# H1-16 SPECIALIST WATCHMAKERS

## OFFICINE PANERAI FIRENZE 1860

- › Successful launches included the Luminor 1950 Equation of Time
- › First e-commerce site in the USA



*Luminor 1950  
Equation of Time 8 days Acciaio*

## Φ BAUME & MERCIER MAISON D'HORLOGERIE GENEVE 1830

- › Strong foothold in Europe
- › Classima relaunch



*Classima Automatic*

# H1-16 PERFORMANCE – OTHER

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- › Losses reduced to 11 million euros
- › Improving results at Montblanc, Chloé and Peter Millar offsetting deterioration at Alfred Dunhill and Lancel

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Actual rates</b>
Sales		895	765	17%
Operating contribution		-11	-17	35%
Contribution margin		-1.2%	-2.2%	NR

# H1-16 OTHER



- › **Good organic sales growth**
  - Leather strongest growth driver
  - Positive trend in watches
  - Resilience of writing instruments
- › **Good retail performance including e-commerce and Korea**



Montblanc M



Montblanc Meisterstück  
Sfumato

# Chloé

- › **Excellent performance across channels and product lines**



SS15 campaign featuring the Faye

# H1-16 OTHER



- › Western markets and Japan continued to grow while Asia Pacific struggles
- › Menswear down; leather in line



*New advertising campaign*

## LANCEL

- › Predominance of French clientele and downsizing of wholesale distribution network affecting sales
- › Increasing share of tourism driven by successful launches (Charlie, Pop, Graphic)
- › New advertising campaign



*New Pop campaign*

# Financial Review

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# H1-16 OPERATING PROFIT

## › **6% increase in operating profit**

- Good cost control in constant currency
- Resilient operating margin of 24% despite CHF strength

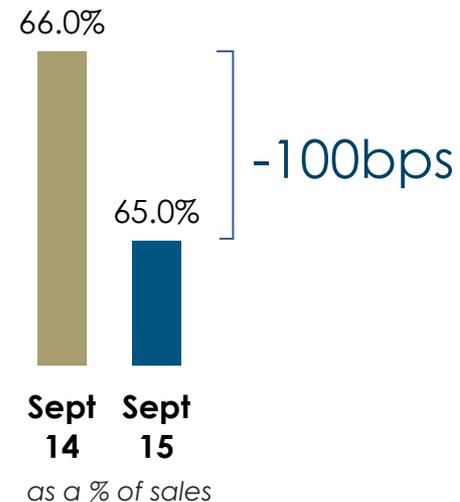
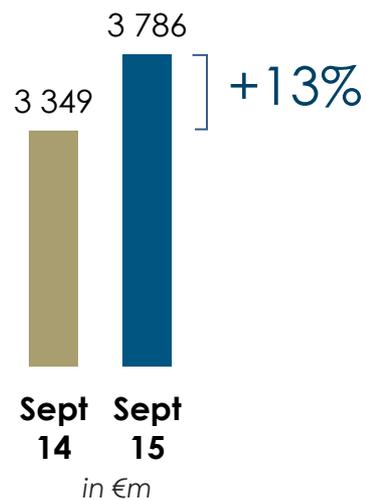
<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Sales		<b>5 821</b>	5 073	15%
Gross profit		<b>3 786</b>	3 349	13%
Net operating expenses		<b>- 2 396</b>	- 2 034	18%
Selling and distribution expenses		<b>- 1 440</b>	- 1 179	22%
Communication expenses		<b>-468</b>	-437	7%
Administration expenses		<b>-474</b>	-419	13%
Other (expense)/income		<b>-14</b>	1	
Operating profit		<b>1 390</b>	1 315	6%
Gross margin		<b>65%</b>	66%	
Operating margin		<b>24%</b>	26%	

# H1-16 GROSS PROFIT

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## › 13% increase in gross profit

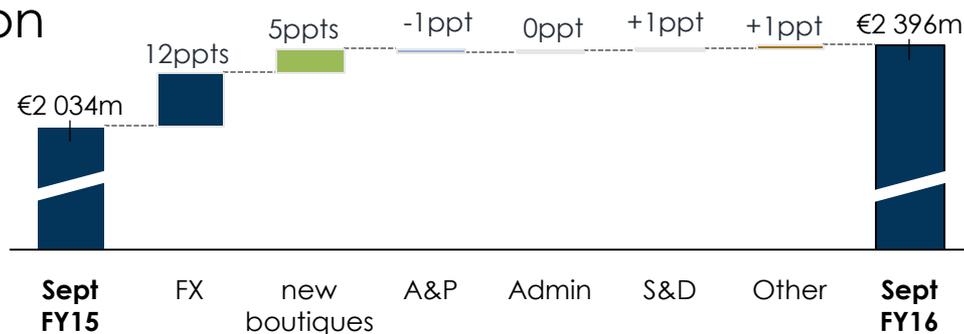
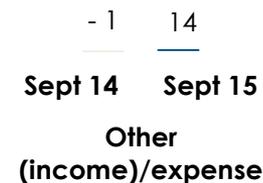
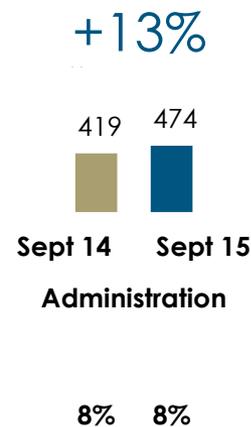
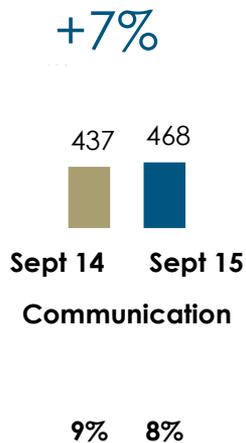
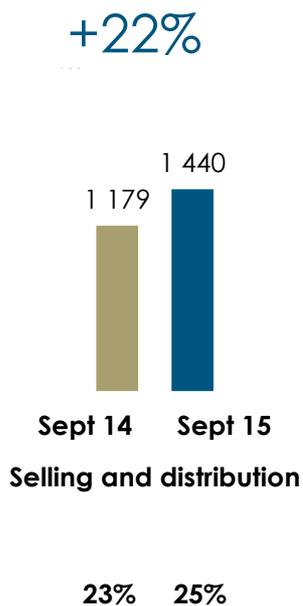
- Weak euro and higher share of retail
- Negative impact of CHF
- Subactivity in manufacturing



# H1-16 OPERATING EXPENSES

## › Increase of 18% reflects

- Negative foreign exchange
- Higher rentals and depreciation



as a % of sales

# H1-16 NET FINANCE INCOME AND COSTS

## › Increase in net finance income

- Higher mark to market (non cash) gains on cash holding
- Substantial reduction in hedging losses

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Financial expense, net		-4	-9	+5
Net foreign exchange gains on monetary items		130	39	+91
Net losses on hedging activities		-8	-239	+231
Fair value adjustments		-42	-8	-34
Net finance income/(costs)		76	-217	+293

# H1-16 PROFIT FROM CONTINUING OPERATIONS

## › Net profit impacted by

- Higher operating profit
- Reversal in finance costs

## › Profit margin of 20.5%

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Operating profit		1 390	1 315	+6%
Net finance income/(costs)		76	-217	
Profit before taxation		1 461	1 095	+33%
Taxation		-270	-178	
Share of post-tax results of equity-accounted investments		-5	-3	
Profit for the year from continuing operations		1 191	917	+30%
of which non-controlling interests		-2	-1	
profit margin		20.5%	18.1%	

# H1-16 CASH FLOW FROM OPERATIONS\*

› **Solid cashflow from operations maintained at over €1bn**

- Receivable portfolio remaining current
- Cash investment in inventories flat

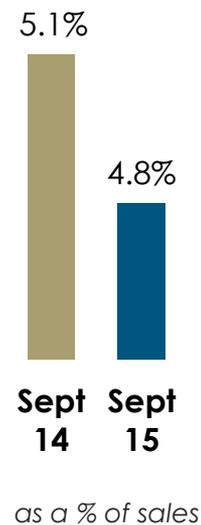
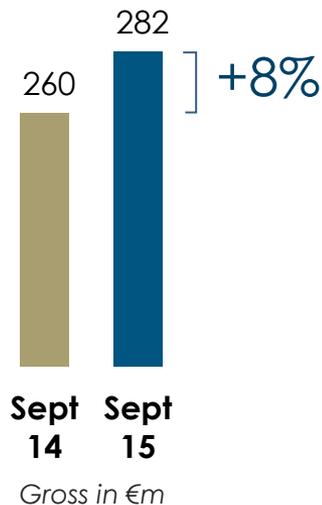
<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Operating profit*		1 311	1 311	-
Depreciation and amortisation		271	233	38
Other items		31	17	14
Movement in working capital		-558	-553	-5
Cash flow from operations		1 055	1 008	47

\* including discontinued operations

# H1-16 CAPITAL EXPENDITURE\*

## › Marked increase in capex

- Investment programme continues
- 5% of Group sales



\* including discontinued operations



Piaget – New flagship, Rue de la Paix, Paris



A. Lange & Söhne – New manufacturing site, Glashütte



Cartier – Renovated flagship, Avenue des Champs-Élysées, Paris

# H1-16 CAPITAL EXPENDITURE\*

› Significant investments in points of sales and manufacturing

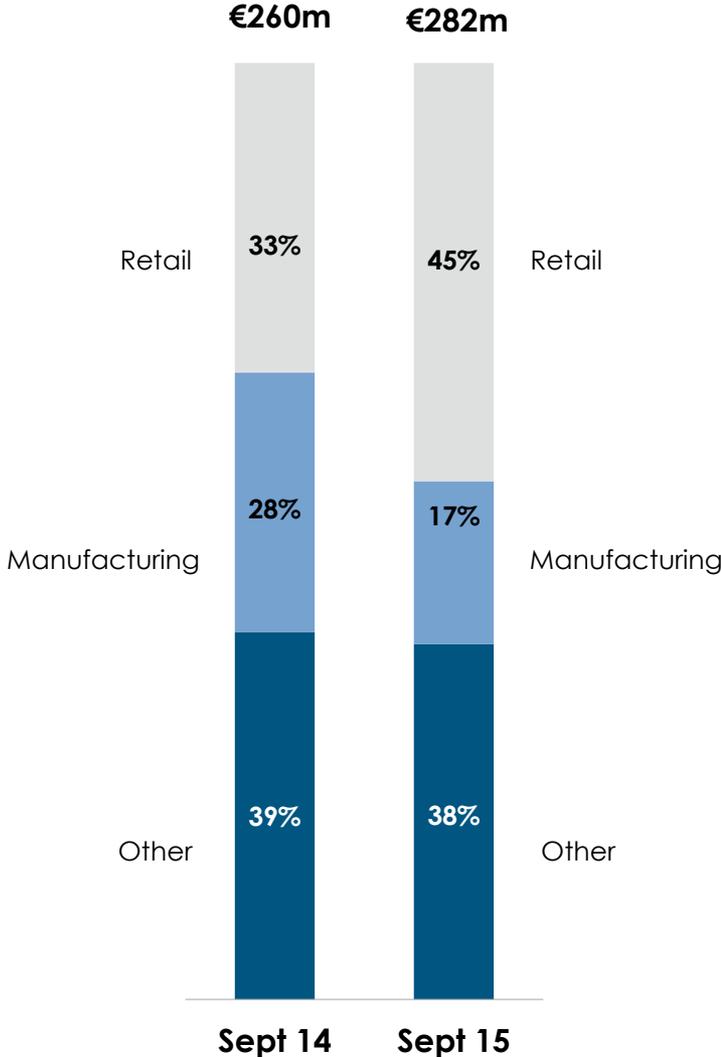


*Cartier Joaillerie, Le Locle*



*Montblanc, Taipei*

\* including discontinued operations



# H1-16 FREE CASH FLOW\*

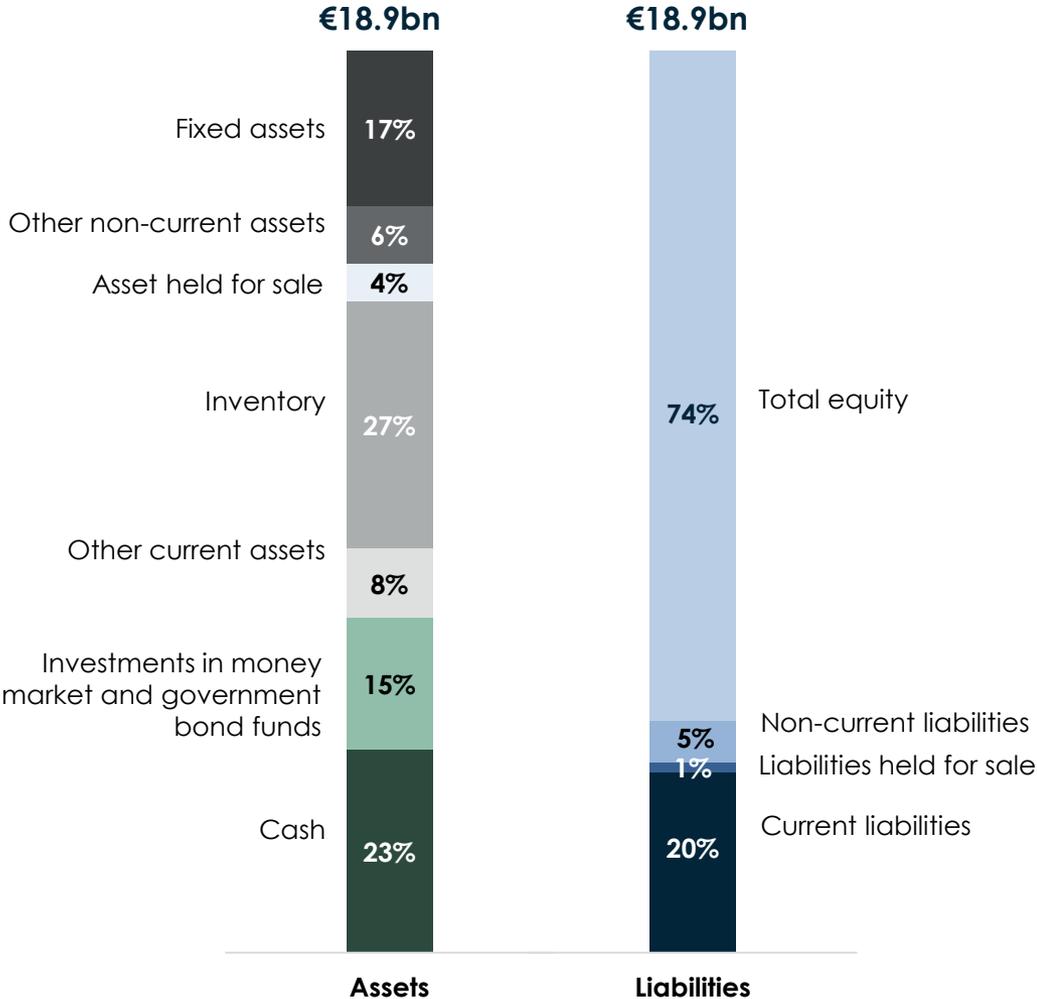
## › Increase in free cash flow to over €0.5bn

- Higher cash flow from operations
- Lower net tax payments

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Cash flow from operations		<b>1 055</b>	1 008	47
Net change in tangible assets		<b>-242</b>	-201	-41
Net change in intangible assets		<b>-35</b>	-43	8
Net change in non-current assets		<b>-20</b>	-27	7
Taxation paid		<b>-234</b>	-333	99
Net interest (paid)/received		<b>-8</b>	-7	-1
Total free cash inflow		<b>516</b>	397	119

\* including discontinued operations

# BALANCE SHEET STRENGTH



# Conclusion



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# OCTOBER 2015 SALES

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- › **-1% reported, -6% at constant currencies**
  - Persistent weakness in Hong Kong & Macau
  - Retail and jewellery outperform
  - Wholesale watches challenging

# POST H1-16 CLOSING EVENTS

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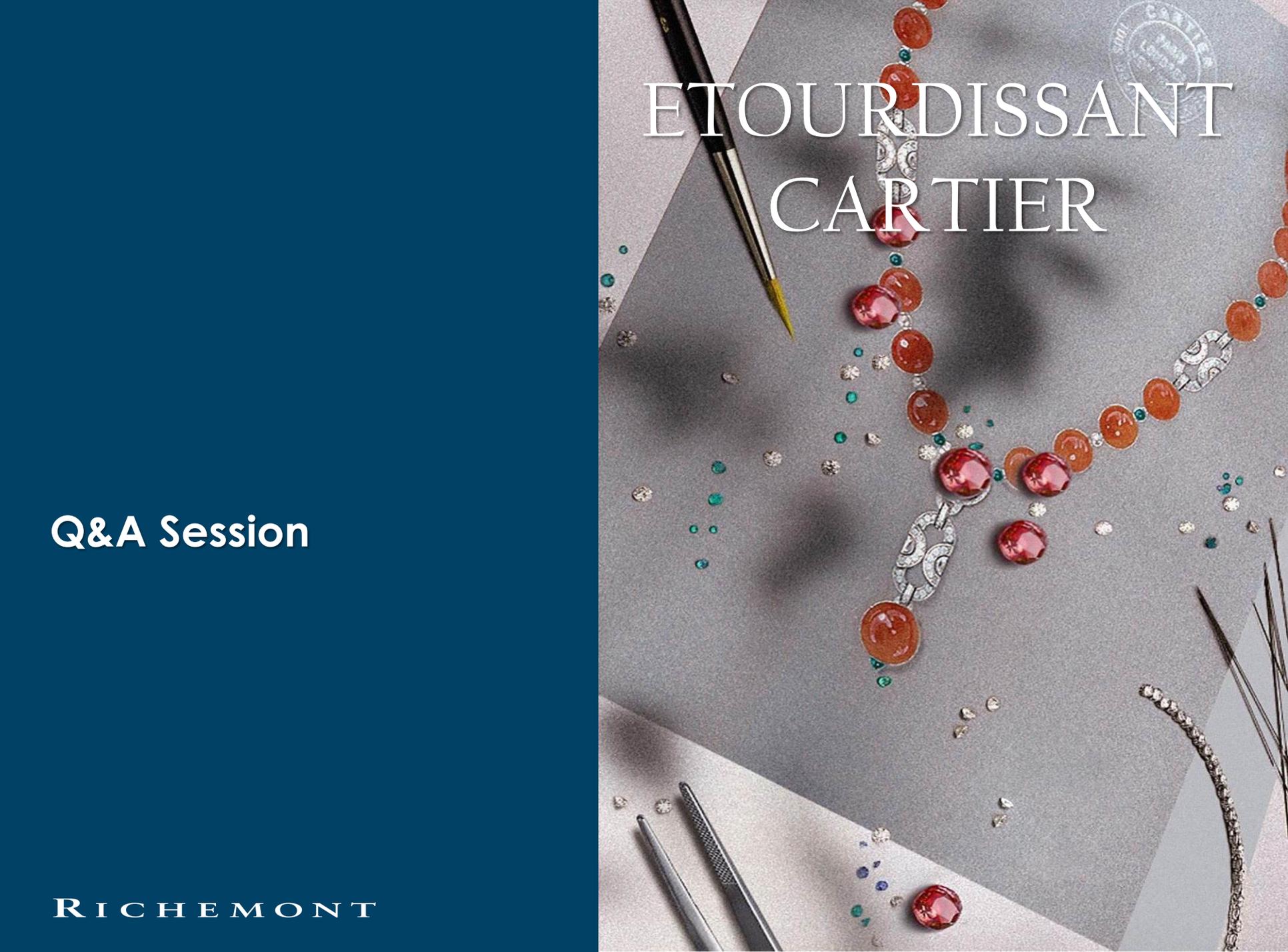
## › **Yoox Net-a-Porter**

- Net gain of €623m
- Expected net income from discontinued operations of €530m for FY16
- 50% of shares, 25% voting rights
- Assets of €1.1bn recorded under investments in equity accounted investments

# CONCLUSION

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- › **Volatility, primarily due to geopolitical risks and foreign exchange fluctuations, likely to continue to prevail**
- › **Long term strategy reaffirmed**
  - Fostering organic growth through investments in all our Maisons
  - Jewellery
    - › A resilient product category
    - › Strong focus at Cartier, Van Cleef & Arpels and Piaget
- › **Sound financial position**

A detailed photograph of a jewelry workshop. In the center, a necklace with large, round, reddish-orange gemstones and silver-toned links is laid out on a grey surface. Scattered around it are numerous loose gemstones, including diamonds, small green stones, and a large red stone. A pair of tweezers and a pen are also visible. In the top right corner, there is a faint circular stamp that reads 'CARTIER' and 'PARIS'.

# ETOURDISSANT CARTIER

Q&A Session

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Appendix

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Chloé

CHLOE.COM

# STRATEGIC OBJECTIVES

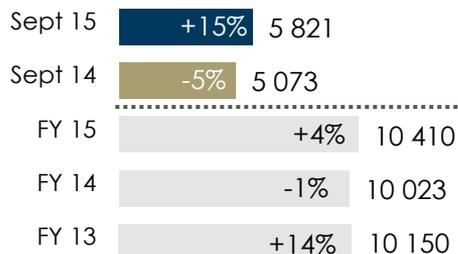
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- › **Achieve long term organic growth building goodwill, rather than acquiring goodwill**
- › **By further developing competitive advantages through**
  - Attraction and retention of entrepreneurial & creative management as well as skilled craftsmen
  - Control over production & product development, and increasingly over distribution
- › **Anticipate and adapt to changes in the environment**
- › **Maintain long standing commitment to doing business responsibly**
- › **Generating**
  - Value over the long term
  - Steady cash flows
  - Sustainable dividend growth

# FINANCIAL HIGHLIGHTS

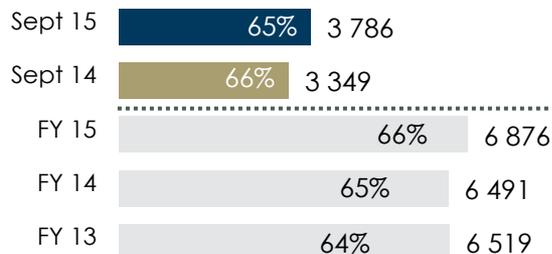
## Sales\*

€ million



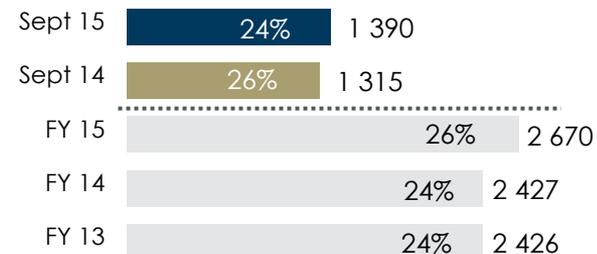
## Gross profit\*

€ million



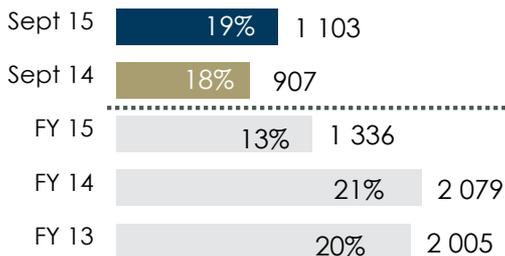
## Operating profit\*

€ million



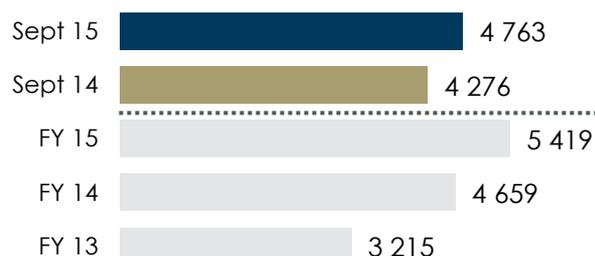
## Net profit\*

€ million



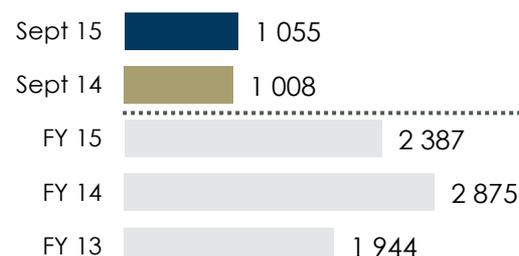
## Net cash

€ million



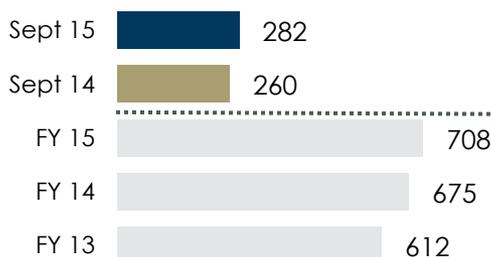
## Cash flow from operations

€ million

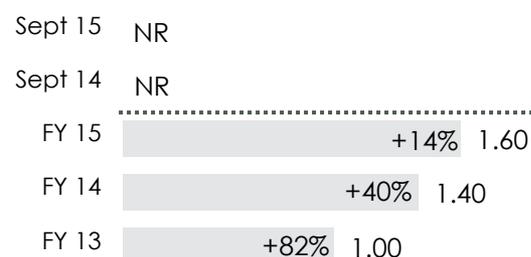


## Capex

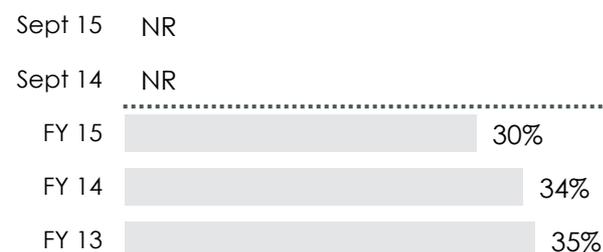
€ million



## Dividends CHF/share



## Return on operating assets\*



\* FY13 includes the Net-a-Porter Group

# HEDGING

- › 70% of our forecasted net foreign currency cash flow exposure arising primarily in USD block, HKD, JPY, CNY is hedged versus CHF and Euro
- › In the case of USD, the net exposure takes into account purchases of precious metals and precious stones
- › Different types of currency derivatives can be used including forward contracts and option based contracts
- › Realised and unrealised gains/losses on currency derivative contracts are recognised in net finance costs

	<b>6 months average rates to 30 Sept</b>			
	<u>Actual average rates</u>		<u>Hedge rates</u>	
	<b>FY16</b>	<b>FY15</b>	<b>FY16</b>	<b>FY15</b>
<b>versus CHF</b>				
US \$	<b>0.95</b>	0.90	<b>0.92</b>	<b>0.92</b>
HK \$	<b>8.13</b>	8.60	<b>8.62</b>	<b>8.51</b>
CNY	<b>6.56</b>	6.88	<b>6.94</b>	<b>6.85</b>
YEN	<b>128</b>	114	<b>121</b>	<b>109</b>

# H1-16 SALES BY REGION AND BUSINESS AREA

6 months	€m	Sept 15	Sept 14	Constant rates*	Actual rates	
Europe		1 943	1 547	+24%	+26%	33%
Asia Pacific		1 972	2 030	-17%	-3%	34%
Americas		883	744	+1%	+19%	15%
Japan		534	358	+44%	+49%	9%
Middle East/Africa		489	394	+4%	+24%	9%
<b>Total sales</b>		<b>5 821</b>	<b>5 073</b>	<b>+3%</b>	<b>+15%</b>	<b>100%</b>

6 months	€m	Sept 15	Sept 14	Constant rates*	Actual rates	
Jewellery Maisons		3 177	2 683	+6%	+18%	55%
Specialist Watchmakers		1 749	1 625	-2%	+8%	30%
Other		895	765	+7%	+17%	15%
<b>Total sales</b>		<b>5 821</b>	<b>5 073</b>	<b>+3%</b>	<b>+15%</b>	<b>100%</b>

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

# H1-16 OPERATING RESULT BY BUSINESS AREA

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Jewellery Maisons		1 101	973	+13%
Specialist Watchmakers		402	461	-13%
Other		-11	-17	+35%
Operating contribution		1 492	1 417	+5%
Corporate costs		-102	-102	-
Central support services		-95	-97	+2%
Other operating (expense)/income		-7	-5	+40%
Operating profit		1 390	1 315	+6%

# H1-16 GROUP RESULTS

<b>6 months</b>	€m	<b>Sept 15</b>	<b>Sept 14</b>	<b>Period change</b>
Sales		<b>5 821</b>	5 073	+15%
Cost of sales		<b>- 2 035</b>	- 1 724	
Gross profit		<b>3 786</b>	3 349	+13%
Net operating expenses		<b>- 2 396</b>	- 2 034	+18%
Operating profit		<b>1 390</b>	1 315	+6%
Net finance income/(costs)		<b>76</b>	-217	
Share of post-tax results of equity-accounted investments		<b>-5</b>	-3	
Profit before taxation		<b>1 461</b>	1 095	+33%
Taxation		<b>-270</b>	-178	
Profit for the year from continuing operations		<b>1 191</b>	917	+30%
Loss from discontinued operations		<b>-88</b>	-10	
Profit for the period		<b>1 103</b>	907	+22%
Cash flow from operations		<b>1 055</b>	1 008	47
Net cash		<b>4 763</b>	4 276	

# SUMMARY BALANCE SHEET AND INVENTORY

	€m	Sept 15	Sept 14
Non-current assets		4 471	4 150
Current assets		14 476	13 321
Non-current liabilities		-861	-749
Current liabilities		-4 012	-4 458
Equity attributable to owners of the parent company		-14 094	-12 268
Non-controlling interests		20	4
Equity		-14 074	-12 264
Net cash		4 763	4 276

	€m	Sept 15	Sept 14	Period change	
Finished goods		3 308	3 018	+ 290	+10%
Raw materials and work in progress		1 898	1 790	+ 108	+6%
<b>Total</b>		<b>5 206</b>	<b>4 808</b>	<b>+ 398</b>	<b>+8%</b>
Number of months of COGS	Rotation	20.9	19.7		

# RETAIL NETWORK

	Sept 15	Internal External		March 15	vs Period change		
		Internal	External		Internal	External	
Montblanc	527	279	248	537	8	-18	-10
Cartier	284	200	84	286	-1	-1	-2
Alfred Dunhill	208	148	60	214	2	-8	-6
Chloé	173	100	73	171	1	1	2
Van Cleef & Arpels	109	73	36	105	0	4	4
Piaget	98	67	31	94	3	1	4
Lancel	91	68	23	102	-1	-10	-11
Jaeger-LeCoultre	86	48	38	74	5	7	12
IWC	84	49	35	75	2	7	9
Officine Panerai	71	35	36	66	3	2	5
Vacheron Constantin	56	28	28	53	2	1	3
Others*	100	64	36	112	2	-14	-12
<b>Total</b>	<b>1 887</b>	<b>1 159</b>	<b>728</b>	<b>1 889</b>	<b>26</b>	<b>-28</b>	<b>-2</b>

\*Others: A. Lange & Söhne, Baume & Mercier, Roger Dubuis, Purdey, Azzedine Alaïa, Peter Millar, Shanghai Tang

# H1-16 MAIN PRODUCT LAUNCHES

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## *Cartier*

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### › **Jewellery**

- Etourdissant HJ collection
- Panthère de Cartier
- Amulette de Cartier

### › **Watches**

- Clé de Cartier, precious
- Clé de Cartier Gold & Steel
- Ronde Croisière

## Van Cleef & Arpels

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### › **Jewellery**

- Seven Seas HJ collection
- Alhambra one-motif long necklace
- Two Butterfly Tsavorites
- Bridal “Your Poetic Setting”

### › **Watches**

- Cadenas
- Charms Extraordinaires™ Langage des Fleurs

# H1-16 MAIN PRODUCT LAUNCHES

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## PIAGET

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### › **Watches**

- Altiplano Chrono 883P

### › **Jewellery**

- Secrets & Lights HJ
- Mediterranean Garden
- Possession new references

A. LANGE & SÖHNE  
GLASHÜTTE I/SA

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- › Saxonia Automatic & other references
- › Lange 1
- › Datograph Up/Down PG



VACHERON CONSTANTIN

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- › Harmony – 260<sup>th</sup> Anniversary collection
- › Métiers d'Art Florilège



ROGER DUBUIS  
HORLOGER GENEVOIS

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- › Hommage Minute Repeater Tourbillon
- › Velvet new references
- › Excalibur Tourbillon Brocéliande

# H1-16 MAIN PRODUCT LAUNCHES

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- › Hybris Artistica collection
- › Rendez-vous chocolat
- › Master Control Calendar Meteorite



- › Portugieser, new references
- › Portofino Hand-Wound Monopusher



- › Luminor 1950 Equation of time 8 Days - 47mm
- › Radiomir 8 Days Acciaio - 45mm
- › Mare Notrum Titanio - 52mm



- › Classima new references
- › Capeland new references

# H1-16 MAIN PRODUCT LAUNCHES

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**MONT  
BLANC**

- › **Writing Instruments**
  - M – new collection
- › **Watches**
  - StarWalker Urban Speed
  - Star Roman
- › **Leather**
  - Meisterstück Sfumato
  - Montblanc Nightflight

**LANCEL**

- › Charlie new references
- › Huit
- › Flore

**dunhill**

- › Albany LLG new collection
- › Bourdon SLG new collection
- › Seasonal colours on Boston, Bourdon, Chassis and Guardsman

**Chloé**

- › **Leather**
  - Drew
  - Faye

RICHEMONT