

# **RICHMONT**

Interim Report 2011

Cartier

Van Cleef & Arpels



PIAGET

A. LANGE & SÖHNE  
GLASHÜTTE I/SA

JAEGER-LECOULTRE



VACHERON CONSTANTIN  
Manufacture Horlogère, Genève, depuis 1755.

OFFICINE PANERAI

IWC

INTERNATIONAL WATCH CO. SCHAFFHAUSEN  
SWITZERLAND, SINCE 1868

BAUME & MERCIER  
MAISON D'HORLOGERIE GENEVE 1830



ROGER DUBUIS  
HORLOGER GENEVOIS

RALPH LAUREN  
WATCH AND JEWELRY CO.

MONT  
BLANC

NET-A-PORTER.COM

dunhill  
LONDON

LANCEL  
PARIS



Chloé

ALAÏA  
PARIS

SHANGHAI TANG  
上海滩

PURDEY

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### Cautionary statement regarding forward-looking statements

*This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. 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 29 % to € 4 214 million, or by 36 % at constant exchange rates.
- Solid growth across all segments, regions and channels.
- Operating profit increased by 41 % to € 1 075 million.
- Profit for the period increased by 10 % to € 709 million, reflecting the impact of a one-time gain in the comparative period.
- Consistent cash flow from operations of € 606 million.

## Key financial data (unaudited)

	Six months ended 30 September 2011	Six months ended 30 September 2010	Change
Sales	<b>€ 4 214 m</b>	€ 3 259 m	+29 %
Gross profit	<b>€ 2 665 m</b>	€ 2 113 m	+26 %
Gross margin	<b>63.2 %</b>	64.8 %	-160 bps
Operating profit	<b>€ 1 075 m</b>	€ 760 m	+41 %
Operating margin	<b>25.5 %</b>	23.3 %	+220 bps
Profit for the period	<b>€ 709 m</b>	€ 644 m	+10 %
Earnings per share, diluted basis	<b>€ 1.266</b>	€ 1.144	+11 %
Cash flow generated from operations	<b>€ 606 m</b>	€ 598 m	+€ 8 m
Net cash position	<b>€ 2 596 m</b>	€ 1 882 m	+€ 714 m

# Executive Chairman and Chief Executive Officer's commentary

We are pleased to report a solid performance in the first half of this year. Our Maisons were able to benefit from a favourable trading environment to enhance their positions in jewellery, watchmaking and accessories.

The rate of increase in net profit was lower than the increase in operating profit primarily due to a one-off gain in the comparable period.

Richemont's financial position continues to be strong: the Group's net cash position is € 2.6 billion.

The sales trend of the first six months of the year has continued through to the end of October; sales for the month were 28 % above those of October 2010 at actual exchange rates. At constant exchange rates, they were 26 % higher, with good momentum in both the retail and wholesale sales channels.

For the second half of the financial year, we face both the impact of global economic problems on the luxury goods industry in general, and the demanding comparative figures against which Group sales will be measured. Notwithstanding these challenges and based on the Group's performance for the year to date, operating profit for the full year is expected to be significantly higher than last year. Moreover, the creativity of our Maisons and the responsiveness of our colleagues, our confidence in our business model and the strength of our balance sheet will enable us to continue to invest in our businesses for the long term, despite the very worrying world economic environment.

**JOHANN RUPERT**  
**EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**  
**COMPAGNIE FINANCIÈRE RICHEMONT SA**  
**GENEVA, 11 NOVEMBER 2011**

# Financial review

## SALES

Sales in the six-month period increased by 29 % at actual exchange rates. At constant exchange rates, sales increased by 36 %. The growth in sales reflected, in particular, buoyant sales in the Group's own retail network bolstered by very strong demand in the Asia-Pacific and Americas regions. Further details of sales by region, distribution channel and business area are given in the Review of operations on pages 5 to 7.

## GROSS PROFIT

Gross profit rose by 26 %, although the gross margin percentage was 160 basis points lower at 63.2 % of sales. Several factors caused the decrease in the gross margin percentage, including adverse currency movements affecting sales, the strengthening of the Swiss franc and, as expected, the impact of Net-a-Porter.

The challenges posed by adverse currency movements were partially offset by price increases at both the retail and wholesale levels, evidencing the Maisons' pricing power, as well as the benefits of realising a growing proportion of sales through the Maisons' own boutiques. Additionally, gains recognised as a result of the hedging programme amounted to € 70 million and added 166 basis points to the gross percentage.

The stronger Swiss franc is of particular importance to the cost of sales as the majority of the Group's manufacturing facilities are located in Switzerland.

Compared with the Group's other Maisons, Net-a-Porter's gross margin percentage is well below the average reflecting its distinct business model as an online retailer of fashion products and accessories. Given its above-average sales growth, Net-a-Porter has a dilutive impact on the Group's gross margin percentage.

## OPERATING PROFIT

Operating profit increased by 41 %, reflecting the significant increase in gross profit and continuing cost discipline. The year-on-year increase in net operating expenses has been limited to 18 %, well below the growth in sales: they now represent 38 % of sales compared to 42 % in the comparative period.

Selling and distribution expenses were 17 % higher, primarily reflecting better trading and the expansion of the Maisons' own boutique networks. Communication expenses increased by 29 %, in line with sales, and represented 8 % of sales. Despite the strength of the Swiss franc, administration costs rose by only 9 %.

As a consequence, operating margin increased by 220 basis points to 25.5 % in the period under review.

## PROFIT FOR THE PERIOD

Profit for the period increased by 10 % to € 709 million, reflecting the following significant items:

- within net finance costs, € 153 million relates to non-cash, mark-to-market currency losses on net financial assets as a result of the stronger Swiss franc against the euro. The majority of the Group's financial assets are euro-denominated cash and liquid bond funds held by a Swiss franc entity. Upon translation, there was no effect on the Group's equity position;
- also within net finance costs, € 113 million of mark-to-market losses have been recorded in respect of currency hedging activities. The Group ceased applying hedge accounting to new foreign currency hedges from 1 April 2011. Changes in the value of new hedging instruments are therefore recognised immediately in net finance costs. Had hedge accounting continued, € 46 million of this amount would have been deferred in equity; and
- the non-recurrence of a € 102 million non-cash accounting gain recorded in the comparative period. The gain related to the revaluation of the Group's former interest in Net-a-Porter in April 2010 when Richemont acquired control of that business. This gain was reported within the Group's share of the post-tax results of associated companies.

The effective taxation rate was 16.4 %, reflecting the anticipated full-year rate. The increase in the rate compared to the prior year stems from the impact of non-cash currency translation losses on net financial assets, which are tax neutral.

Earnings per share increased by 11 % to € 1.266 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 2011 would be € 713 million (2010: € 540 million). Basic HEPS for the period was € 1.303 (2010: € 0.979). Diluted HEPS for the period was € 1.273 (2010: € 0.956). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 8 of the Group's condensed consolidated interim financial statements.

# Financial review continued

## CASH FLOW

Cash flow generated from operations was € 606 million, in line with the prior period. The additional cash generated from operating profit was absorbed by working capital increases, in particular inventories and debtor balances.

The net acquisition of tangible fixed assets amounted to € 123 million, reflecting selected investments in the Group's network of boutiques and manufacturing facilities.

The 2011 dividend, at CHF 0.45 per share, was paid to shareholders net of withholding tax in September. The cash outflow in the period amounted to € 133 million; the withholding tax was remitted to the Swiss authorities in October.

During the period, the Group acquired some 8 million 'A' shares to hedge executive share options. The cost of these purchases was partly offset by proceeds from the exercise of share options by executives and other activities linked to the hedging programme, leading to a net outflow of € 205 million.

## FINANCIAL STRUCTURE AND BALANCE SHEET

Fixed assets, including tangible and intangible assets, increased by € 99 million during the six-month period. The increase largely reflects the expansion of the Maisons' boutique networks, particularly in the Asia-Pacific region, and investments in their European manufacturing facilities.

Inventories at the end of September amounted to € 3 280 million. This figure represents 16 months of gross inventories and compares with 18 months at September 2010. The reduction in the rate of stock turn reflects the favourable trading conditions in particular. In absolute terms, the increase in the value of inventories reflects the strengthening of the Swiss franc, the build-up of inventories and the expansion of the boutique network.

At 30 September 2011, the Group's net cash position amounted to € 2 596 million and was in line with the position at 31 March 2011. The Group's net cash position includes short-term liquid bond funds as well as cash, cash equivalents and all borrowings. Liquid bond funds and cash balances were primarily denominated in euros, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned. Total borrowings, including bank borrowings and short-term loans, amounted to € 139 million.

Richemont's financial structure remains very strong, with shareholders' equity representing 71 % of total equity and liabilities.

# Review of operations

## Sales by region

in € millions	30 September 2011	30 September 2010	Constant exchange rates*	Movement at Actual exchange rates
Europe	<b>1 514</b>	1 260	+22 %	+20 %
Asia-Pacific	<b>1 718</b>	1 157	+60 %	+48 %
Americas	<b>602</b>	489	+35 %	+23 %
Japan	<b>380</b>	353	+9 %	+8 %
	<b>4 214</b>	3 259	+36 %	+29 %

\*Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2011.

### EUROPE

Europe accounted for 36 % of overall sales.

Solid double-digit organic growth was registered across the region, including Russia and the Middle East. Travellers to Europe continue to be an important sales driver.

All Maisons improved their performance in the region versus the comparative period.

### ASIA-PACIFIC

While growth in the Asia-Pacific region was broad-based, it was primarily driven by mainland China, which is now Richemont's third largest market after Hong Kong and the USA. Robust sales across channels and markets there also benefitted from the Group's selective expansion of its retail network in recent years.

### AMERICAS

The Americas region reported double-digit growth and represented 14 % of Group sales.

The performance was specifically driven by significant High Jewellery sales, although business in general has been very encouraging.

### JAPAN

Sales in Japan increased, despite the dramatic events of last March. Van Cleef and Arpels and the Specialist Watchmakers performed particularly well.

## Sales by distribution channel

in € millions	30 September 2011	30 September 2010	Constant exchange rates*	Movement at Actual exchange rates
Retail	<b>2 083</b>	1 522	+44 %	+37 %
Wholesale	<b>2 131</b>	1 737	+29 %	+23 %
	<b>4 214</b>	3 259	+36 %	+29 %

\*Note: movements at constant exchange rates are calculated translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2011.

### RETAIL

Overall retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 37 %. This was well above the growth in wholesale sales and Richemont now generates 49 % of its sales through its own retail network.

The growth in retail sales partly reflected the good performance of Net-a-Porter and the expansion of the Maisons' network of boutiques to 919 stores. Openings during the period were primarily in high-growth markets such as China.

### WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported strong growth. This performance reflected a good sell-out and the optimisation of the network.

This growth was achieved despite the impact of a continuing programme of planned reductions in the number of points of sale in Western Europe and North America.

# Review of operations continued

## Sales and operating results by business area

### JEWELLERY MAISONS

in € millions	30 September 2011	30 September 2010	Change
Sales	<b>2 165</b>	1 619	+34 %
Operating results	<b>734</b>	541	+36 %
Operating margin	<b>33.9 %</b>	33.4 %	+50 bps

The Jewellery Maisons' sales grew by 34 %. Both Cartier and Van Cleef and Arpels performed exceptionally well.

The Maisons' boutique networks reported higher growth and further benefitted from new store openings, primarily in the Asia-Pacific region. Demand for High Jewellery pieces and

more accessible jewellery ranges was solid. Demand for Cartier's watch collections was also strong, reflecting the policy of extending its premium and technical watch offerings.

The significant increase in sales and continuing cost discipline generated an operating margin of 34 %.

### SPECIALIST WATCHMAKERS

in € millions	30 September 2011	30 September 2010	Change
Sales	<b>1 171</b>	901	+30 %
Operating results	<b>312</b>	259	+20 %
Operating margin	<b>26.6 %</b>	28.8 %	-220 bps

The Specialist Watchmakers' sales increased by 30 %. All Maisons performed well worldwide, reflecting the strong demand for *haute horlogerie*.

Despite higher input costs and the strength of the Swiss franc, the contribution margin was 27 %, reflecting the Maisons' pricing power and operating leverage.

### MONTBLANC MAISON

in € millions	30 September 2011	30 September 2010	Change
Sales	<b>334</b>	303	+10 %
Operating result	<b>54</b>	48	+13 %
Operating margin	<b>16.2 %</b>	15.8 %	+40 bps

Montblanc's sales increased by 10 %, reflecting good demand for its range of watches and accessories in particular in the Asia-Pacific region. During the period under review, Montblanc

continued to upgrade both its retail and wholesale distribution networks.

The Maison maintained an operating margin of 16 %.



## Sales and operating results by business area continued

### OTHER BUSINESSES

in € millions	30 September 2011	30 September 2010	Change
Sales	<b>544</b>	436	+25 %
Operating results	<b>(17)</b>	(19)	+10 %
Operating margin	<b>(3.1) %</b>	(4.4) %	+130 bps

The 'Other' segment includes the Group's Fashion and Accessories businesses, Net-a-Porter and the Group's watch component manufacturing activities.

Richemont's Fashion & Accessories Maisons saw double-digit sales growth and generated improved profits of € 23 million (2010: profits of € 7 million). Alfred Dunhill and Chloé performed particularly well.

Sales growth at Net-a-Porter was once again well above the Group's average. Net-a-Porter incurred losses during the period amounting to € 22 million, resulting from the amortisation of intangibles and the costs associated with the continued expansion of its platforms in the UK and the USA.

Losses at the Group's watch component manufacturing facilities were contained and were broadly in line with the comparative period.

### CORPORATE COSTS

in € millions	30 September 2011	30 September 2010	Change
Corporate costs	<b>(8)</b>	(69)	-88 %
Central support services	<b>(69)</b>	(75)	-8 %
Other operating income/(expense), net	<b>61</b>	6	n/a

Corporate costs represent the costs of central management, marketing support and other central functions, known as central support services, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. Central support service expenses decreased: the negative impact of the stronger Swiss franc was more than offset by credits linked to the Group's share option plan. Other operating income/(expense) included gains of € 70 million relating to the Group's exchange rate hedging programme, which are reported within gross profit. In the comparative period, equivalent exchange rate hedging gains amounted to € 13 million.

The unaudited condensed consolidated interim financial statements are set out in full on the following pages.

**RICHARD LEPEU**  
DEPUTY CHIEF EXECUTIVE OFFICER

**GARY SAAGE**  
CHIEF FINANCIAL OFFICER

**COMPAGNIE FINANCIÈRE RICHEMONT SA**  
GENEVA, 11 NOVEMBER 2011

# Condensed consolidated statement of financial position

	30 September 2011 € m	31 March 2011 € m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 341	1 267
Goodwill	459	441
Other intangible assets	319	314
Investments in associated undertakings	9	7
Deferred income tax assets	309	349
Financial assets held at fair value through profit or loss	71	70
Other non-current assets	233	211
	<b>2 741</b>	<b>2 659</b>
<b>Current assets</b>		
Inventories	3 280	2 789
Trade and other receivables	934	597
Derivative financial instruments	36	148
Prepayments	120	119
Financial assets held at fair value through profit or loss	2 163	2 154
Cash at bank and on hand	1 432	1 227
	<b>7 965</b>	<b>7 034</b>
<b>Total assets</b>	<b>10 706</b>	<b>9 693</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the parent company</b>		
Share capital	334	334
Treasury shares	(530)	(325)
Hedge and share option reserves	233	305
Cumulative translation adjustment reserve	1 319	892
Retained earnings	6 287	5 774
	<b>7 643</b>	<b>6 980</b>
<b>Non-controlling interest</b>	<b>13</b>	<b>12</b>
<b>Total equity</b>	<b>7 656</b>	<b>6 992</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	23	120
Deferred income tax liabilities	30	35
Retirement benefit obligations	36	38
Provisions	150	137
Other long-term financial liabilities	120	158
	<b>359</b>	<b>488</b>
<b>Current liabilities</b>		
Trade and other payables	811	825
Current income tax liabilities	275	260
Borrowings	63	1
Derivative financial instruments	146	36
Provisions	139	126
Accruals and deferred income	344	294
Short-term loans	53	101
Bank overdrafts	860	570
	<b>2 691</b>	<b>2 213</b>
<b>Total liabilities</b>	<b>3 050</b>	<b>2 701</b>
<b>Total equity and liabilities</b>	<b>10 706</b>	<b>9 693</b>

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
Sales	5	4 214	3 259
Cost of sales		(1 549)	(1 146)
<b>Gross profit</b>		<b>2 665</b>	<b>2 113</b>
Selling and distribution expenses		(891)	(761)
Communication expenses		(340)	(264)
Administrative expenses		(342)	(314)
Other operating (expense)/income	6	(17)	(14)
<b>Operating profit</b>		<b>1 075</b>	<b>760</b>
Finance costs	7	(287)	(160)
Finance income	7	61	40
Share of post-tax (loss)/profit of associated undertakings		(1)	102
<b>Profit before taxation</b>		<b>848</b>	<b>742</b>
Taxation	9	(139)	(98)
<b>Profit for the period</b>		<b>709</b>	<b>644</b>
<b>Other comprehensive income</b>			
Currency translation adjustments			
– movement in the period		427	327
– reclassification to profit or loss		1	–
Cash flow hedges			
– net gains		20	41
– reclassification to profit or loss		(70)	(13)
Other comprehensive income, net of tax		378	355
<b>Total comprehensive income</b>		<b>1 087</b>	<b>999</b>
<b>Profit attributable to:</b>			
Owners of the parent company		709	646
Non-controlling interest		–	(2)
		<b>709</b>	<b>644</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		1 086	1 000
Non-controlling interest		1	(1)
		<b>1 087</b>	<b>999</b>
<b>Earnings per share attributable to owners of the parent company</b> <b>during the period (expressed in € per share)</b>			
Basic	8	1.295	1.171
Diluted	8	1.266	1.144

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent company					Non-controlling interest		Total equity
Note	Share capital € m	Treasury shares € m	Hedge and share option reserves € m	Cumulative translation adjustment reserve € m	Retained earnings € m	Total € m	€ m	€ m
Balance at 1 April 2010	334	(248)	194	423	4 956	5 659	2	5 661
Comprehensive income								
Profit for the period	–	–	–	–	646	646	(2)	644
Other comprehensive income	–	–	28	326	–	354	1	355
	–	–	28	326	646	1 000	(1)	999
Transactions with owners of the parent company recognised directly in equity								
Net changes in treasury shares	–	(88)	–	–	–	(88)	–	(88)
Employee share option plan	–	–	18	–	–	18	–	18
Tax on share option plan	–	–	9	–	–	9	–	9
Dividends paid	12	–	–	–	(141)	(141)	–	(141)
Initial recognition of put options over non-controlling interests		–	–	–	(129)	(129)	–	(129)
	–	(88)	27	–	(270)	(331)	–	(331)
Non-controlling interest in business combinations		–	–	–	–	–	20	20
Balance at 30 September 2010	334	(336)	249	749	5 332	6 328	21	6 349
Balance at 1 April 2011	334	(325)	305	892	5 774	6 980	12	6 992
Comprehensive income								
Profit for the period	–	–	–	–	709	709	–	709
Other comprehensive income	–	–	(50)	427	–	377	1	378
	–	–	(50)	427	709	1 086	1	1 087
Transactions with owners of the parent company recognised directly in equity								
Net changes in treasury shares	–	(205)	–	–	9	(196)	–	(196)
Employee share option plan	–	–	14	–	–	14	–	14
Tax on share option plan	–	–	(36)	–	–	(36)	–	(36)
Dividends paid	12	–	–	–	(205)	(205)	–	(205)
	–	(205)	(22)	–	(196)	(423)	–	(423)
Balance at 30 September 2011	334	(530)	233	1 319	6 287	7 643	13	7 656

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>Cash flows from operating activities</b>			
Cash flow generated from operations	10	606	598
Interest received		17	7
Interest paid		(13)	(12)
Other investment income		3	4
Taxation paid		(129)	(112)
Net cash generated from operating activities		484	485
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired		(3)	(227)
Proceeds from disposal of subsidiary undertakings and other businesses, net of cash disposed		–	(3)
Acquisition of associated undertakings		(1)	–
Acquisition of property, plant and equipment		(140)	(75)
Proceeds from disposal of property, plant and equipment		17	1
Acquisition of intangible assets		(29)	(21)
Investment in short-term bond funds		(151)	(939)
Proceeds from disposal of short-term bond funds		143	937
Acquisition of other non-current assets		(16)	(8)
Proceeds from disposal of other non-current assets		9	17
Net cash used in investing activities		(171)	(318)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		10	66
Repayment of borrowings		(101)	(207)
Dividends paid	12	(133)	(92)
Payment for treasury shares		(279)	(108)
Proceeds from sale of treasury shares		74	17
Capital element of finance lease payments		(1)	(2)
Net cash used in financing activities		(430)	(326)
<b>Net change in cash and cash equivalents</b>		(117)	(159)
Cash and cash equivalents at beginning of period		657	940
Exchange gains on cash and cash equivalents		32	33
<b>Cash and cash equivalents at end of period</b>		<b>572</b>	<b>814</b>

The notes on pages 12 to 20 are an integral part of these condensed consolidated interim financial statements.

# Notes to the condensed consolidated interim financial statements

## at 30 September 2011

### 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 luxury goods 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, Azzedine Alaïa and Net-a-Porter.

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 10 November 2011.

### 2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2011 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 2011 which were prepared in accordance with International Financial Reporting Standards.

In preparing these condensed consolidated interim financial statements, the significant judgements 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 2011.

### 3. Accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2011.

### 4. Financial risk management

#### 4.1. Accounting for derivative financial instruments and hedging activities

A significant portion of projected sales in each major currency qualifies as 'highly probable' forecast transactions for hedge accounting purposes. Certain derivative financial instruments with a trade date prior to 1 April 2011 were designated as hedge instruments of highly probable forecast transactions.

The application of hedge accounting results in the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges being deferred in equity and recycled to profit or loss in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). The recycle is recognised in cost of sales.

Management has decided to cease the application of hedge accounting from 1 April 2011. The accounting requirement to recycle from equity when the hedged item impacts profit or loss results, on average, in a five-month time delay between the derivative instrument closing and the recycle which results in an accounting timing mismatch.

Designated hedging instruments outstanding at 31 March 2011 continue to satisfy the criteria for hedge accounting, as the highly probable forecast transactions are expected to occur.

All derivative instruments entered into from 1 April 2011 will be accounted for at fair value with changes in value being recognised immediately as finance income/costs.

In the period to date, € 113 million of mark-to-market losses in respect of hedging activities have been recognised in net finance cost/income. Had hedge accounting continued, € 46 million of this amount would have been deferred in equity.

Other aspects of the Group's financial risk management programme are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 March 2011.

## 4. Financial risk management continued

### 4.2. Market risk: other price risk

The Group is exposed to price risk related to the put options written over the shares of subsidiary entities held by non-controlling interest.

After consideration of all relevant factors available at the interim period, management's valuations of the put option liabilities have been updated where differences in actual results to original forecasts have required a change in certain accounting estimates, resulting in a decrease in the put option liabilities of € 42 million with a corresponding credit to finance income.

## 5. 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 four reportable segments as follows:

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

- **Montblanc Maison** – a business whose primary activity includes the design, manufacture and distribution of writing instruments; and
- **Other** – other operations mainly comprise Alfred Dunhill, Lancel, Chloé, Net-a-Porter, textile brands and other manufacturing entities.

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

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated.

Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

Performance is measured 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.

Inter-segment transactions between different fiscal entities are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions. Inter-segment transactions within the same fiscal entity are transacted at cost. All such transactions are eliminated in the reports reviewed by the CODM.

The segment results are as follows:

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>External sales</b>		
Jewellery Maisons	2 165	1 619
Specialist Watchmakers	1 171	901
Montblanc Maison	334	303
Other	544	436
	<b>4 214</b>	<b>3 259</b>

# Notes to the condensed consolidated interim financial statements continued

## 5. Segment information continued

### (a) Information on reportable segments continued

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>Operating result</b>		
Jewellery Maisons	734	541
Specialist Watchmakers	312	259
Montblanc Maison	54	48
Other	(17)	(19)
<b>Operating profit from reportable segments</b>	<b>1 083</b>	<b>829</b>
Unallocated corporate costs	(8)	(69)
<b>Operating profit</b>	<b>1 075</b>	<b>760</b>
Finance costs	(287)	(160)
Finance income	61	40
Share of post-tax (loss)/profit of associated undertakings	(1)	102
<b>Profit before taxation</b>	<b>848</b>	<b>742</b>
Taxation	(139)	(98)
<b>Profit for the period</b>	<b>709</b>	<b>644</b>

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

	At 30 September 2011 € m	At 31 March 2011 € m
<b>Segment assets</b>		
Jewellery Maisons	2 010	1 590
Specialist Watchmakers	1 190	956
Montblanc Maison	361	307
Other	421	328
	<b>3 982</b>	<b>3 181</b>
<b>Total assets for reportable segments</b>	<b>3 982</b>	<b>3 181</b>
Property, plant and equipment	1 341	1 267
Goodwill	459	441
Other intangible assets	319	314
Investments in associated undertakings	9	7
Deferred income tax assets	309	349
Financial assets at fair value through profit or loss	2 234	2 224
Other non-current assets	233	211
Other receivables	232	205
Derivative financial instruments	36	148
Prepayments	120	119
Cash at bank and on hand	1 432	1 227
<b>Total assets</b>	<b>10 706</b>	<b>9 693</b>



## 5. Segment information continued

### (a) Information on reportable segments continued

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

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>Additions to non-current assets: property, plant, equipment and other intangible assets</b>		
Jewellery Maisons	44	34
Specialist Watchmakers	34	19
Montblanc Maison	9	5
Other	35	24
Unallocated	50	10
	<b>172</b>	<b>92</b>

### (b) Information about geographical areas

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

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>Europe</b>	<b>1 514</b>	<b>1 260</b>
France	330	280
Switzerland	170	143
Germany, Italy and Spain	341	292
Other Europe	673	545
<b>Asia</b>	<b>2 098</b>	<b>1 510</b>
China/Hong Kong	1 132	735
Japan	380	353
Other Asia	586	422
<b>Americas</b>	<b>602</b>	<b>489</b>
USA	468	366
Other Americas	134	123
	<b>4 214</b>	<b>3 259</b>

Sales are allocated based on the location of the wholesale customer, the boutique or the shipping address for on-line transactions.

# Notes to the condensed consolidated interim financial statements continued

## 5. Segment information continued

### (b) Information about geographical areas continued

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 2011 € m	At 31 March 2011 € m
Switzerland	1 127	1 056
Rest of the world	1 142	1 104
	<b>2 269</b>	<b>2 160</b>

Segment assets are allocated based on where the assets are located.

### (c) Information about products

External sales by product are as follows:

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
Watches	2 193	1 649
Jewellery	1 017	745
Leather goods	331	271
Writing instruments	163	166
Clothing and other	510	428
	<b>4 214</b>	<b>3 259</b>

### (d) Major customers

Sales to no single customer represented more than 10 % of total revenue. Given the local nature of the luxury goods wholesale and retail businesses, there are no major customer relationships.

## 6. Other operating (expense)/income

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
Royalty income – net	11	8
Amortisation of other intangible assets acquired on business combinations	(20)	(18)
Other expenses	(8)	(4)
	<b>(17)</b>	<b>(14)</b>

## 7. Net finance (costs)/income

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
<b>Finance costs:</b>		
Interest expense		
– bank borrowings	(12)	(12)
– other financial expenses	(2)	–
Net loss in fair value of financial instruments at fair value through profit or loss	–	(2)
Net foreign exchange losses on monetary items	(160)	(146)
Mark-to-market adjustment in respect of hedging activities	(113)	–
Finance costs	(287)	(160)
<b>Finance income:</b>		
Interest income on bank, other deposits and short-term bond funds	17	7
Dividend income on financial assets at fair value through profit or loss	3	4
Net gain in fair value of financial instruments at fair value through profit or loss	41	–
Net gain on disposal of subsidiary undertaking	–	4
Mark-to-market adjustment in respect of hedging activities	–	25
Finance income	61	40
Net finance (costs)/income	(226)	(120)

Foreign exchange gains resulting from effective hedge derivative instruments of € 70 million (2010: gains of € 13 million) were reflected in cost of sales during the period. Gains and losses on all non-hedge derivatives, as well as the ineffective portion of hedge derivatives, are included in net finance (costs)/income.

# Notes to the condensed consolidated interim financial statements

## continued

### 8. Earnings per share

#### 8.1. Basic

Basic earnings per share 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 2011	Six months to 30 September 2010
Profit attributable to owners of the parent company (€ millions)	709	646
Weighted average number of shares in issue (millions)	547.4	551.6

#### 8.2. Diluted

Diluted earnings per share 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.

	Six months to 30 September 2011	Six months to 30 September 2010
Profit attributable to owners of the parent company (€ millions)	709	646
Weighted average number of shares in issue (millions)	547.4	551.6
Adjustment for share options (millions)	12.8	13.0
Weighted average number of shares for diluted earnings per share (millions)	560.2	564.6

#### 8.3. Headline earnings per share

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

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
Profit attributable to owners of the parent company	709	646
Impairment loss on non-current assets	3	–
Currency exchange losses reclassified from currency translation adjustment reserve	1	–
Gain on remeasurement to fair value of associated undertaking deemed disposed of	–	(102)
Gain on disposal of subsidiary undertaking	–	(4)
Headline earnings	713	540
	Six months to 30 September 2011 millions	Six months to 30 September 2010 millions
Weighted average number of shares		
– Basic	547.4	551.6
– Diluted	560.2	564.6
	€ per share	€ per share
Headline earnings per share		
– Basic	1.303	0.979
– Diluted	1.273	0.956

## 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 average effective rate for the period ended 30 September 2011 was 16.4 % (2010: 15.4 %).

## 10. Cash flow generated from operations

	Six months to 30 September 2011 € m	Six months to 30 September 2010 € m
Operating profit	1 075	760
Depreciation and impairment of property, plant and equipment	119	99
Amortisation and impairment of other intangible assets	43	40
Increase in provisions	26	41
Decrease in retirement benefit obligations	(3)	–
Non-cash items	(55)	6
Increase in inventories	(340)	(144)
Increase in trade debtors	(288)	(134)
Increase in other receivables and prepayments	(27)	(84)
Increase in current and long-term operating liabilities	56	14
Cash flow generated from operations	606	598

## 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 2012 annual consolidated financial statements.

## 12. Dividends

In September 2011 a dividend of € 205 million (2010: € 141 million) was paid net of withholding tax of € 72 million (2010: € 49 million). The dividend per share was CHF 0.45 (2010: CHF 0.35).

## 13. Financial commitments and contingent liabilities

At 30 September 2011, 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.

# Notes to the condensed consolidated interim financial statements

## continued

### 14. Treasury shares

The Group holds treasury shares to hedge its obligation arising from the Group share option plan.

During the current period the Group acquired 8 031 691 treasury shares directly in the open market and through the exercise of over-the-counter ('OTC') call options for € 279 million. In the same period the Group delivered 5 053 980 treasury shares for proceeds of € 74 million, in settlement of options exercised in the period and traded options exercised in previous periods.

### 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 share option plan vest over periods of four 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 from 2008 onwards include a performance condition correlated to other luxury good companies upon which vesting is conditional.

During the period ended 30 September 2011 awards of 1 607 700 options were granted (2010: nil) at an exercise price of CHF 54.95.

# Exchange rates

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

## Exchange rates against the euro

	Six months to 30 September 2011	Six months to 30 September 2010
<b>Average</b>		
United States dollar	<b>1.43</b>	1.28
Japanese yen	<b>113</b>	113
Swiss franc	<b>1.21</b>	1.36
	30 September 2011	31 March 2011
<b>Closing</b>		
United States dollar	<b>1.34</b>	1.42
Japanese yen	<b>103</b>	118
Swiss franc	<b>1.22</b>	1.30

# Statutory information

## PRIMARY LISTING

SIX Swiss Exchange (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0045039655). The Swiss 'Valorennummer' is 4503965. Richemont 'A' bearer shares are included in the Swiss Market Index ('SMI') of leading stocks.

## SECONDARY LISTING

Johannesburg stock exchange operated by JSE Limited (Reuters 'CFR.JJ'/Bloomberg 'CFR:SJ'/ISIN CH0045159024). South African depository receipts in respect of Richemont 'A' shares.

The closing price of the Richemont 'A' share on 30 September 2011 was CHF 40.95 and the market capitalisation of the Group's 'A' shares on that date was CHF 21 376 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 57.40 (7 July) and the lowest closing price of the 'A' share was CHF 38.51 (10 August).

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