

RICHEMONT

COMPANY ANNOUNCEMENT

8 November 2013

Richemont, the Swiss luxury goods group, announces its unaudited consolidated results for the six month period ended 30 September 2013

Financial highlights

- Sales grew by 4 % to € 5 324 million; sales grew by 9 % at constant exchange rates
- Satisfactory growth across segments, regions and channels
- Operating profit decreased by 1 % to € 1 370 million, reflecting unfavourable currency movements
- Operating margin declined by 130 basis points to 25.7 %
- Profit for the period rose by 10 % to € 1 185 million, reflecting currency hedging gains
- Strong increase in cash flow from operations to € 1 292 million

Key financial data (unaudited)

Six months ended 30 September

	2013	2012*	Change
Sales	€ 5 324 m	€ 5 106 m	+ 4 %
Gross profit	€ 3 402 m	€ 3 310 m	+ 3 %
Gross margin	63.9 %	64.8 %	- 90 bps
Operating profit	€ 1 370 m	€ 1 380 m	- 1 %
Operating margin	25.7 %	27.0 %	- 130 bps
Profit for the period	€ 1 185 m	€ 1 078 m	+ 10 %
Earnings per share, diluted basis	€ 2.118	€ 1.942	+ 9 %
Cash flow generated from operations	€ 1 292 m	€ 577 m	+ € 715 m
Net cash position	€ 3 855 m	€ 3 045 m	+ € 810 m

* re-presented for changes in accounting policies

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. 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.

Chairman's commentary

Richemont can report a satisfactory set of results for the first half of this year in view of demanding comparatives in Europe, the Middle-East and Asia Pacific. The Group's Maisons benefitted from successful product launches, above average growth in retail and, in certain markets, higher prices.

Good cost control helped mitigate the overall negative impact of foreign exchange effects, limiting the decline in operating profit to 1 %.

To mitigate its exposure to certain foreign exchange rate movements on its cash flows, the Group has a long-standing and successful practice of using derivative instruments for hedging purposes on some 70 % of its forecasted net cash flows into Swiss francs and euros. For accounting purposes however, sales and all operational costs are reported without the benefit of any hedging gains or losses. Such gains and losses are reported 'below' the operating profit line of the income statement.

Net profit increased by 10 %, including the positive effects of the exchange rate hedging activities noted above.

Cash flow from operations was substantially above the prior period, due to our Maisons' working capital management and the desired effects of the exchange rate hedging programme. Richemont's financial position continues to be strong: the Group's net cash position at 30 September was € 3.9 billion.

Richemont's Maisons will continue to pursue their differentiated strategies and planned long-term investment programmes. Those programmes, in their respective manufacturing facilities and distribution networks, are complemented by Richemont's shared service platforms in Switzerland and around the world.

Richemont has completed the review of Maisons referred to at the annual general meeting. Further investment in the Maisons will be made, as in the past, to assure their long-term prosperity. No disposals are under consideration at this time or for the foreseeable future. The company will not comment further on this subject.

In the month of October, sales increased by 6 % at actual exchange rates. At constant exchange rates, they were 12 % higher. At actual rates, all regions reported sales growth except for Japan, where double-digit growth in local currency terms continued to be adversely impacted by foreign exchange rates. Sales in the Asia Pacific region grew during the month, primarily due to positive retail developments and exceptional high jewellery sales. In all regions, retail sales were strong, outperforming the wholesale channel where re-order levels remain cautious.

For the second half of the year, current exchange rates are likely to weigh on our reported results. While the comparative sales figures for the important holiday trading period are less challenging, the subdued overall environment and in particular our continued investments for the long term call for increased caution.

Yves-André Istel, Chairman

Compagnie Financière Richemont SA

Geneva, 8 November 2013

Financial Review

Sales

In the six-month period, sales increased by 4 % at actual exchange rates, or by 9 % at constant exchange rates. The increase in sales reflected, in particular, international demand for jewellery and, from the Specialist Watchmakers, *haute horlogerie*. In regional terms, the markets in Europe and the Americas enjoyed solid growth, whereas sales in Asia Pacific were broadly in line with the prior period. Further details of sales by region, distribution channel and business area are given in the Review of operations on pages 5 to 8.

Gross profit

Gross profit rose by 3 %. The gross margin percentage was 90 basis points lower at 63.9 % of sales. This decrease can be mainly attributed to unfavourable currency movements, which accounted for 80 basis points of the overall decline.

Operating profit

Operating profit declined against the prior period by 1 % to € 1 370 million. The operating margin decreased by 130 basis points to 25.7 % in the period under review.

The increase in gross profit was offset by controlled increases in operating expenses. Selling and distribution expenses were 5 % higher overall, in line with the increase in sales through the Maisons' own boutique networks. The main increases within operating expenses were linked to depreciation charges and fixed rental costs, whereas personnel costs increased slightly. Communication expenses were stable in value terms and represented 8 % of sales in the period.

Profit for the period

Profit for the period increased by 10 % to € 1 185 million, reflecting the following significant items recorded within net finance income/(costs):

- € 127 million of mark-to-market net gains in respect of currency hedging activities (2012: net losses of € 142 million); partly offset by
- € 56 million of net foreign exchange losses in respect of monetary items (2012: net gains of € 43 million).

Earnings per share increased by 9 % to € 2.118 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 2013 would be € 1 191 million (2012*: € 1 084 million). Basic HEPS for the period was € 2.148 (2012*: € 1.978). Diluted HEPS for the period was € 2.123 (2012*: € 1.943). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 7 of the Group's condensed consolidated interim financial statements.

* re-presented for changes in accounting policies

Cash flow

Cash flow generated from operations was € 1 292 million, more than double the amount in the prior period. The significant increase broadly reflected a combination of a comparatively slower increase in inventories in the current period and of a net cash inflow from the settlement of maturing foreign exchange contracts in the current period (2012: a net cash outflow). Together, these two factors reduced the overall absorption of working capital in the current period to € 321 million (2012: € 1 027 million).

The net acquisition of tangible fixed assets amounted to € 208 million, reflecting further selected investments in the Group's network of boutiques and in manufacturing facilities, primarily in Switzerland.

The 2013 dividend of CHF 1.00 per share was paid to shareholders net of withholding tax in September. The cash outflow in the period amounted to € 294 million; the withholding tax of € 158 million was remitted to the Swiss authorities in October.

The Group acquired some 1 million 'A' shares to hedge executive stock options during the six-month period. The cost of these purchases was more than offset by proceeds from the exercise of stock options by executives and other activities linked to the hedging programme, leading to a net inflow of € 68 million.

Financial structure and balance sheet

At the end of September, inventories amounted to € 4 344 million, representing 16.6 months of cost of sales. The rotation rate was broadly in line with the rate at 30 September 2012. In value terms, the modest increase during the six-month period reflected prudent inventory management, partly offset by the growth in the number of directly owned boutiques.

At 30 September 2013, the Group's net cash position amounted to € 3 855 million, an increase of € 640 million during the six-month period. The Group's net cash position includes short-term liquid funds as well as cash, cash equivalents and all borrowings. Liquid bond funds and cash balances were primarily denominated in euros and Swiss francs, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned.

Richemont's balance sheet remains strong, with shareholders' equity representing 70 % of total equity and liabilities.

Review of operations

1. Sales by region

In € millions	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>Movement at:</u>	
			<u>Constant exchange rates</u>	<u>Actual exchange rates</u>
Europe / Middle East	2 002	1 857	+ 10 %	+ 8 %
Asia Pacific	2 124	2 103	+ 4 %	+ 1 %
Americas	784	698	+ 17 %	+ 12 %
Japan	414	448	+ 18 %	- 8 %
	<u>5 324</u>	<u>5 106</u>	+ 9 %	+ 4 %

*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 2013.

Europe / Middle East

Europe accounted for 38 % of overall sales. European and Middle-Eastern sales continued to benefit from visitors in major tourist destinations.

Asia Pacific

Sales in the Asia Pacific region accounted for 40 % of the Group total, with Hong Kong and mainland China the two largest markets. Asia Pacific was led by good growth in Hong Kong and Macau, offset by lower sales in mainland China, largely reflecting prudent consumer sentiment after several years of exceptional expansion.

Americas

Sales growth in the Americas was strong, primarily achieved through the sustained momentum of jewellery sales. The acquisition of Peter Millar in October 2012 also contributed to the performance in the Americas.

Japan

Sales growth in Japan was robust, benefiting from strong domestic consumption. The decrease in the yen: euro exchange rate more than offset the sales growth in yen terms.

2. Sales by distribution channel

In € millions	<u>30 September 2013</u>	<u>30 September 2012</u>	Movement at:	
			<u>Constant exchange rates</u>	<u>Actual exchange rates</u>
Retail	2 747	2 618	+ 11 %	+ 5 %
Wholesale	2 577	2 488	+ 7 %	+ 4 %
	<u>5 324</u>	<u>5 106</u>	+ 9 %	+ 4 %

*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 2013.

Retail

Retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 5 %. Retail sales growth continues to outperform wholesale sales, reflecting a good performance in the Maisons' existing boutiques as well as the opening of new ones, primarily in Europe, the Middle-East and the Asia Pacific regions.

52 % of Group sales were generated through its own retail network, which increased to 1 043 boutiques at the end of September.

Wholesale

The Group's wholesale business, including sales to franchise partners, reported satisfactory growth.

3. Sales and operating results by business area

Jewellery Maisons

In € millions	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>Change</u>
Sales	2 667	2 607	+ 2 %
Operating results	984	958	+ 3 %
Operating margin	36.9 %	36.7 %	+ 20 bps

The Jewellery Maisons' sales grew by 2 % in a subdued environment.

Cartier and Van Cleef & Arpels' boutique networks reported good growth, with particularly strong demand for jewellery. Demand for Cartier's watch collections was broadly in line with the prior year at constant exchange rates.

The operating margin improved slightly against the prior period.

Specialist Watchmakers

In € millions	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>Change</u>
Sales	1 587	1 459	+ 9 %
Operating results	504	470	+ 7 %
Operating margin	31.7 %	32.2 %	- 50 bps

The Specialist Watchmakers' sales increased by 9 %, reflecting strong demand for *haute horlogerie*.

The operating margin decreased slightly against the prior period.

Montblanc Maison

In € millions	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>Change</u>
Sales	358	368	- 3 %
Operating result	24	53	- 55 %
Operating margin	6.7 %	14.4 %	- 770 bps

Montblanc's sales decreased in the period, including unfavourable exchange rate effects. The Maison is less exposed to tourist purchases than many of the Group's other businesses.

Results in the period included provisions for € 13 million to exit the female high jewellery segment and reposition certain organisational activities. The Maison's operating margin decreased to 6.7 %.

Other

In € millions	<u>30 September 2013</u>	<u>30 September 2012*</u>	<u>Change</u>
Sales	712	672	+ 6 %
Operating results	(35)	(12)	n/a
Operating margin	(4.9) %	(1.8) %	- 310 bps

* re-presented

'Other' includes the Group's clothing and accessories Maisons, Net-a-Porter and the Group's watch component manufacturing activities.

The overall sales increase included the positive impact of acquisitions made in the second half of the prior year, namely Peter Millar and Varin-Varinor, a Swiss gold refiner. Net-a-Porter reported double-digit sales growth within 'Other' sales.

The increase in overall losses were primarily due to a deterioration of the performance at Alfred Dunhill and Chloé. Losses at the Group's watch component manufacturing facilities were lower than the comparative period.

Corporate costs

In € millions	<u>30 September 2013</u>	<u>30 September 2012*</u>	<u>Change</u>
Corporate costs	(107)	(89)	+ 20 %
Central support services	(102)	(81)	+ 26 %
Other operating (expense)/income, net	(5)	(8)	- 38 %

*re-presented

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 business areas. Excluding charges incurred for social security stemming from the Group's stock option programme, central support service costs decreased by 4 %.

The Group's financial statements of comprehensive income, of cash flow and of financial position are presented in Appendix 1. Richemont's unaudited condensed consolidated interim financial statements for the period may be found on the Group's website at <http://www.richemont.com/investor-relations/reports.html>

Bernard Fornas Richard Lepou
Co-Chief Executive Officers

Gary Saage
Chief Financial Officer

Presentation

The results will be presented via a live internet webcast on 8 November 2013, starting at 09:00 (CET). The direct link is available from 07:00 (CET) at: <http://www.richemont.com>

- Live listen-only telephone connection: call one of these numbers 10 minutes before the start of the presentation:
 - Europe +41 58 310 50 00
 - USA +1 866 291 4166 (toll free)
 - UK +44 203 059 5862
 - South Africa 0800 992 635 (toll free)
- An archived video webcast of the presentation will be available from:
 - <http://www.richemont.com/investor-relations/results-presentations.html>
- A transcript of the presentation will be available from:
 - <http://www.richemont.com/investor-relations/results-presentations.html>

Interim report

The Richemont 2013 Interim Report will be published on 14 November 2013 and will be available for download from the Group's website at <http://www.richemont.com/investor-relations/reports.html>. Copies may be obtained from the Company's registered office or by contacting the Company via the website at <http://www.richemont.com/contact.html>

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Statutory Information

Primary listing

SIX Swiss Exchange (Reuters "CFR.VX" / Bloomberg "CFR:VX" / ISIN CH0210483332). Richemont 'A' registered shares are included in the Swiss Market Index ('SMI') of leading stocks.

Secondary listing

Johannesburg stock exchange operated by JSE Limited (Reuters "CFRJ.J" / 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 2013 was CHF 90.60 and the market capitalisation of the Group's 'A' shares on that date was CHF 47 293 million. Over the preceding six month period, the highest closing price of the 'A' share was CHF 95.55 (14 August) and the lowest closing price of the 'A' share was CHF 68.15 (22 April).

Appendix 1

Condensed consolidated statement of comprehensive income

	Six months to 30 September 2013	Six months to 30 September 2012 re-presented
	€ m	€ m
Sales	5 324	5 106
Cost of sales	(1 922)	(1 796)
Gross profit	3 402	3 310
Selling and distribution expenses	(1 149)	(1 097)
Communication expenses	(419)	(418)
Administrative expenses	(459)	(407)
Other operating (expense)/income	(5)	(8)
Operating profit	1 370	1 380
Finance costs	(79)	(156)
Finance income	148	57
Share of post-tax results of equity-accounted investments	(2)	(4)
Profit before taxation	1 437	1 277
Taxation	(252)	(199)
Profit for the period	1 185	1 078
Other comprehensive (loss)/income:		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gains/(losses)	(12)	-
Tax on defined benefit plan actuarial gains/(losses)	2	-
	(10)	-
Items that are or may be reclassified subsequently to profit or loss		
Currency translation adjustments		
- movement in the period	(44)	(30)
- reclassification to profit or loss	2	-
Cashflow hedges		
- reclassification to profit or loss	-	1
	(42)	(29)
Other comprehensive (loss)/income, net of tax	(52)	(29)
Total comprehensive income	1 133	1 049
Profit attributable to:		
Owners of the parent company	1 188	1 083
Non-controlling interests	(3)	(5)
	1 185	1 078
Total comprehensive income attributable to:		
Owners of the parent company	1 136	1 054
Non-controlling interests	(3)	(5)
	1 133	1 049
Earnings per share attributable to owners of the parent company during the period (expressed in € per share)		
Basic	2.142	1.976
Diluted	2.118	1.942

Condensed consolidated statement of cash flows

	Six months to 30 September 2013	Six months to 30 September 2012 re-presented
	€ m	€ m
Operating profit	1 370	1 380
Depreciation of property, plant and equipment	159	141
Amortisation of other intangible assets	43	43
Loss on disposal of property, plant and equipment	-	1
Loss on disposal of intangible assets	1	-
Increase in provisions	31	25
Increase in employee benefits obligation	-	1
Non-cash items	9	13
Increase in inventories	(56)	(369)
Increase in trade debtors	(202)	(289)
Increase in other receivables and prepayments	(99)	(30)
Increase/(decrease) in current liabilities	34	(341)
Increase in long-term liabilities	2	2
Cash flow generated from operations	1 292	577
Interest received	8	6
Interest paid	(18)	(11)
Other investment income	2	2
Taxation paid	(177)	(150)
Net cash generated from operating activities	1 107	424
Cash flows from investing activities		
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	(8)	(30)
Acquisition of property, plant and equipment	(210)	(218)
Proceeds from disposal of property, plant and equipment	2	1
Acquisition of intangible assets	(47)	(38)
Acquisition of investment property	(1)	(13)
Investment in money market and government bond funds	(491)	(2)
Proceeds from disposal of money market and government bond funds	556	230
Acquisition of other non-current assets	(22)	(20)
Proceeds from disposal of other non-current assets	20	7
Net cash used in investing activities	(201)	(83)
Cash flows from financing activities		
Proceeds from borrowings	60	127
Repayment of borrowings	(30)	(4)
Acquisition of non-controlling interests	-	(3)
Dividends paid	(294)	(164)
Payment for treasury shares	(81)	(206)
Proceeds from sale of treasury shares	149	120
Capital element of finance lease payments	(1)	(1)
Net cash generated used in financing activities	(197)	(131)
Net change in cash and cash equivalents	709	210
Cash and cash equivalents at beginning of period	990	870
Exchange gains on cash and cash equivalents	3	5
Cash and cash equivalents at end of period	1 702	1 085

Condensed consolidated statement of financial position

	30 September 2013	31 March 2013
	€ m	€ m
Assets		
Non-current assets		
Property, plant and equipment	1 782	1 787
Goodwill	559	561
Other intangible assets	377	391
Investment property	351	367
Equity-accounted investments	12	11
Deferred income tax assets	500	441
Financial assets held at fair value through profit or loss	8	59
Other non-current assets	332	327
	3 921	3 944
Current assets		
Inventories	4 344	4 326
Trade and other receivables	1 150	922
Derivative financial instruments	92	50
Prepayments	140	100
Financial assets held at fair value through profit or loss	2 644	2 712
Cash at bank and on hand	3 318	2 443
	11 688	10 553
Total assets	15 609	14 497
Equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	334	334
Treasury shares	(404)	(556)
Hedge and share option reserves	314	288
Cumulative translation adjustment reserve	1 282	1 324
Retained earnings	9 468	8 826
	10 994	10 216
Non-controlling interests	(4)	(1)
Total equity	10 990	10 215
Liabilities		
Non-current liabilities		
Borrowings	345	345
Deferred income tax liabilities	25	39
Employee benefits obligation	111	99
Provisions	171	176
Other long-term financial liabilities	167	167
	819	826
Current liabilities		
Trade and other payables	1 436	1 324
Current income tax liabilities	421	282
Borrowings	146	142
Derivative financial instruments	4	83
Provisions	177	172
Bank overdrafts	1 616	1 453
	3 800	3 456
Total liabilities	4 619	4 282
Total equity and liabilities	15 609	14 497