Richemont

Interim Report 2014

Contents

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.

Financial highlights

- Sales grew by 2 % to € 5 430 million and by 4 % at constant exchange rates
- Performance varied across regions and product lines
- Operating profit decreased by 4 % to € 1 311 million, reflecting volatile trading conditions and unfavourable currency movements
- Operating margin declined by 160 basis points to 24.1 %
- Profit for the period declined by 23 % to € 907 million, reflecting primarily unrealised currency hedging losses
- Solid cash flow from operations of € 1 008 million

Key financial data (unaudited)

	Six months ended 30 September 2014	Six months ended 30 September 2013	Change
Sales	**€ 5 430 m**	€ 5 324 m	+ 2 %
Gross profit	**€ 3 505 m**	€ 3 402 m	+ 3 %
Gross margin	**65 %**	64 %	+ 60 bps
Operating profit	**€ 1 311 m**	€ 1 370 m	- 4 %
Operating margin	**24 %**	26 %	- 160 bps
Profit for the period	**€ 907 m**	€ 1 185 m	- 23 %
Earnings per share, diluted basis	**€ 1.603**	€ 2.118	- 24 %
Cash flow generated from operations	**€ 1 008 m**	€ 1 292 m	€ (284) m
Net cash position	**€ 4 276 m**	€ 3 855 m	€ 421 m

Chairman's commentary

Richemont results for the first half were fairly resilient overall, given the volatility of the environment that affected our clients and retailer partners in all regions, with the notable exceptions of the Americas and Middle East. Worth highlighting is the resilience of the jewellery category where sales rose by 10 % at constant exchange rates.

In this difficult environment, our Maisons benefited from successful product launches and, in certain markets, price increases. Lower precious material prices and cost containment measures helped mitigate subdued sales and the overall negative impact of foreign exchange rates. The decline in operating profit was limited to 4 %.

Net profit decreased by 23 %. Together with the lower operating profit, this reduction is explained by the substantial € 239 million mark-to-market charge associated with our well-established hedging programme. This compares to a gain of € 127 million in the comparative period.

Cash flow from operations remained solid, reflecting strict working capital management by the Maisons. Richemont has an exceptionally strong balance sheet with net cash of € 4.3 billion at 30 September 2014.

In the month of October, sales increased by 4 % at actual exchange rates. Sales in the month were 1 % lower at constant exchange rates, partly reflecting the exceptional level of high jewellery sales in the Asia Pacific region during the comparative period. In geographic terms, the volatile sales pattern seen during the six-month period continued into the month of October with growth in the Americas, Europe and the Middle East, but lower sales in the Asia Pacific region and Japan. Wholesale sales outperformed retail in certain regions.

As in previous challenging periods, cost control measures have been put in place to preserve the Group's cash flows. At the same time Richemont's Maisons will continue to pursue their differentiated marketing strategies and planned investment programmes.

The external environment remains difficult ahead of the holiday trading period. Taking a longer-term view, the strength of the Maisons, the quality of our products, the skills of our artisans and the financial strength of Richemont means we can look forward positively. We remain confident that demand for high quality products will continue to grow in the global market.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 7 November 2014

Financial review

SALES

In the six-month period, sales increased by 2 % at actual exchange rates or by 4 % at constant exchange rates. The overall increase in sales reflected the international demand for jewellery, which grew by 10 % at constant exchange rates, partly offset by subdued demand for other goods. In regional terms, the markets in Europe and the Americas continued to report 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 4 to 7.

GROSS PROFIT

Gross profit increased by 3 % despite currency headwinds. The gross margin percentage was 60 basis points higher at 64.5 % of sales. The margin increase largely reflected favourable channel mix and input costs.

OPERATING PROFIT

Operating expenses increased at a faster rate than sales revenue, resulting in a limited decline in operating profit to € 1 311 million. The operating margin decreased by 160 basis points to 24.1 % in the six-month period.

The increase in gross profit was more than offset by controlled increases in operating expenses.

Compared to the 4 % increase in sales through the Maisons' own boutique networks, the 7 % growth in selling and distribution costs reflected the depreciation charges linked to the opening of new boutiques and increases in fixed rental costs. The 12 % increase in communication expenses includes the cost of participation in the *Biennale des Antiquaires et de la Haute-Joaillerie* in Paris, where four of the Group's Maisons exhibited their collections, as well as a planned overall increase for Net-a-Porter.

PROFIT FOR THE PERIOD

Profit for the period decreased by 23 % or € 278 million to € 907 million.

In value terms, compared with the low decrease in operating profit, the significant decrease in net profit for the period reflected the following item recorded within net finance income/(costs): € 239 million of mark-to-market net losses in respect of currency hedging activities (2013: net gains of € 127 million).

Earnings per share decreased by 24 % to € 1.603 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 2014 would be € 910 million (2013: € 1 191 million). Basic HEPS for the period was € 1.616 (2013: € 2.148). Diluted HEPS for the period was € 1.607 (2013: € 2.123). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 10 of the Group's condensed consolidated interim financial statements.

CASH FLOW

Cash flow generated from operations remained solid at € 1 008 million, albeit lower than the prior period. The overall absorption of working capital in the current period was € 553 million (2013: € 321 million), including a planned increase in primarily jewellery inventories. The realised net impact of foreign exchange hedging activities on the cash flow for the period was positive € 13 million (2013: positive € 49 million).

The net acquisition of tangible fixed assets amounted to € 201 million, reflecting further selected investments in the Group's network of boutiques and in manufacturing facilities.

The 2014 dividend of CHF 1.40 per share was paid to 'A' and 'B' shareholders net of withholding tax in September. Due to timing differences, the equivalent dividend was paid to South African Depository Receipt holders in early October. The 35 % withholding tax on all dividends was remitted to the Swiss tax authorities in September (2013: October). The cash outflow in the period amounted to € 569 million with the full-year amount, including October payments, being € 650 million (2013: € 452 million).

The Group acquired some 1.3 million 'A' shares to hedge executive stock options during the six-month period. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives and other activities linked to the related hedging programme, leading to a net outflow of € 51 million.

FINANCIAL STRUCTURE AND BALANCE SHEET

At the end of September, inventories amounted to € 4 808 million, representing 18 months of cost of sales. The rotation rate was broadly in line with the rate at 30 September 2013. In value terms, the increase during the six-month period reflected prudent inventory management, partly offset by: a planned increase in jewellery inventories; the growth in the number of directly owned boutiques; and foreign exchange effects.

At 30 September 2014, the Group's net cash position amounted to € 4 276 million. This represented a decrease of € 383 million during the six-month period, which included the dividend payment. 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

Sales by region

in € millions	30 September 2014	30 September 2013	Movement at Constant exchange rates*	Movement at Actual exchange rates
Europe/Middle East	**2 128**	2 002	+ 6 %	+ 6 %
Asia Pacific	**2 083**	2 124	- 0 %	- 2 %
Americas	**859**	784	+ 13 %	+ 10 %
Japan	**360**	414	- 7 %	- 13 %
	5 430	5 324	+ 4 %	+ 2 %

* 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 2014.

EUROPE, INCLUDING MIDDLE EAST AND AFRICA

Europe accounted for 39 % of overall sales. Sales growth in the region moderated to 6 %, reflecting the strength of the euro, cautious sentiment among retail partners, fewer tourists but resilient domestic demand. Markets in the Middle East and Africa continued to report strong double-digit growth.

ASIA PACIFIC

Sales in the Asia Pacific region accounted for 38 % of the Group total, with Hong Kong and mainland China the two largest markets. The decline in sales in those two markets during the period was largely offset by positive developments in other markets. The decrease in mainland China reflected the performance in the wholesale channel.

AMERICAS

The Americas region, which accounted for 16 % of Group sales, continued to report strong domestic demand across all segments and product categories.

JAPAN

In Japan, prudent consumer sentiment and a surge in purchases in March 2014, ahead of a sales tax increase, combined to dampen sales in the April to September period, as expected.

Sales by distribution channel

in € millions	30 September 2014	30 September 2013	Movement at Constant exchange rates*	Movement at Actual exchange rates
Retail	**2 851**	2 747	+ 5 %	+ 4 %
Wholesale	**2 579**	2 577	+ 2 %	+ 0 %
	5 430	5 324	+ 4 %	+ 2 %

* 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 2014.

RETAIL

Retail sales, comprising directly operated boutiques and Net-a-Porter, increased by 4 %. With 53 % of Group sales, retail sales growth continues to exceed the growth in wholesale sales.

The growth in retail sales partly reflected the addition of 43 internal boutiques to the Maisons' network, which reached 1 099 stores, as well as the continuing positive development of Net-a-Porter's e-commerce businesses. The boutique openings during the period were primarily in high-growth markets and tourist destinations.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, reported flat sales. The period's performance reflected the caution of our Maisons' business partners around the world.

Review of operations continued

Sales and operating results by business area

JEWELLERY MAISONS

in € millions	30 September 2014	30 September 2013	Change
Sales	**2 683**	2 667	+ 1 %
Operating results	**973**	984	- 1 %
Operating margin	**36.3 %**	36.9 %	-60 bps

In a challenging environment, sales at the Jewellery Maisons – Cartier and Van Cleef & Arpels – grew by 1 %.

The Maisons' boutique networks reported sales growth, whereas wholesale sales were lower than the comparative period. Overall demand for jewellery was good, but demand for Cartier's watch collections was weak.

The operating margin was resilient, broadly in line with the prior period at 36 %.

SPECIALIST WATCHMAKERS

in € millions	30 September 2014	30 September 2013	Change
Sales	**1 625**	1 587	+ 2 %
Operating results	**461**	504	- 9 %
Operating margin	**28.4 %**	31.7 %	-330 bps

The Specialist Watchmakers' sales increased by 2 % overall.

Operating contribution was 9 % lower than the exceptionally high prior period, reflecting cautious sentiment in Hong Kong and mainland China as well as currency headwinds. The contribution margin for the period declined to 28 %.

Sales and operating results by business area continued

OTHER

in € millions	30 September 2014	30 September 2013	Change
Sales	**1 122**	1 070	+ 5 %
Operating results	**(21)**	(11)	+ 91 %
Operating margin	**(1.9) %**	(1.0) %	-80 bps

'Other' includes the Group's Fashion and Accessories businesses, Montblanc, Net-a-Porter and the Group's watch component manufacturing activities. As announced in May 2014, the Montblanc Maison, which was previously considered a separate reporting segment, is now aggregated and disclosed in Other. The prior period comparatives have been restated to reflect this change.

The increase in reported operating losses reflected the performances at Alfred Dunhill and Lancel, partly offset by reduced losses at the Group's watch component manufacturing facilities. Sales growth at Net-a-Porter continued to exceed the Group's average and that business reported improved results. For the period, Montblanc reported sales of € 371 million, including higher sales of writing instruments, and an operating contribution of € 27 million.

CORPORATE COSTS

in € millions	30 September 2014	30 September 2013	Change
Corporate costs	**(102)**	(107)	- 5 %
Central support services	(97)	(102)	- 5 %
Other operating income/(expense), net	(5)	(5)	+ 0 %

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.

Bernard Fornas
Co-Chief Executive Officer

Richard Lepeu
Co-Chief Executive Officer

Gary Saage
Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 7 November 2014

Condensed consolidated statement of financial position

	Notes	30 September 2014 €m	31 March 2014 €m
Assets			
Non-current assets			
Property, plant and equipment		**2 036**	1 966
Goodwill		**586**	562
Other intangible assets		**404**	403
Investment property	*5*	**70**	345
Equity-accounted investments	*6*	**114**	13
Deferred income tax assets		**586**	479
Financial assets held at fair value through profit or loss		**10**	9
Other non-current assets		**344**	315
		4 150	4 092
Current assets			
Inventories		**4 808**	4 455
Trade and other receivables		**1 293**	933
Derivative financial instruments		**9**	109
Prepayments		**151**	101
Financial assets held at fair value through profit or loss		**2 514**	2 839
Cash at bank and on hand		**4 246**	3 389
Asset held for sale	*7*	**300**	–
		13 321	11 826
Total assets		**17 471**	15 918
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**334**	334
Treasury shares		**(354)**	(326)
Share option reserve		**291**	309
Cumulative translation adjustment reserve		**1 475**	1 338
Retained earnings		**10 522**	10 309
		12 268	11 964
Non-controlling interests		**(4)**	(6)
Total equity		**12 264**	11 958
Liabilities			
Non-current liabilities			
Borrowings		**345**	318
Deferred income tax liabilities		**88**	60
Employee benefits obligation		**108**	86
Provisions		**82**	191
Other long-term financial liabilities		**126**	192
		749	847
Current liabilities			
Trade and other payables		**1 603**	1 325
Current income tax liabilities		**296**	364
Borrowings		**147**	76
Derivative financial instruments		**165**	5
Provisions		**255**	168
Bank overdrafts		**1 992**	1 175
		4 458	3 113
Total liabilities		**5 207**	3 960
Total equity and liabilities		**17 471**	15 918

The notes on pages 12 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Sales	4	5 430	5 324
Cost of sales		(1 925)	(1 922)
Gross profit		3 505	3 402
Selling and distribution expenses		(1 231)	(1 149)
Communication expenses		(470)	(419)
Administrative expenses		(483)	(459)
Other operating (expense)/income	8	(10)	(5)
Operating profit		1 311	1 370
Finance costs	9	(265)	(79)
Finance income	9	50	148
Share of post-tax results of equity-accounted investments		(3)	(2)
Profit before taxation		1 093	1 437
Taxation	11	(186)	(252)
Profit for the period		907	1 185
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses		(25)	(12)
Tax on defined benefit plan actuarial losses		5	2
		(20)	(10)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the period		138	(44)
– reclassification to profit or loss		–	2
		138	(42)
Other comprehensive income, net of tax		118	(52)
Total comprehensive income		1 025	1 133
Profit attributable to:			
Owners of the parent company		908	1 188
Non-controlling interests		(1)	(3)
		907	1 185
Total comprehensive income attributable to:			
Owners of the parent company		1 025	1 136
Non-controlling interests		–	(3)
		1 025	1 133
Earnings per share attributable to owners of the parent company during the period (expressed in € per share)			
Basic	10	1.613	2.142
Diluted	10	1.603	2.118

The notes on pages 12 to 23 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 interests	Total equity
		Share capital	Treasury shares	Share option reserve	Cumulative translation adjustment reserve	Retained earnings	Total		
	Notes	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Balance at 1 April 2013		334	(556)	288	1 324	8 826	10 216	(1)	10 215
Comprehensive income									
Profit for the period		–	–	–	–	1 188	1 188	(3)	1 185
Other comprehensive loss		–	–	–	(42)	(10)	(52)	–	(52)
		–	–	–	(42)	1 178	1 136	(3)	1 133
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares		–	152	–	–	(84)	68	–	68
Employee share option plan		–	–	10	–	–	10	–	10
Tax on share option plan		–	–	16	–	–	16	–	16
Dividends paid	*14*	–	–	–	–	(452)	(452)	–	(452)
		–	152	26	–	(536)	(358)	–	(358)
Balance at 30 September 2013		334	(404)	314	1 282	9 468	10 994	(4)	10 990
Balance at 1 April 2014		**334**	**(326)**	**309**	**1 338**	**10 309**	**11 964**	**(6)**	**11 958**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**908**	**908**	**(1)**	**907**
Other comprehensive income		**–**	**–**	**–**	**137**	**(20)**	**117**	**1**	**118**
		–	**–**	**–**	**137**	**888**	**1 025**	**–**	**1 025**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*16*	**–**	**(28)**	**–**	**–**	**(23)**	**(51)**	**–**	**(51)**
Employee share option plan		**–**	**–**	**11**	**–**	**–**	**11**	**–**	**11**
Tax on share option plan		**–**	**–**	**(29)**	**–**	**–**	**(29)**	**–**	**(29)**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**(2)**	**(2)**	**2**	**–**
Dividends paid	*14*	**–**	**–**	**–**	**–**	**(650)**	**(650)**	**–**	**(650)**
		–	**(28)**	**(18)**	**–**	**(675)**	**(721)**	**2**	**(719)**
Balance at 30 September 2014		**334**	**(354)**	**291**	**1 475**	**10 522**	**12 268**	**(4)**	**12 264**

The notes on pages 12 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2014 €m	Six months to 30 September 2013 €m
Cash flows from operating activities			
Cash flow generated from operations	*12*	**1 008**	1 292
Interest received		**8**	8
Interest paid		**(15)**	(18)
Other investment income		**–**	2
Taxation paid		**(333)**	(177)
Net cash generated from operating activities		**668**	1 107
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired		**(21)**	(8)
Acquisition of equity-accounted investments		**(99)**	–
Acquisition of property, plant and equipment		**(214)**	(210)
Proceeds from disposal of property, plant and equipment		**13**	2
Acquisition of intangible assets		**(46)**	(47)
Proceeds from disposal of intangible assets		**3**	–
Acquisition of investment property		**–**	(1)
Investment in money market and government bond funds		**(553)**	(491)
Proceeds from disposal of money market and government bond funds		**876**	556
Acquisition of other non-current assets		**(40)**	(22)
Proceeds from disposal of other non-current assets		**13**	20
Net cash used in investing activities		**(68)**	(201)
Cash flows from financing activities			
Proceeds from borrowings		**72**	60
Repayment of borrowings		**(11)**	(30)
Dividends paid	*14*	**(569)**	(294)
Payment for treasury shares	*16*	**(103)**	(81)
Proceeds from sale of treasury shares	*16*	**52**	149
Capital element of finance lease payments		**(1)**	(1)
Net cash used in financing activities		**(560)**	(197)
Net change in cash and cash equivalents		**40**	709
Cash and cash equivalents at the beginning of the period		**2 214**	990
Exchange gains on cash and cash equivalents		**–**	3
Cash and cash equivalents at the end of the period		**2 254**	1 702

The notes on pages 12 to 23 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2014

1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé, Azzedine Alaïa, Net-a-Porter, Purdey, Shanghai Tang and Peter Millar.

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 6 November 2014.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2014 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 2014 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 2014.

3. Accounting policies

Except as described below the accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2014.

The Group has adopted IFRIC 21 *Levies*. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 *Provisions*. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial statements for the period ended 30 September 2014. The Group does not expect IFRIC 21 to have a significant effect on the results for the financial year ending 31 March 2015.

Other amendments to IFRSs effective for the financial year ending 31 March 2015 are not expected to have a material impact on the Group.

4. Segment information

(a) Information on reportable segments

Management has determined the operating segments based on the reports regularly reviewed by the chief operating decision maker ('CODM') in making strategic decisions. Each operating segment is managed separately by a dedicated Chief Executive Officer and management team allowing management to maintain and develop the specific identity of each Maison. These operating segments have been aggregated into reportable segments as follows:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier 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.

Other operating segments include Montblanc, Alfred Dunhill, Lancel, Chloé, Net-a-Porter, Purdey, textile brands and other manufacturing entities. None of these segments meet the quantitative thresholds for determining reportable segments. The operating segment Montblanc has historically been presented as a reportable segment as it met the quantitative thresholds of IFRS 8 *Operating Segments*. In the prior year, Montblanc did not meet the quantitative criteria, however, it was presented separately as a comparative to the 2013 figures. Montblanc also does not meet the quantitative thresholds in the current period and is now presented within Other. The performance of the Montblanc segment has declined over recent time compared to that of the overall Group, which has resulted in management's decision to no longer report it separately. The comparative figures have been restated to address this change accordingly.

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

4. Segment information continued

(a) Information on reportable segments continued

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 2014 € m	Six months to 30 September 2013 € m
External sales		
Jewellery Maisons	**2 683**	2 667
Specialist Watchmakers	**1 625**	1 587
Other	**1 122**	1 070
	5 430	5 324

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Operating result		
Jewellery Maisons	**973**	984
Specialist Watchmakers	**461**	504
Other	**(21)**	(11)
	1 413	1 477
Unallocated corporate costs	**(102)**	(107)
Consolidated operating profit before finance and tax	**1 311**	1 370
Finance costs	**(265)**	(79)
Finance income	**50**	148
Share of post-tax results of equity-accounted investments	**(3)**	(2)
Profit before taxation	**1 093**	1 437
Taxation	**(186)**	(252)
Profit for the period	**907**	1 185

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**77**	70
Specialist Watchmakers	**57**	45
Other	**68**	65
Unallocated	**31**	22
	233	202

Notes to the condensed consolidated interim financial statements continued

4. Segment information continued

(a) Information on reportable segments continued

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

	At 30 September 2014 € m	At 31 March 2014 € m
Segment assets		
Jewellery Maisons	**2 816**	2 534
Specialist Watchmakers	**1 731**	1 531
Other	**1 111**	990
	5 658	5 055
Total segment assets	**5 658**	5 055
Property, plant and equipment	**2 036**	1 966
Goodwill	**586**	562
Other intangible assets	**404**	403
Investment property	**70**	345
Equity-accounted investments	**114**	13
Deferred income tax assets	**586**	479
Financial assets at fair value through profit or loss	**2 524**	2 848
Other non-current assets	**344**	315
Other receivables	**443**	333
Derivative financial instruments	**9**	109
Prepayments	**151**	101
Cash at bank and on hand	**4 246**	3 389
Asset held for sale	**300**	–
Total assets	**17 471**	15 918

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

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**54**	66
Specialist Watchmakers	**70**	80
Other	**38**	42
Unallocated	**68**	39
	230	227

4. Segment information continued

(b) Information about geographical areas

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

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Europe	2 128	2 002
France	394	408
Switzerland	298	282
Germany, Italy and Spain	420	396
Other Europe	1 016	916
Asia	2 443	2 538
China/Hong Kong	1 227	1 309
Japan	360	414
Other Asia	856	815
Americas	859	784
USA	686	613
Other Americas	173	171
	5 430	5 324

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

The total non-current assets other than financial instruments and deferred tax assets located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	At 30 September 2014 € m	At 31 March 2014 € m
Switzerland	1 715	1 559
United Kingdom	525	407
USA	270	521
Rest of the world	910	987
	3 420	3 474

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 2014 € m	Six months to 30 September 2013 € m
Watches	2 650	2 710
Jewellery	1 531	1 422
Clothing	532	447
Leather goods	282	318
Writing instruments	172	167
Other	263	260
	5 430	5 324

Notes to the condensed consolidated interim financial statements continued

5. Investment property

	Property fund €m	Other €m	Total €m
1 April 2013			
Cost	70	297	367
Depreciation	–	–	–
Net book value at 1 April 2013	70	297	367
Exchange adjustments	–	(21)	(21)
Additions subsequent to acquisition	1	–	1
Depreciation	(1)	(1)	(2)
31 March 2014			
Cost	71	276	347
Depreciation	(1)	(1)	(2)
Net book value at 31 March 2014	70	275	345

	Property fund €m	Other €m	Total €m
1 April 2014			
Cost	**71**	**276**	**347**
Depreciation	**(1)**	**(1)**	**(2)**
Net book value at 1 April 2014	**70**	**275**	**345**
Exchange adjustments	**–**	**26**	**26**
Depreciation	**–**	**(1)**	**(1)**
Reclassification to asset held for sale	**–**	**(300)**	**(300)**
30 September 2014			
Cost	**71**	**–**	**71**
Depreciation	**(1)**	**–**	**(1)**
Net book value at 30 September 2014	**70**	**–**	**70**

6. Equity-accounted investments

	€ m
At 1 April 2013	11
Share of post-tax results	(5)
Share of losses offset against long-term receivable from an equity-accounted investment	7
At 31 March 2014	**13**
Exchange adjustments	**2**
Acquisition of equity-accounted investments	**99**
Share of post-tax results	**(3)**
Share of losses offset against long-term receivable from an equity-accounted investment	**3**
At 30 September 2014	**114**

The value of equity-accounted investments at 30 September 2014 includes goodwill of € 6 million (31 March 2014: € 6 million).

The Group's principal equity-accounted investments at 30 September 2014 are as follows:

			% interest held	Country of incorporation	Country of operation
Greubel Forsey SA	Watchmaker	Associate	20.0	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	Associate	34.7	Switzerland	Switzerland
DDA AD Sàrl	Investment entity	Associate	20.0	Luxembourg	UAE
Les Cadraniers de Genève SA	Watch component manufacturer	Joint venture	50.0	Switzerland	Switzerland
Fook Ming Watch Limited	Distributor of watch products	Joint venture	50.0	Hong Kong	Hong Kong
Laureus World Sports Awards Limited	Sports Awards	Joint venture	50.0	United Kingdom	Worldwide
Ralph Lauren Watch & Jewelry Company Sàrl	Watchmaker	Joint venture	50.0	Switzerland	Worldwide
Dalloz Pre-Setting SAS	Jewellery manufacturer	Joint venture	33.3	France	France
New Bond Street JV Jersey Unit Trust	Investment entity	Joint venture	50.0	United Kingdom	United Kingdom

7. Asset held for sale

	30 September 2014 € m	31 March 2014 € m
Investment property	**300**	–

The Group is currently in negotiation with potential buyers to dispose on an Investment Property. The fair value less costs to sell is expected to be higher than the carrying amount of the asset, therefore no impairment loss has been recognised on reclassification as held for sale. The property sale completed on 28 October 2014 (see note 19).

8. Other operating (expense)/income

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Royalty income	**15**	14
Royalty expenses	**(2)**	(2)
Investment property rental income	**4**	5
Investment property costs	**(2)**	(2)
Amortisation of other intangible assets acquired on business combinations	**(19)**	(19)
Other expense	**(6)**	(1)
	(10)	(5)

Notes to the condensed consolidated interim financial statements continued

9. Finance costs and income

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Finance costs:		
Interest expense:		
– bank borrowings	(15)	(18)
– other financial expenses	(3)	(3)
Net foreign exchange losses on monetary items	–	(56)
Mark-to-market adjustment in respect of hedging activities	(239)	–
Net loss in fair value of financial instruments at fair value through profit or loss	(8)	–
Currency translation adjustments reclassified from reserves	–	(2)
Finance costs	(265)	(79)
Finance income:		
Interest income:		
– bank, other deposits, and money market and government bond funds	8	7
– other financial income	1	1
Dividend income on financial assets at fair value through profit or loss	–	2
Net foreign exchange gains on monetary items	41	–
Net gain in fair value of financial instruments at fair value through profit or loss	–	11
Mark-to-market adjustment in respect of hedging activities	–	127
Finance income	50	148
Net finance(costs)/income	(215)	69

Gains and losses on all derivatives are included in net finance costs.

10. Earnings per share

10.1. 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 2014	Six months to 30 September 2013
Profit attributable to owners of the parent company (€ millions)	908	1 188
Weighted average number of shares in issue (millions)	563.0	554.5

10. Earnings per share continued

10.2. 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 2014	Six months to 30 September 2013
Profit attributable to owners of the parent company (€ millions)	**908**	1 188
Weighted average number of shares in issue (millions)	**563.0**	554.5
Adjustment for share options (millions)	**3.3**	6.4
Weighted average number of shares for diluted earnings per share (millions)	**566.3**	560.9

10.3. 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 2014 €m	Six months to 30 September 2013 €m
Profit attributable to owners of the parent company	**908**	1 188
Loss on disposal of non-current assets	**2**	1
Currency exchange losses reclassified from currency translation adjustment reserve	**–**	2
Headline earnings	**910**	1 191

	Six months to 30 September 2014 millions	Six months to 30 September 2013 millions
Weighted average number of shares:		
– basic	**563.0**	554.5
– diluted	**566.3**	560.9
	€ per share	€ per share
Headline earnings per share:		
– basic	**1.616**	2.148
– diluted	**1.607**	2.123

11. 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 2014 was 17.0 % (2013: 17.5 %).

Notes to the condensed consolidated interim financial statements continued

12. Cash flow generated from operations

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Operating profit	1 311	1 370
Depreciation of property, plant and equipment	183	159
Depreciation of investment property	1	–
Amortisation of other intangible assets	49	43
Loss on disposal of property, plant and equipment	2	–
Loss on disposal of intangible assets	–	1
Increase in long-term provisions	8	31
Decrease in retirement benefit obligations	(5)	–
Non-cash items	12	9
Increase in inventories	(269)	(56)
Increase in trade receivables	(211)	(202)
Increase in other receivables and prepayments	(126)	(99)
Increase in current liabilities	42	34
Increase in long-term liabilities	11	2
Cash flow generated from operations	1 008	1 292

13. 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 2015 annual consolidated financial statements.

14. Dividends

On 17 September 2014 shareholders approved a dividend of CHF 1.40 per share (2013: CHF 1.00).

The dividend related cash flows in the period were:

	Six months to 30 September 2014 € m	Six months to 30 September 2013 € m
Total dividend	650	452
Payments not completed at 30 September		
– dividend on depositary receipts	(81)	–
– withholding tax	–	(158)
Cash outflow in period	569	294

15. Financial commitments and contingent liabilities

At 30 September 2014, 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.

16. Treasury shares

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

During the current period the Group acquired 1 335 000 treasury shares directly in the open market for € 103 million. In the same period the Group delivered 2 724 091 treasury shares for proceeds of € 52 million in settlement of options exercised in the period and traded options exercised in previous periods.

17. Share-based payments

Equity-settled share option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan vest over periods of 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 as from 2008 onwards include a performance condition correlated to other luxury good companies upon which vesting is conditional.

During the period ended 30 September 2014, awards of 1 270 832 options were granted (31 March 2014: 1 203 606) at an exercise price of CHF 94.00 (2013: CHF 90.11).

18. Financial instruments: Fair values and risk management

The Group's financial risk management objectives and policies are consistent with those described in the consolidated financial statements for the year ended 31 March 2014.

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

	Carrying amount					Fair value			
30 September 2014	Designated at fair value € m	Derivatives € m	Loans and receivables € m	Other financial liabilities € m	Total € m	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
Financial assets measured at fair value									
Listed investments	5	–	–	–	5	5			5
Unlisted investments	5	–	–	–	5			5	5
Investments in money market and government bond funds	2 514	–	–	–	2 514		2 514		2 514
Derivatives	–	9	–	–	9		9		9
	2 524	9	–	–	2 533				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	10	–	10				
Non-current lease deposits	–	–	124	–	124				
Trade and other receivables	–	–	1 293	–	1 293				
Cash and cash equivalent	–	–	4 246	–	4 246				
	–	–	5 673	–	5 673				
Financial liabilities measured at fair value									
Derivatives	–	(165)	–	–	(165)		(165)		(165)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(321)	(321)		(309)		(309)
Floating rate borrowings	–	–	–	(146)	(146)				
Finance lease obligations	–	–	–	(25)	(25)				
Other long-term financial liabilities	–	–	–	(126)	(126)				
Trade and other payables	–	–	–	(1 400)	(1 400)				
Bank overdraft	–	–	–	(1 992)	(1 992)				
	–	–	–	(4 010)	(4 010)				

Notes to the condensed consolidated interim financial statements continued

18. Financial instruments: Fair values and risk management continued

31 March 2014	Carrying amount: Designated at fair value €m	Derivatives €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Fair value: Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	4	–	–	–	4	4			4
Unlisted investments	5	–	–	–	5			5	5
Investments in money market and government bond funds	2 839	–	–	–	2 839		2 839		2 839
Derivatives	–	109	–	–	109		109		109
	2 848	109	–	–	2 957				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	11	–	11				
Non-current lease deposits	–	–	119	–	119				
Trade and other receivables	–	–	933	–	933				
Cash and cash equivalent	–	–	3 389	–	3 389				
	–	–	4 452	–	4 452				
Financial liabilities measured at fair value									
Derivatives	–	(5)	–	–	(5)		(5)		(5)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(295)	(295)		(280)		(280)
Floating rate borrowings	–	–	–	(74)	(74)				
Finance lease obligations	–	–	–	(25)	(25)				
Other long-term financial liabilities	–	–	–	(192)	(192)				
Trade and other payables	–	–	–	(1 209)	(1 209)				
Bank overdraft	–	–	–	(1 175)	(1 175)				
	–	–	–	(2 970)	(2 970)				

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

18. Financial instruments: Fair values and risk management continued

Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly-traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets held by the Group is the current bid price. These instruments are included in Level 1 and comprise equity investments listed on the Luxembourg exchange.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, maximising the use of observable market data, where available, and relying as little as possible on entity-specific estimates.

If all significant inputs are observable the instrument is included as Level 2; if one or more of the significant inputs is not based on observable market data then the instrument is included as Level 3.

Specific valuation techniques used for Level 2 financial instruments include:

- Interest rate swaps and foreign exchange contracts are measured based on the present value of contractual cash flows using market sourced data (exchange rates or interest rates) at the balance sheet date.
- Derivative options are measured at the quoted market price of the underlying equities less the strike price payable by the executive. In cases where the strike price exceeds the quoted market price the option has a zero value.

The nominal value of the investments in money market and government bond funds approximates the fair value, as the maximum average life is 120 days and the maximum average maturity is 60 days.

Level 3 financial instruments consist entirely of small investments in unlisted equities. The fair value of these investments is determined using a discounted cash flow valuation method. The valuation requires management to make certain assumptions about inputs to the model. During the period to 30 September 2014, the value of unlisted equities did not change.

19. Events after the reporting period

On 28 October 2014, the sale of the Investment Property detailed in note 7 completed, generating an expected gain, after taxes and costs to sell, of approximately € 126 million.

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 2014	Six months to 30 September 2013
Average		
United States dollar	**1.35**	1.32
Japanese yen	**139**	130
Swiss franc	**1.22**	1.23

	30 September 2014	31 March 2014
Closing		
United States dollar	**1.26**	1.38
Japanese yen	**138**	142
Swiss franc	**1.21**	1.22

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office

50 chemin de la Chênaie
CP 30, 1293 Bellevue
Geneva
Switzerland
Tel: +41 (0) 22 721 3500
Internet : www.richemont.com

Registrar

SIX SAG AG
SIX Securities Services
P.O. Box, 4601 Olten
Switzerland
Tel: +41 (0) 58 399 6100
E-mail: share.register@six-securities-services.com

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Matthew Kilgarriff
Company Secretary

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

Investor contact

Sophie Cagnard
Head of Investor Relations

Tel: +33 (0) 1 58 18 25 97
E-mail: investor.relations@cfrinfo.net

Media contact

Alan Grieve
Director of Corporate Affairs

Tel: +41 (0) 22 721 3507
E-mail: pressoffice@cfrinfo.net

'A' shares issued by Compagnie Financière Richemont SA are listed and traded on SIX Swiss Exchange, the Company's primary listing, (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0210483332) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 21048333. Richemont's 'A' shares are registered. The share register is managed by SIX SAG AG, the registrar.

South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg stock exchange operated by JSE Limited, the Company's secondary listing, (Reuters 'CFRJ.J'/Bloomberg 'CFR:SJ'/ISIN CH0045159024).

The closing price of the Richemont 'A' share on 30 September 2014 was CHF 78.35 and the market capitalisation of the Group's 'A' shares on that date was CHF 40 899 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 94.35 (27 and 30 May) and the lowest closing price of the 'A' share was CHF 78.35 (30 September).

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