RICHEMONT

Interim Report 2020

Contents

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek', and similar expressions may identify forward-looking statements.

Such forward-looking statements are not guarantees of future performance. Richemont's forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results.

As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside the Group's control. Richemont does not undertake to update, nor does it have any obligation to provide updates of or to revise, any forward-looking statements.

Financial highlights

- Sales for the half year decreased by 26% at actual exchange rates to € 5 478 million and by 25% at constant exchange rates
  - Positive trends throughout the second quarter, with sales down by 5% at actual exchange rates and 2% at constant exchange rates, following a 47% decline (at actual and constant exchange rates) in the first quarter
  - Sales in China up by 78% at actual exchange rates contained the decline in Asia Pacific to mid-single-digit, and partly mitigated double-digit declines in Europe, the Americas and Japan
  - Online retail channel sales down by 4% at actual exchange rates benefiting from triple-digit growth in online retail sales at our Maisons, which now account for 7% of Group sales excluding Online Distributors
- Jewellery Maisons showed strong resilience with sales in the second quarter growing by 4% at actual exchange rates and 7% at constant exchange rates, leading to an operating margin of 30.1% for the half year
- Group operating profit down to € 452 million with an 8.3% operating margin and profit for the period down to € 159 million
- Stable cash flow from operating activities and higher free cash flow; gross and net cash positions at 30 September 2020 of € 7 128 million and € 2 111 million, respectively

Key financial data (unaudited)

	Six months ended 30 September 2020	Six months ended 30 September 2019	Change
Sales	**€ 5 478 m**	€ 7 397 m	-26%
Gross profit	**€ 3 165 m**	€ 4 610 m	-31%
Gross margin	**57.8%**	62.3%	-450 bps
Operating profit	**€ 452 m**	€ 1 165 m	-61%
Operating margin	**8.3%**	15.7%	-740 bps
Profit for the period	**€ 159 m**	€ 869 m	-82%
Earnings per ‘A’ share/10 ‘B’ shares, diluted basis	**€ 0.281**	€ 1.533	-82%
Cash flow generated from operating activities	**€ 926 m**	€ 928 m	0%
Net cash position	**€ 2 111 m**	€ 1 770 m	

Chairman's commentary

Throughout the first six months of our financial year, the Covid-19 pandemic impacted our trading and operations with unprecedented levels of disruption. Sales decreased by 25% at constant exchange rates and by 26% at actual exchange rates to € 5.48 billion. All regions, channels and business areas were affected, notwithstanding a 78% increase in China versus the prior year period at actual exchange rates. As the world gradually reopened for business and international travel, the sales decline in the second quarter was limited to 2% at constant exchange rates and 5% at actual exchange rates, a marked improvement compared to a 47% contraction in the first quarter (both at actual and constant exchange rates).

A strong presence in China and an acceleration in digital initiatives have partially mitigated the consequences of temporary store closures and a halt in tourism worldwide. Our Maisons were swift to build on past investments in digital infrastructure and maintain direct engagement with clients, contributing to our Maisons' resilience, with online sales growing at a triple-digit rate. Our efforts to improve the quality of our distribution networks and inventories at our multi-brand retail partners also helped lessen some of the negative impacts of the pandemic.

Our Jewellery Maisons showed most resilience, reflecting successful digital initiatives and the continued appeal of iconic collections, notably for *Clash de Cartier* or *Perlée* at Van Cleef & Arpels. The Specialist Watchmakers' more pronounced decline in sales reflected their greater reliance on multi-brand retail partners. They generated a small loss but remained cash flow positive. IWC Schaffhausen, Jaeger-LeCoultre and Vacheron Constantin showed the most resilience due to a significant presence in China, strong relationships with local clientele and the enduring attractiveness of their creations. The Group's Online Distributors recorded lower sales and higher losses due to the temporary closure of fulfilment centres and a competitive pricing environment. They were nonetheless instrumental in helping our Maisons advance their online capabilities. Most of our Fashion & Accessories Maisons grouped under 'Other' suffered from the aforementioned closure of fulfilment centres and the severe reduction in the travel retail footfall. Peter Millar benefited from its longstanding online presence in the US.

Although the pandemic has hampered sentiment and demand around the world, we have continued to make good headway on key digital initiatives and further advance on our journey towards New Retail. NET-A-PORTER's platform migration is progressing steadily and YOOX NET-A-PORTER ('YNAP') began operating the e-commerce activities of Montblanc in August and Cartier in the UK in October. Watchfinder, our other digital native business, has further strengthened its international footprint.

Our joint venture with Alibaba, FENG MAO, has continued to develop favourably. Eight Maisons (dunhill, Chloé, Montblanc, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget and Vacheron Constantin) opened flagship stores on Tmall Luxury Pavilion in the period under review. Early results of these Pavilion flagship stores are promising, and our teams are working closely with Alibaba to target their vast client base and extend our reach to the lower tier cities in China.

Following the cancellation of the physical watch fair in Geneva, our partnership with Alibaba and relationship with the Fondation de la Haute Horlogerie has enabled several Richemont Maisons to facilitate and participate in *Watches & Wonders on the Cloud*, and more recently in *Watches & Wonders* offline and online events in Shanghai and Sanya.

From the outset of the pandemic, we have been steadfast in our commitment to safeguarding the health and wellbeing of our colleagues, clients and partners. As we experienced the initial effects of the pandemic, it became clear that we would also need to be very cautious in terms of cash preservation. We rapidly adjusted inventories, supply chain and production and postponed non-critical projects. Working capital requirements were kept under tight control, maintaining stable cash flow from operating activities.

Operating profit was down 61% to € 452 million as a result of lower sales and gross profit, with cost savings only partly mitigating those declines. This resulted in operating deleverage, a reflection of the fixed nature of our costs, over which tight controls are being maintained. Profit for the period declined to € 159 million.

To ensure we have enough cash to see us through this Covid-19 pandemic and continue to invest in areas of strategic importance, we successfully placed a 2 billion euro-denominated bond. The three tranches, maturing in 2028, 2032 and 2040, have an average maturity of 14 years and average coupon of 1.31%. The notes received an A+ rating from Standard & Poor's in recognition of our strong balance sheet. Consequently, our gross and net cash positions amounted to € 7.1 billion and € 2.1 billion, respectively, at the end of September.

We have further strengthened our board with the appointment of Wendy Luhabe, a highly regarded social entrepreneur and economic activist, who has received multiple honours for her pioneering contribution to the economic empowerment of women. At the executive level, Philippe Fortunato was appointed to the role of CEO of Fashion & Accessories Maisons, simultaneously joining the Senior Executive Committee on 1 September. Mr Fortunato brings more than 30 years of managerial experience in the luxury industry.

We have undertaken a transformational journey to ensure our Maisons and businesses continue to prosper in a more connected world while crafting an ethical, inclusive and sustainable future. Much progress has been achieved, but much remains to be done. The pandemic has provided time to think and a chance to reset. We all must look at the way we live and consume. Richemont will continue to focus on timelessness, love and beauty. The beautiful craftsmanship and enduring nature of the creations our Maisons are renowned for should come to be appreciated even more, as should the ensuing skills and jobs.

In these challenging and uncertain times, I would like to thank all of our teams for their agility, ingenuity and dedication while respecting our stringent health and safety protocols. I would also like to extend my gratitude to our clients, business partners and shareholders, and wish each of you well. Our strong balance sheet and collective resilience will help us navigate these volatile times, despite the lack of visibility.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 6 November 2020

Financial review

Any long form references to Hong Kong, Macau and Taiwan within this Company Announcement are Hong Kong SAR, China; Macau SAR, China; Taiwan, China respectively.

Sales

In the six-month period under review, trading was significantly impacted by the worldwide spread of the Covid-19 pandemic and its resulting negative impact on trading conditions. Sales decreased by 26% at actual exchange rates and by 25% at constant exchange rates. As lockdown restrictions were eased, sentiment and sales momentum gradually improved, with the months of August and September seeing a return to growth at constant exchange rates. The decline in sales for the second quarter was limited to 5% at actual exchange rates and 2% at constant exchange rates.

At actual exchange rates, sales for the first half were lower in all regions, channels and business areas. Europe, Japan and the Americas recorded double-digit sales decreases, impacted by temporary store and fulfilment centre closures, a halt in tourism and subdued sentiment. Middle East and Africa and Asia Pacific posted mid-single-digit sales declines. The Middle East was affected by global travel restrictions but benefited from regional tourism and a repatriation of purchases. In Asia Pacific, the lack of tourists from China compounded by the impact of protests in Hong Kong more than offset strong domestic sales in China, which benefited from very robust local demand in the absence of purchases overseas.

Sales in the Group's directly operated boutiques and wholesale channels declined at double-digit rates compared to the prior year period, reflecting the aforementioned negative factors. Online retail sales decreased by a low single-digit rate, largely due to the temporary closure of the Online Distributors' fulfilment centres in the first quarter of the financial year. Excluding Online Distributors, online retail sales grew by triple digits. All business areas recorded a double-digit sales decline with the Jewellery Maisons and Online Distributors being the most resilient and showing a marked improvement in the second quarter.

Further details on sales by region, distribution channel and business area are given in the Review of Operations.

Gross profit

Gross profit decreased by 31% to € 3 165 million and gross margin stood at 57.8% of sales, compared with 62.3% in the prior year period.

The 450 basis point reduction in gross margin is due to lower levels of manufacturing capacity utilisation, the impact of a stronger Swiss franc on costs, higher gold prices and the continuing competitive pricing environment in online fashion.

Operating profit

Operating profit contracted by 61% to € 452 million, resulting in an operating margin of 8.3% compared to 15.7% a year ago. This reduction reflected mainly lower sales resulting in lower gross profit and an ensuing operating deleverage.

Early and decisive cost control actions were taken, driving operating expenses down 21% year-on-year. However, given the fixed nature of the majority of costs, it did not fully mitigate the decline in sales in the period under review. Selling and distribution expenses declined by 17%, mainly due to lower operating costs at our points of sales including some rent relief. This was partly offset by higher depreciation linked to capital investments in prior periods. As a result, selling and distribution expenses increased from 23% to 26% of Group sales. Communication expenses, more variable in nature, decreased by 50%, a higher rate than the decline in sales, leading to a communication expense ratio of 6% of sales. Fulfilment expenses decreased by 4% to € 155 million, primarily driven by the temporary closure of the Online Distributors' fulfilment centres. The 11% reduction in administration costs resulted from strong discipline, that more than offset a stronger Swiss franc and continued technology investments at the Group's Online Distributors and Maisons. Other operating expenses of € 97 million included minor acquisition-related charges and the amortisation of intangibles assets recognised on acquisition, primarily related to the Online Distributors and Buccellati.

Profit for the period

Profit for the period amounted to € 159 million, a € 710 million year-on-year decline. This reflected a lower operating profit and higher net finance costs. Net finance costs increased from € 110 million in the comparative period to € 117 million mostly as a result of a € 41 million increase in net foreign exchange accounting losses on monetary items (from € 62 million in the prior year period to € 103 million). This was partly mitigated by a € 70 million gain on hedging activities compared to a € 2 million gain in the prior year period.

Earnings per share (1 'A' share/10 'B' shares) decreased by 82% to € 0.281 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 2020 would be € 154 million (2019: € 870 million). Basic HEPS for the period was € 0.273 (2019: € 1.540), diluted HEPS for the period was € 0.272 (2019: € 1.535). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 11.3 of the Group's condensed consolidated interim financial statements.

Cash flow

At € 926 million, cash flow generated from operating activities was broadly in line with the prior period. This achievement reflected stringent working capital management, including lower inventories, which mitigated higher receivables as the wholesale channel progressively improved towards the end of the period under review.

At € 120 million, net investment in tangible fixed assets was 39% lower year-on-year. This predominantly reflected an effort to preserve cash, with targeted investments in the Maisons' store network and manufacturing facilities balanced by continued technology investments, notably at the Online Distributors.

The 2020 dividend of CHF 1.00 per share (1 'A' share/10 'B' shares) was paid to shareholders and to South African Depository Receipt holders, net of withholding tax, in September. The 35% withholding tax on all dividends was remitted to the Swiss tax authorities in September. The overall dividend cash outflow in the period amounted to € 529 million.

In the period under review, the Group did not acquire any treasury shares to hedge executive stock options. Proceeds from the exercise of stock options by executives and other activities related to the hedging programme amounted to a net cash inflow of € 3 million.

Balance sheet

At 30 September 2020, inventories of € 6 341 million were € 317 million lower than at 31 March 2020. They represented 19.2 months of cost of sales.

Following the € 2 billion bond issue in May 2020, the Group's gross cash position at 30 September 2020 amounted to € 7 128 million; the Group's net cash position was € 2 111 million, a € 284 million decrease compared to the position at 31 March 2020. Excluding the dividend payment of € 529 million, the Group's net cash position would have increased by € 245 million. The Group's net cash position includes highly liquid, highly rated money market funds, short-term bank deposits and short-duration bond funds, primarily denominated in Swiss francs, euros and US dollars.

Shareholders' equity represented 51% of total equity and liabilities compared to 57% at 30 March 2020.

Review of operations

Sales by region

			Change at	
in €m	Six months to 30 September 2020	Six months to 30 September 2019	Constant exchange rates*	Actual exchange rates
Europe	**1 234**	2 221	-44%	-44%
Asia Pacific	**2 556**	2 729	-4%	-6%
Americas	**900**	1 347	-31%	-33%
Japan	**365**	647	-44%	-44%
Middle East and Africa	**423**	453	-5%	-7%
	5 478	7 397	-25%	-26%

* 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 2020.

The following comments on Group sales refer to year-on-year movements at constant exchange rates.

Europe

For the first half of the fiscal year, Europe recorded the highest rate of decline alongside Japan, with sales down 44% year-on-year. All markets and business areas were impacted by public health protection measures with temporary store and fulfilment centre closures, a halt in international tourism and muted local demand. France, Italy, Switzerland and the UK were particularly affected by a significantly lower level of tourist activity, as were the Jewellery Maisons, Specialist Watchmakers and Fashion & Accessories Maisons. Online Distributors, although initially impacted by temporary fulfilment centre closures, showed the most resilient performance.

Compared to retail and wholesale sales which contracted at significant double-digit rates, online retail sales fared better, with a high-single-digit decline.

The contribution of Europe to Group sales was reduced to 22% from 30% in the prior year period. It remains the Group's second largest region in terms of sales.

Asia Pacific

In Asia Pacific, the year-on-year decline in sales was contained to 4% as the sales momentum significantly improved in the second quarter of the financial year with strong double-digit growth. All markets registered lower sales for the half year with the exception of China, where sales rose by 83%. As a result, China has now overcome the US as the Group's largest market. The Jewellery Maisons posted growth, a marked exception to the other business areas.

Sales contracted in the wholesale channel but grew in both online and offline retail channels. Double-digit growth in retail sales in China and South Korea more than offset declines in other locations, leading to a single-digit increase in the region's retail sales. Higher online retail sales were driven by triple-digit growth in China, partly aided by the opening of eight Maisons' flagship stores on Tmall Luxury Pavilion.

From the month of July, sales growth in Asia Pacific resumed. The region raised its contribution to Group sales from 37% in the prior year period to 47% and accounted for the largest share of Group sales.

Americas

For the six-month period under review, the Americas region posted a 31% reduction in sales, with all business areas significantly impacted by the aforementioned negative factors, primarily in the first quarter of the financial year. All channels saw lower sales including online retail sales which decreased by a low-single-digit rate overall. Of note, when excluding Online Distributors, online retail sales for the Group's Specialist Watchmakers & Fashion and Accessories Maisons grew by double-digit rates, and by triple-digit rates for the Jewellery Maisons compared to the prior year period. Despite the volatile environment, trading improved steadily and turned positive in the month of September. The second quarter was marked by positive retail sales and strong online retail sales, in particular for the Jewellery Maisons. Overall, sales for the second quarter were broadly in line with the prior year period, a meaningful improvement compared to the 61% decline in the first quarter.

The region's contribution to Group sales was reduced from 18% to 16%, with the US now ranking as Richemont's second largest market.

Japan

In Japan, the 44% decrease in sales reflected the impact of Covid-19 with temporary closures, weak domestic consumer confidence and a halt in tourism. The region's performance also reflected strong comparatives in the prior year period due to the October 2019 value-added tax increase that led to increased sales ahead of its implementation. Online retail sales posted muted growth in the period under review.

The country represented 7% of overall sales, compared to 9% in the prior year period.

Middle East and Africa

Sales in the Middle East and Africa were 5% lower than the prior year period. Notwithstanding a lack of international travel, the region benefited from purchases from regional tourists, the internalisation of the Jewellery Maisons' operations in the Kingdom of Saudi Arabia, the development of the Group Maisons' online offer and good demand for the Jewellery Maisons' creations. Sales increased by strong double-digits in the second quarter.

The contribution of Middle East and Africa to Group sales increased from 6% in the prior year period to 8%.

Sales by distribution channel

			Change at	
in €m	**Six months to 30 September 2020**	Six months to 30 September 2019	Constant exchange rates*	Actual exchange rates
Retail	**2 930**	3 808	-22%	-23%
Online retail	**1 208**	1 260	-3%	-4%
Wholesale and royalty income	**1 340**	2 329	-42%	-42%
	5 478	7 397	-25%	-26%

* 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 2020.

The following comments on Group sales refer to year-on-year movements at constant exchange rates unless otherwise stated.

Retail

The Retail channel incorporates sales from the Group's directly operated boutiques.

The 22% decrease in retail sales reflects the severe disruption due to Covid-19. Retail sales were lower across all main geographies, with the exception of strong increases in China, South Korea and the Kingdom of Saudi Arabia. Since the month of August, retail sales have been positive versus the comparative period, leading to second quarter sales being broadly in line with the prior year period.

The Maisons' 1 179 directly operated boutiques contributed 53% of Group sales, compared to 52% in the prior year period

Online retail

This distribution channel comprises the sales of YOOX NET-A-PORTER GROUP as well as the online retail sales of the Group's Maisons and Watchfinder & Co.

Online retail was the most resilient channel for the period under review. Notwithstanding the temporary closure of the Online Distributors' fulfilment centres due to Covid-19 in the first quarter of the financial year, the decline in sales was limited to 3%, supported by a 17% rebound in sales in the second quarter. In the first half of the financial year, Asia Pacific, particularly China with triple-digit online retail sales growth, and the Middle East and Africa, showed strong growth.

Throughout the period, online retail sales at our Maisons more than doubled compared to the prior year period, mainly driven by the Jewellery Maisons and the Specialist Watchmakers. Growth at the Fashion & Accessories Maisons was hampered by the aforementioned fulfilment centre closures. Overall, online retail including Online Distributors increased its contribution to 22% of Group sales from 17% in the prior year period; when excluding the aforementioned Online Distributors, the Group Maisons' online retail sales increased significantly, to now 7% of Group sales, up from 2% in the prior year period.

Wholesale and royalty income

The wholesale channel was the most affected by the global pandemic. Wholesale sales including royalty income contracted by 42% versus the prior year period, impacted by temporary points of sale closures, social unrest in key markets and low to no footfall at airports' duty-free shops. The deterioration was less marked in Asia Pacific, the Middle East and Africa, and at the Jewellery Maisons.

The contribution of the Group's wholesale business, which includes sales to franchise partners and multi-brand retail partners, retreated from 31% to 25% of Group sales.

Sales and operating results by segment

Jewellery Maisons

in €m	**Six months to 30 September 2020**	Six months to 30 September 2019	Change
Sales	**3 061**	3 736	-18%
Operating results	**922**	1 219	-24%
Operating margin	**30.1%**	32.6%	-250 bps

For the period, sales at the Jewellery Maisons were 18% lower than in the comparative period. Following a drop of 41% for the first quarter of the financial year, sales returned to positive territory, with 4% growth in the second quarter. Mid-single-digit sales growth in Asia Pacific and high-single-digit sales progression in the Middle East and Africa partly offset a marked contraction in the other regions, which were severely impacted by temporary closures of stores, a halt in tourism, social tension and muted consumer confidence. Digital events and initiatives such as high jewellery previews or *Watchmaking Encounters* partly compensated for the cancellation of physical events. The acceleration of online retail sales, distance sales and digital interactions with clients led to triple-digit growth rates in online retail sales. In China, the Cartier flagship store, which opened on Tmall Luxury Pavilion in January 2020, contributed to the strong online retail sales performance. This momentum could not outweigh the decline in retail and wholesale sales.

Notwithstanding the decline in overall sales, demand remained resilient. Watch sales drew on the success of the relaunched *Santos* and new *Maillon de Cartier* collections. The Jewellery Maisons benefited from the continued appeal of their iconic jewellery collections, with the additions of a white gold *Clash de Cartier* offer and diamond *Juste Un Clou* slimmer model at Cartier, as well as additions to the *Perlée* and *Frivole* collections at Van Cleef & Arpels.

The 24% decrease in operating results to € 922 million primarily reflected lower sales, reduced utilisation of manufacturing facilities, higher gold prices and a strong Swiss franc. Costs were kept under tight control with focused investments in digital and communication initiatives. Investments in store renovations were strategically targeted. They included the Van Cleef & Arpels store in Paris Place Vendôme, the Cartier boutique in Shanghai Plaza 66 and a relocated Buccellati store on London Albemarle Street. Buccellati also acquired the rights to the Via dei Condotti store in Rome, which was originally opened by Mario Buccellati in 1926. Of note is the Jewellery Maisons' operating margin, which reached 30.1%.

Specialist Watchmakers

in €m	Six months to 30 September 2020	Six months to 30 September 2019*	Change
Sales	**966**	1 567	-38%
Operating results	**(8)**	285	-103%
Operating margin	**(0.8)%**	18.2%	-1900 bps

* Prior period comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets made on acquisitions

Sales at the Specialist Watchmakers were 38% lower than in the prior year period, particularly impacted by the Covid-19 pandemic and their strong reliance on multi-brand retail partners. The rate of sales decline moderated from 56% in the first quarter to 18% in the second quarter, notably supported by a strong performance in China.

Wholesale sales contracted more than retail sales, notwithstanding notable performances from Vacheron Constantin with the new *Egérie* and blue dial *Overseas*, IWC Schaffhausen with new editions to the *Portugieser* collection, and Jaeger-LeCoultre with its relaunched *Master Control* collection. From a low base, online retail sales grew by triple-digits, driven by participation in online initiatives such as the *Watch Show on the Cloud* and *Watches & Wonders Shanghai*, which introduced their creations to the Chinese market, as well as by the opening of flagship stores for IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget and Vacheron Constantin on Tmall Luxury Pavilion.

Lower sales, sub-activity charges in manufacturing facilities, higher gold prices and a stronger Swiss franc, all weighed on profitability. Despite strict cost control and reduced investments, the Specialist Watchmakers recorded a small operating loss of € 8 million. Targeted investments included the renovated IWC Zurich Bahnhofstrasse store and the new Piaget store in Galeries Lafayette, Paris. Inventories in the channels are sound, with sell-out remaining above sell-in.

Online Distributors

in €m	Six months to 30 September 2020	Six months to 30 September 2019*	Change
Sales	**934**	1 179	-21%
Operating results	**(138)**	(104)	-33%
Operating margin	**(14.8)%**	(8.8)%	-600 bps

* Prior period comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets and inventory adjustments made on acquisitions

Sales of Richemont Maisons' own products made by YNAP are reported under both the Maisons' and YNAP's business area reporting. In Group sales, these are subsequently eliminated as 'intersegment sales'.

Online Distributors reported a 21% decrease in sales, significantly impacted by the temporary fulfilment centre closures in the early part of the reported period as well as a highly competitive environment in online fashion. In the second quarter, sales increased by 2%. At YNAP, which celebrated its 20th anniversary in June, the Luxury division saw good demand for bags, fine watches and jewellery. The Fashion division further expanded its brand portfolio and the Online Flagship Store division continued to make solid progress with the launch of the Montblanc website in August and the Cartier UK website in October. FENG MAO continued its successful development: 202 luxury brands are now available on this YNAP – Alibaba joint-venture flagship store on Tmall Luxury Pavilion. Watchfinder focused on strengthening its presence in new geographical locations (France, Switzerland, Germany, USA and Hong Kong).

Investments were focused on information technology linked to YNAP's global technology and logistics platform migration as well as on the consolidation of Watchfinder's international presence. Good cost control could not fully offset lower sales and lower gross margin, mostly related to a highly competitive pricing environment and the aforementioned fulfilment centre closures. The Online Distributors recorded a € 138 million operating loss, with an EBITDA loss for the period of € 49 million.

Other

in €m	Six months to 30 September 2020	Six months to 30 September 2019*	Change
Sales	**545**	941	-42%
Operating results	**(108)**	5	n/a
Operating margin	**(19.8)%**	0.5%	-2030 bps

* Prior period comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets made on acquisitions

'Other' includes the Fashion & Accessories Maisons and, amongst others, the Group's watch component manufacturing activities.

Sales decreased by 42% for the period, reflecting a decline of 59% in the first quarter and 24% in the second quarter, with all Maisons and regions impacted by the previously mentioned negative factors. The steep reduction in travel retail, which was only partially mitigated by a strong performance in China, weighed on Montblanc sales. Performance at Chloé, dunhill and Alaïa was affected by the temporary fulfilment centre closures at YNAP. In this unprecedented environment, it is worth noting that online retail sales grew at a double-digit rate, driven primarily by Montblanc and Peter Millar. Online retail sales were also supported by the opening of flagship stores on Tmall Luxury Pavilion for Montblanc, Chloé and dunhill, as well as the introduction of distance sales tools and fully digitalised showrooms for the Maisons. Benefiting from its strong online presence in the US, Peter Millar enjoyed a resilient performance.

Operating losses of € 108 million reflected lower sales, lower gross margin and losses at the Group's watch component manufacturing entities, mitigated by good cost control and cash preservation initiatives.

Valuation adjustments on acquisitions

in €m	Six months to 30 September 2020	Six months to 30 September 2019	Change
Valuation adjustments on acquisitions	**(99)**	(93)	+6%

Since the year ended 31 March 2020, the amortisation of intangible assets and inventory adjustments made on acquisition are no longer shown in the operating results for the respective segments. This enables the operating results of each segment to better reflect its operational performance. The portion relating to Online Distributors amounted to € 87 million in the period under review, and € 90 million in the prior year period.

Corporate costs

in €m	Six months to 30 September 2020	Six months to 30 September 2019	Change
Corporate costs	**(116)**	(145)	-20%
Central support services	**(116)**	(128)	-9%
Other operating expenses, net	**–**	(17)	

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central functions), as well as other expenses and income that are not allocated to specific segments. These decreased by 20% compared to the prior year period and represented close to 2% of Group sales. Savings in fees, personnel and travel costs more than offset the impact of a stronger Swiss franc with the majority of corporate costs being incurred in Switzerland.

The Group's consolidated financial statements of comprehensive income, cash flows and financial position are presented in Appendix 1. Richemont's unaudited consolidated financial statements for the half year are available on the Group's website at www.richemont.com/investor-relations/reports

Jérôme Lambert
Chief Executive Officer

Burkhart Grund
Chief Finance Officer

Compagnie Financière Richemont SA
Geneva, 6 November 2020

Condensed consolidated balance sheet

	Notes	30 September 2020 €m	31 March 2020 €m
Assets			
Non-current assets			
Property, plant and equipment		**2 586**	2 774
Goodwill		**3 458**	3 465
Other intangible assets		**2 472**	2 623
Right of use assets		**3 189**	3 164
Investment property		**281**	282
Equity-accounted investments		**179**	180
Deferred income tax assets		**550**	600
Financial assets held at fair value through profit or loss	*18*	**38**	10
Financial assets held at fair value through other comprehensive income	*18*	**119**	115
Other non-current assets		**436**	447
		13 308	13 660
Current assets			
Inventories		**6 341**	6 658
Trade receivables and other current assets		**1 455**	1 246
Derivative financial instruments	*18*	**66**	44
Financial assets held at fair value through profit or loss	*18*	**4 461**	4 362
Assets held for sale		**20**	29
Cash at bank and on hand		**7 128**	4 462
		19 471	16 801
Total assets		**32 779**	30 461
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**334**	334
Treasury shares		**(534)**	(539)
Hedge and share option reserves		**390**	368
Cumulative translation adjustment reserve		**2 856**	3 133
Retained earnings		**13 445**	13 840
		16 491	17 136
Non-controlling interests		**122**	123
Total equity		**16 613**	17 259
Liabilities			
Non-current liabilities			
Borrowings	*6*	**5 933**	3 951
Lease liabilities		**2 816**	2 702
Deferred income tax liabilities		**317**	351
Employee benefits obligations		**186**	168
Provisions		**43**	56
Other long-term financial liabilities		**97**	99
		9 392	7 327
Current liabilities			
Trade payables and other current liabilities		**2 009**	2 047
Current income tax liabilities		**461**	446
Borrowings	*6*	**82**	1
Lease liabilities		**545**	612
Derivative financial instruments	*18*	**5**	30
Provisions		**209**	262
Bank overdrafts		**3 463**	2 477
		6 774	5 875
Total liabilities		**16 166**	13 202
Total equity and liabilities		**32 779**	30 461

The notes on pages 13 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Revenue	5	**5 478**	7 397
Cost of sales		**(2 313)**	(2 787)
Gross profit		**3 165**	4 610
Selling and distribution expenses		**(1 429)**	(1 728)
Communication expenses		**(342)**	(678)
Fulfilment expenses		**(155)**	(162)
Administrative expenses		**(690)**	(775)
Other operating expenses	8	**(97)**	(102)
Operating profit		**452**	1 165
Finance costs	9	**(225)**	(184)
Finance income	9	**108**	74
Share of post-tax results of equity-accounted investments		**9**	12
Profit before taxation		**344**	1 067
Taxation	10	**(185)**	(198)
Profit for the period		**159**	869
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses		**(21)**	–
Tax on defined benefit plan actuarial losses		**4**	–
Fair value changes on financial assets held at fair value through other comprehensive income		**(6)**	(75)
		(23)	(75)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the period		**(278)**	296
Cash flow hedging			
– reclassification to profit or loss, net of tax		**1**	2
Share of other comprehensive income of equity-accounted investments		**–**	–
		(277)	298
Other comprehensive (loss)/income, net of tax		**(300)**	223
Total comprehensive (loss)/income		**(141)**	1 092
Profit attributable to:			
Owners of the parent company		**159**	869
Non-controlling interests		**–**	–
		159	869
Total comprehensive income attributable to:			
Owners of the parent company		**(140)**	1 092
Non-controlling interests		**(1)**	–
		(141)	1 092
Earnings per ‘A’ share/10 ‘B’ shares attributable to owners of the parent company during the period (expressed in € per share)			
Basic	11	**0.281**	1.538
Diluted	11	**0.281**	1.533

The notes on pages 13 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

	Notes	Share capital €m	Treasury shares €m	Hedge and share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
		Equity attributable to owners of the parent company							
Balance at 1 April 2019		334	(560)	324	2 564	14 289	16 951	88	17 039
Comprehensive income									
Profit for the period		–	–	–	–	869	869	–	869
Other comprehensive income		–	–	2	296	(75)	223	–	223
		–	–	2	296	794	1 092	–	1 092
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*14*	–	14	–	–	(5)	9	–	9
Employee share-based compensation		–	–	19	–	–	19	–	19
Tax on share option plan		–	–	–	–	–	–	–	–
Changes in non-controlling interests		–	–	–	–	7	7	27	34
Dividends paid	*13*	–	–	–	–	(1 017)	(1 017)	–	(1 017)
		–	14	19	–	(1 015)	(982)	27	(955)
Balance at 30 September 2019		334	(546)	345	2 860	14 068	17 061	115	17 176
Balance at 1 April 2020		**334**	**(539)**	**368**	**3 133**	**13 840**	**17 136**	**123**	**17 259**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**159**	**159**	**–**	**159**
Other comprehensive loss		**–**	**–**	**1**	**(277)**	**(23)**	**(299)**	**(1)**	**(300)**
		–	**–**	**1**	**(277)**	**136**	**(140)**	**(1)**	**(141)**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*14*	**–**	**5**	**–**	**–**	**(2)**	**3**	**–**	**3**
Employee share-based compensation		**–**	**–**	**21**	**–**	**–**	**21**	**–**	**21**
Tax on share option plan		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	*13*	**–**	**–**	**–**	**–**	**(529)**	**(529)**	**–**	**(529)**
		–	**5**	**21**	**–**	**(531)**	**(505)**	**–**	**(505)**
Balance at 30 September 2020		**334**	**(534)**	**390**	**2 856**	**13 445**	**16 491**	**122**	**16 613**

The notes on pages 13 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Cash flows from operating activities			
Operating profit		**452**	1 165
Adjustment for non-cash items	*12*	**737**	735
Changes in working capital	*12*	**(91)**	(712)
Cash flow generated from operations		**1 098**	1 188
Interest received		**37**	53
Interest paid		**(59)**	(62)
Dividends from equity-accounted investments		**–**	2
Dividends from other investments		**–**	15
Taxation paid		**(150)**	(268)
Net cash generated from operating activities		**926**	928
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*19*	**(27)**	(230)
Acquisition of equity-accounted investments		**–**	(1)
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**50**	–
Acquisition of property, plant and equipment		**(126)**	(199)
Proceeds from disposal of property, plant and equipment		**6**	2
Acquisition of intangible assets		**(62)**	(81)
Acquisition of investment property		**–**	(3)
Investment in money market and externally managed funds		**(5 803)**	(3 703)
Proceeds from disposal of money market and externally managed funds		**5 578**	4 189
Acquisition of other non-current assets and investments		**(45)**	(14)
Proceeds from disposal of other non-current assets and investments		**5**	6
Net cash used in investing activities		**(424)**	(34)
Cash flows from financing activities			
Proceeds from borrowings	*6*	**2 069**	2
Repayment of borrowings		**(1)**	(3)
Corporate bond issue transaction costs		**(8)**	–
Dividends paid	*13*	**(529)**	(1 017)
Proceeds from sale of treasury shares	*14*	**3**	8
Contribution received from non-controlling interests		**–**	34
Lease payments – principal		**(260)**	(299)
Net cash generated by/(used in) financing activities		**1 274**	(1 275)
Net change in cash and cash equivalents		**1 776**	(381)
Cash and cash equivalents at the beginning of the period		**1 985**	2 347
Exchange (losses)/gains on cash and cash equivalents		**(96)**	38
Cash and cash equivalents at the end of the period		**3 665**	2 004

The notes on pages 13 to 26 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2020

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 Buccellati, Cartier, Van Cleef & Arpels, A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis, Vacheron Constantin, Watchfinder, YNAP, Alaïa, Chloé, dunhill, Montblanc, Peter Millar, Purdey and Serapian.

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. Corporate bonds issued by a subsidiary of the Company are listed on the Luxembourg Stock Exchange.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 6 November 2020.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2020 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 2020, which were prepared in accordance with International Financial Reporting Standards ('IFRS').

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2020, with the exception of the impact of Covid-19 which is updated below.

Impact of Covid-19 pandemic

During the six months ended 30 September 2020, the Covid-19 pandemic led to a significant slow-down of the global economy, temporary closures of the Group's sales network and distribution centres and an almost complete halt in international travel. The impact of these events is also described pages 2 to 8 of the Group's interim report for the period.

At the date of these financial statements, the impact and duration of the outbreak and the related measures taken to control it remain unknown. In preparing these financial statements, these uncertainties have been taken into account throughout. Inventory provisions have been updated where necessary; given the nature of the Group's inventories, additional provisions were limited. The impact of the economic downturn on the Group's defined benefit pension schemes was assessed and the resulting € 21 million impact has been reflected in Other Comprehensive Income. In assessing the carrying value of its non-current assets, the Group has updated its assessment from March 2020, as described in the annual consolidated financial statements for the year ended 31 March 2020, and further considered whether current circumstances result in impairment indicators for its Cash Generating Units ('CGUs'). This review included the preparation of updated cash flow forecasts which take into account current assumptions on the timing and scale of the economic recovery from the Covid-19 pandemic, including that online retail would recover faster than the retail and wholesale channels. The Group's position remains that, despite a significant short-term impact, long-term market conditions remain unlikely to change.

3. Accounting policies

The accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2020.

New standards and interpretations not yet adopted

On 1 April 2020, the Group has early adopted the amendments to IFRS 16, *Covid-19 related rent concessions*. As a result, rent concessions agreed with landlords since 1 April 2020 as a direct result of the Covid-19 pandemic have not been treated as a lease modification. The amount recognised in profit or loss for the six months ended 30 September 2020 as a result of this practical expedient is € 38 million.

Certain other new accounting standards and amendments, issued by the IASB, are not yet effective and have not yet been adopted by the Group. None are expected to have a significant impact on the financial statements of the Group.

Notes to the condensed consolidated interim financial statements
at 30 September 2020

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 or distributor. These operating segments have been aggregated into the following business areas for reporting purposes:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Buccellati, 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 A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis and Vacheron Constantin.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This group comprises Watchfinder and YNAP.

In order to determine which operating segments share similar economic characteristics and thus meet the criteria for aggregation, management has focused on the distribution network, product mix and gross margin of the Maisons.

Other operating segments include Alaïa, Chloé, dunhill, Montblanc, Peter Millar, Purdey, Serapian, AZFashion, investment property companies and other manufacturing entities. None of these segments meets the quantitative thresholds for determining reportable segments.

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

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated. Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

Performance measurement is based on segment contribution before corporate costs, valuation adjustments on acquisitions, 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.

Revenue by business area is as follows:

Six months to 30 September 2020	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**3 060**	**963**	**934**	**521**	**–**	**5 478**
Inter-segment revenue	**1**	**3**	**–**	**24**	**(28)**	**–**
	3 061	**966**	**934**	**545**	**(28)**	**5 478**

Six months to 30 September 2019	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	3 736	1 566	1 179	916	–	7 397
Inter-segment revenue	–	1	–	25	(26)	–
	3 736	1 567	1 179	941	(26)	7 397

4. Segment information continued

(a) Information on reportable segments continued

The results by business area are as follows:

	Six months to 30 September 2020 €m	Six months to 30 September 2019 represented €m
Operating result		
Jewellery Maisons	**922**	1 219
Specialist Watchmakers	**(8)**	285
Online Distributors	**(138)**	(104)
Other	**(108)**	5
	668	1 405
Elimination of internal transactions	**(1)**	(2)
Impact of valuation adjustments from acquisitions	**(99)**	(93)
Unallocated corporate costs	**(116)**	(145)
Operating profit	**452**	1 165
Finance costs	**(225)**	(184)
Finance income	**108**	74
Share of post-tax results of equity-accounted investments	**9**	12
Profit before taxation	**344**	1 067
Taxation	**(185)**	(198)
Profit for the period	**159**	869

	Six months to 30 September 2020 €m	Six months to 30 September 2019 represented €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**252**	229
Specialist Watchmakers	**128**	126
Online Distributors	**89**	84
Other	**95**	100
Unallocated	**185**	175
	749	714

Prior period comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets and inventory adjustments made on acquisition, as presented to the CODM. This change primarily impacts the Online Distributor segments, and results in a reduction of losses for that business area of € 90 million for the prior period. The CODM believes that this presentation provides a better reflection of the underlying financial performance of the Maisons and Online Distributors.

Notes to the condensed consolidated interim financial statements
at 30 September 2020

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 2020 €m	At 31 March 2020 €m
Segment assets		
Jewellery Maisons	**3 579**	3 506
Specialist Watchmakers	**1 587**	1 616
Online Distributors	**903**	1 006
Other	**1 046**	1 050
	7 115	7 178
Eliminations	**(36)**	(17)
	7 079	7 161

	At 30 September 2020 €m	At 31 March 2020 €m
Total segment assets	**7 079**	7 161
Property, plant and equipment	**2 586**	2 774
Goodwill	**3 458**	3 465
Other intangible assets	**2 472**	2 623
Right of use assets	**3 189**	3 164
Investment property	**281**	282
Equity-accounted investments	**179**	180
Deferred income tax assets	**550**	600
Financial assets at fair value through profit or loss	**4 499**	4 372
Financial assets at fair value through other comprehensive income	**119**	115
Other non-current assets	**436**	447
Other receivables	**717**	743
Derivative financial instruments	**66**	44
Cash at bank and on hand	**7 128**	4 462
Assets held for sale	**20**	29
Total assets	**32 779**	30 461

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

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**86**	97
Specialist Watchmakers	**16**	34
Online Distributors	**55**	82
Other	**15**	26
Unallocated	**8**	25
	180	264

4. Segment information continued

(b) Information about geographical areas

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

	Six months to 30 September 2020 €m	Six months to 30 September 2019 represented €m
Europe	**1 234**	2 221
United Kingdom	**273**	503
France	**169**	410
Italy	**169**	305
Switzerland	**100**	258
Other Europe	**523**	745
Middle East and Africa	**423**	453
Asia	**2 921**	3 376
China, including Hong Kong SAR and Macau SAR	**1 897**	1 733
– of which mainland China	***1 672***	*937*
– of which Hong Kong SAR and Macau SAR	***225***	*796*
Japan	**365**	647
South Korea	**303**	431
Other Asia	**356**	565
Americas	**900**	1 347
USA	**803**	1 174
Other Americas	**97**	173
	5 478	7 397

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

Prior period amounts have been re-presented for consistency with the current period presentation.

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 2020 €m	At 31 March 2020 €m
Italy	**4 316**	4 374
United Kingdom	**1 956**	2 082
Switzerland	**1 901**	1 960
France	**1 204**	996
United States	**1 026**	1 152
Rest of the world	**2 066**	2 232
	12 469	12 796

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

Notes to the condensed consolidated interim financial statements
at 30 September 2020

4. Segment information continued

(c) Information about products

External revenue by product is as follows:

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Jewellery	**2 253**	2 649
Watches	**1 747**	2 647
Clothing	**692**	853
Leather goods and accessories	**493**	727
Writing instruments	**122**	206
Other	**171**	315
	5 478	7 397

5. Revenue

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Revenue from contracts with customers	**5 466**	7 375
Royalty income	**12**	22
	5 478	7 397

Analysis of revenue by geographical area and by operating segment is as follows:

Six months to 30 September 2020	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	**1 638**	**435**	**232**	**442**	**314**	**3 061**
Specialist Watchmakers	**643**	**159**	**55**	**68**	**41**	**966**
Online Distributors	**116**	**494**	**36**	**236**	**52**	**934**
Other	**163**	**158**	**44**	**162**	**18**	**545**
	2 560	**1 246**	**367**	**908**	**425**	**5 506**
Intersegment eliminations	**(4)**	**(12)**	**(2)**	**(8)**	**(2)**	**(28)**
	2 556	**1 234**	**365**	**900**	**423**	**5 478**

Six months to 30 September 2019	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	1 575	867	415	593	286	3 736
Specialist Watchmakers	764	465	118	154	66	1 567
Online Distributors	152	591	41	342	53	1 179
Other	242	308	74	268	49	941
	2 733	2 231	648	1 357	454	7 423
Intersegment eliminations	(4)	(10)	(1)	(10)	(1)	(26)
	2 729	2 221	647	1 347	453	7 397

6. Borrowings

	30 September 2020 €m	31 March 2020 €m
Non-current:		
Corporate bonds	**5 918**	3 935
Secured bank borrowings	**15**	16
Unsecured bank borrowings	**–**	–
	5 933	3 951
Current:		
Unsecured bank borrowings	**82**	1
	82	1
Total borrowings	**6 015**	3 952

Corporate bonds issued by a subsidiary of the Group based in Luxembourg, Richemont International Holding SA, are listed on the Luxembourg Stock Exchange. During the period ended 30 September 2020, additional corporate bonds totalling € 2 billion were issued. The following table summarises the Group's outstanding corporate bond liabilities at the balance sheet date:

	30 September 2020 €m	31 March 2020 €m
1.00% € 1 500 million bond maturing in 2026 issued at 98.784%	**1 484**	1 482
1.50% € 1 250 million bond maturing in 2030 issued at 98.701%	**1 233**	1 232
2.00% € 1 000 million bond maturing in 2038 issued at 97.805%	**976**	975
2.00% € 250 million bond maturing in 2038 issued at 98.557%	**246**	246
0.750% € 500 million bond maturing in 2028 issued at 99.884%	**498**	–
1.125% € 850 million bond maturing in 2032 issued at 99.732%	**844**	–
1.625% € 650 million bond maturing in 2040 issued at 98.387%	**637**	–
	5 918	3 935

The Group has two fixed rate borrowings other than the corporate bonds; fixed rate DKK borrowings totalling € 15 million for which the rates of 0.79% are fixed until September 2021. The DKK loans are secured on the Group's investment property located in Copenhagen. The fair values of these fixed rate borrowings are not significantly different to the carrying value.

7. Government grants

Amounts receivable for government grants or other assistance are recognised only when the conditions associated to qualify for the payment are met. During the six months ended 30 September 2020, the Group received € 119 million (2019: € 3 million) in government assistance, primarily from schemes to compensate employees for partial employment as a result of the Covid-19 pandemic. These amounts are included in operating expenses, within the same caption as the underlying salaries are recorded (€ 56 million in Cost of Sales, € 35 million in Selling and Distribution expenses, with the remainder in Administrative expenses).

Notes to the condensed consolidated interim financial statements
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8. Other operating expenses

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Royalty expenses	**(1)**	(1)
Investment property rental income	**1**	1
Investment property costs	**(1)**	(1)
Amortisation of intangible assets and inventory adjustments recognised on acquisition	**(100)**	(95)
Other (expenses)/income	**4**	(6)
	(97)	(102)

9. Finance costs and income

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(12)**	(17)
– corporate bond	**(43)**	(35)
– other financial expenses	**(16)**	(10)
– lease liabilities	**(34)**	(36)
Net foreign exchange losses on monetary items	**(103)**	(62)
Net loss on financial instruments at fair value through profit or loss:		
– held for trading	**(17)**	(24)
Finance costs	**(225)**	(184)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**19**	23
– from financial assets held at fair value through profit or loss	**19**	31
– other financial income	**–**	3
Dividend income on financial assets at fair value through OCI	**–**	15
Mark-to-market adjustment in respect of hedging activities	**70**	2
Finance income	**108**	74
Net finance (costs)/income	**(117)**	(110)

10. 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, based on circumstances and available information at the reporting date while taking into account the uncertainties caused by the Covid-19 pandemic. The effective tax rate for the period ended 30 September 2020 was 55.2% (2019: 18.8%). The change compared to the prior period mostly reflects the significant reduction in consolidated profit before tax, together with changes in the geographical distribution of profits in local entities.

11. Earnings per share

11.1. Basic

Basic earnings per ‘A’ share/10 ‘B’ shares is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of shares in issue during the period, excluding shares purchased by the Group and held in treasury.

	Six months to 30 September 2020	Six months to 30 September 2019
Total profit attributable to owners of the parent company (€ millions)	**159**	869
Weighted average number of shares in issue (millions)	**565.0**	564.9
Basic earnings per ‘A’ share/10 ‘B’ shares	**0.281**	1.538

11.2. Diluted

Diluted earnings per ‘A’ share/10 ‘B’ shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has two categories of dilutive potential shares: share options and restricted share units.

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

For the period ended 30 September 2020, 8 166 477 options (2019: 8 091 855 options) granted to employees are not dilutive and so are excluded from the calculation of diluted earnings per share.

	Six months to 30 September 2020	Six months to 30 September 2019
Total profit attributable to the owners of the parent company (€ millions)	**159**	869
Weighted average number of shares in issue (millions)	**565.0**	564.9
Adjustment for share options (millions)	**1.4**	2.0
Weighted average number of shares for diluted earnings per ‘A’ share/10 ‘B’ shares (millions)	**566.4**	566.9
Diluted earnings per ‘A’ share/10 ‘B’ shares	**0.281**	1.533

Notes to the condensed consolidated interim financial statements
at 30 September 2020

11.3. Headline earnings per 'A' share/ 10 'B' shares

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

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Profit attributable to owners of the parent company	**159**	869
Loss on disposal of non-current assets	**–**	1
Gain on disposal of equity-accounted investments	**(5)**	–
Headline earnings	**154**	870

	Six months to 30 September 2020 millions	Six months to 30 September 2019 millions
Weighted average number of shares:		
– Basic	**565.0**	564.9
– Diluted	**566.4**	566.9

	€ per share	€ per share
Headline earnings per 'A' share/10 'B' shares:		
– Basic	**0.273**	1.540
– Diluted	**0.272**	1.535

12. Cash flow generated from operations

	Six months to 30 September 2020 €m	Six months to 30 September 2019 €m
Depreciation of property, plant and equipment	**245**	244
Depreciation of right of use assets	**325**	292
Depreciation of investment property	**2**	2
Amortisation of other intangible assets	**177**	176
Loss on disposal of property, plant and equipment	**1**	1
Profit on disposal of investment property	**(1)**	(3)
Fixed rent concessions related to Covid-19	**(38)**	–
Increase in non-current provisions	**5**	4
Other non-cash items	**21**	19
Adjustments for non-cash items	**737**	735
Decrease/(increase) in inventories	**239**	(180)
Increase in trade receivables	**(253)**	(174)
Increase in other current assets	**(27)**	(55)
Decrease in current liabilities	**(69)**	(267)
Decrease in other long-term liabilities	**(4)**	(12)
Cash inflow/(outflow) on derivative financial instruments	**23**	(24)
Changes in working capital	**(91)**	(712)

13. Dividends

On 9 September 2020 shareholders approved a dividend of CHF 1.00 per ‘A’ share and CHF 0.10 per ‘B’ share (2019: CHF 2.00 and CHF 0.20 respectively).

14. Treasury shares

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

During the current period the Group did not acquire any treasury shares directly in the open market (2019: none). In the same period the Group delivered 51 807 treasury shares for proceeds of € 3 million in settlement of options exercised in the period and traded options exercised in previous periods (2019: 167 437 shares for € 8 million).

15. Financial commitments and contingent liabilities

At 30 September 2020, 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.

The Group’s commitments for lease agreements which had not yet commenced at the balance sheet date amounted to € 29 million (31 March 2020: € 340 million).

16. Related-party transactions

There have been no significant changes in the nature and magnitude of the related-party transactions and relationships during the period, with the exception of E_Lite SpA, which is no longer an associate of the Group.

Full details of related-party transactions will be included in the 2021 annual consolidated financial statements.

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 Richemont ‘A’ shares at the market price on the date of grant. Awards under the share option plan vest over periods of three to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group’s employment until vesting. The options granted between 2008 and 2016 include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

Restricted share units

A further share-based compensation plan was introduced in 2019 whereby executives are awarded Restricted Share Units (‘RSU’). Awards under this plan vest over periods of three to five years from the date of grant. On vesting, the executive will receive a share in the Company. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or ‘PSU’). Executives are not entitled to dividends during the vesting period.

The fair value of options and PSU awarded to members of the Senior Executive Committee (‘SEC’) is fixed on the date of approval of SEC remuneration by the shareholders of the Company. Following the AGM in September 2020, the award date value of share options in June 2019 of CHF 17.66 was revalued at CHF 7.48 and the award date value of PSU in June 2019 of CHF 74.49 was revalued at CHF 55.47.

During the period ended 30 September 2020, no awards of options were made (31 March 2020: 697 761 at exercise price CHF 82.86). No awards of RSU or PSU were made during the period (31 March 2020: 1 397 403 RSU, of which 492 594 were subject to performance conditions).

Notes to the condensed consolidated interim financial statements
at 30 September 2020

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 2020.

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 2020	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	**28**	**119**	–	–	**147**	**147**			**147**
Unlisted investments	**10**	–	–	–	**10**			**10**	**10**
Non-current assets held at fair value	**38**	**119**	–	–	**157**				
Investments in externally managed funds	**3 857**	–	–	–	**3 857**	**3 857**			**3 857**
Investments in money market funds	**604**	–	–	–	**604**		**604**		**604**
Derivative financial instruments	**66**	–	–	–	**66**		**66**		**66**
Current assets held at fair value	**4 527**	–	–	–	**4 527**				
	4 565	**119**	–	–	**4 684**				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	**7**	–	**7**				
Non-current lease deposits	–	–	**125**	–	**125**				
Trade and other receivables	–	–	**1 045**	–	**1 045**				
Cash and cash equivalents	–	–	**7 128**	–	**7 128**				
	–	–	**8 305**	–	**8 305**				
Financial liabilities measured at fair value									
Derivatives	**(5)**	–	–	–	**(5)**		**(5)**		**(5)**
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	**(5 933)**	**(5 933)**	**(6 634)**			**(6 634)**
Floating rate borrowings	–	–	–	**(82)**	**(82)**				
Lease liabilities	–	–	–	**(3 361)**	**(3 361)**				
Other long-term financial liabilities	–	–	–	**(97)**	**(97)**				
Trade and other payables	–	–	–	**(1 789)**	**(1 789)**				
Bank overdrafts	–	–	–	**(3 463)**	**(3 463)**				
	–	–	–	**(14 725)**	**(14 725)**				

18. Financial instruments: Fair values and risk management continued

	Carrying amount					Fair value			
31 March 2020	Fair value through profit or loss €m	Fair value through OCI (equity) €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	115	–	–	115	115			115
Unlisted investments	10	–	–	–	10	–		10	10
Non-current assets held at fair value	10	115	–	–	125				
Investments in externally managed funds	4 236	–	–	–	4 236	4 236		–	4 236
Investments in money market funds	126	–	–	–	126		126		126
Derivative financial instruments	44	–	–	–	44		44		44
Current assets held at fair value	4 406	–	–	–	4 406				
	4 416	115	–	–	4 531				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	6	–	6				
Non-current lease deposits	–	–	133	–	133				
Trade and other receivables	–	–	783	–	783				
Cash and cash equivalents	–	–	4 462	–	4 462				
	–	–	5 384	–	5 384				
Financial liabilities measured at fair value									
Derivatives	(30)	–	–	–	(30)		(30)		(30)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(3 952)	(3 952)	(3 895)			(3 895)
Lease liabilities	–	–	–	(3 314)	(3 314)				
Other long-term financial liabilities	–	–	–	(99)	(99)				
Trade and other payables	–	–	–	(1 852)	(1 852)				
Bank overdrafts	–	–	–	(2 477)	(2 477)				
	–	–	–	(11 694)	(11 694)				

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

Notes to the condensed consolidated interim financial statements
at 30 September 2020

18. Financial instruments: Fair values and risk management continued

Valuation techniques
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price for financial assets held by the Group is the current bid price. These instruments are included in Level 1 and comprise listed investments and investments in externally managed funds made up of listed bonds.

The euro, Swiss franc, and US dollar-denominated externally managed funds are mandated to invest in Sovereign, Supranational & Agency ('SSA') bonds. The weighted average rating is AA+ and the weighted average maturity is 140 days.

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

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

Specific valuation techniques used for Level 2 financial instruments include:

- Interest rate swaps are valued on the basis of discounted cash flows. The variable flows are determined for each payment date using forward interest rate curves.
- Fixed rate cross-currency swaps are valued on the basis of discounted cash flows.
- Currency forwards are measured based on observable spot exchange rates, the term interest rates of the respective currencies and the currency basis spread between the respective currencies.

The nominal value of the investments in money market funds approximates the fair value, as the maximum average life is 120 days and the maximum average maturity is 60 days. These instruments are included in Level 2.

Level 3 financial instruments consist entirely of small investments in unlisted equities. During the six-month period to 30 September 2020, the carrying amount remained equal to € 10 million.

Hedging activities
Cash flow hedge accounting was applied to a euro-denominated interest rate swap contract which was used to hedge the Group's corporate bond issue and, as a result, the loss realised on this interest rate swap was deferred in equity. This loss is recycled to the income statement over the life of the related bond.

19. Business combinations

During the period, the Group completed several business combinations, the impact of which on the financial position and performance of the Group is not significant. No additional goodwill balances were recognised as a result.

20. Events after the balance sheet date

On 16 October 2020, it was announced that shareholders would be granted tradeable warrants, which can either be traded or used to acquire new shares at a potentially beneficial price after three years in September 2023. Each 'A' shareholder will receive two 'A' warrants and each 'B' shareholder will receive two 'B' warrants. The exercise price of the warrants will be set on the basis of the volume-weighted average market price of the Richemont 'A' shares immediately before the Extraordinary General Meeting to be held on 17 November 2020. The warrants will be listed on SIX Swiss Exchange. A comparable warrant scheme is offered to holders of Depository Receipts.

Conditional capital

In connection with the warrants described above, shareholders will be asked to approve the creation of a conditional capital amounting to 22 000 000 'A' shares (and an identical number of 'B' shares) at an Extraordinary General Meeting to be held on 17 November 2020. This conditional capital will be used to issue the corresponding number of shares upon eventual exercise of the warrants.

Strategic partnership with Alibaba and Farfetch
On 5 November 2020, Richemont announced a global strategic partnership alongside Farfetch and Alibaba Group, both companies listed in New York, to provide luxury brands with enhanced access to the China market as well as to accelerate digitisation of the global luxury industry. Richemont, equally and together with Alibaba, will invest a total of USD 600 million (USD 300 million each) in private convertible notes issued by Farfetch Listco and USD 500 million (USD 250 million each) in Farfetch China, taking a combined stake of 25% in a newly formed joint venture, which will include Farfetch's marketplace operating in the China region. The Group will also have, along with Alibaba, a purchase option to increase their combined stake in Farfetch China by a further 24%. Further impacts on the Group's consolidated financial statements as a result of this agreement are currently being assessed. Full details will be disclosed in the Group's annual financial statements for the year ended 31 March 2021.

Exchange rates

The results of the Group's subsidiaries which do not report in euros have been translated at the following average rates of exchange against the euro. The balance sheets of those subsidiaries have been translated into euros at the closing rates set out below.

Exchange rates against the euro

	Six months to 30 September 2020	Six months to 30 September 2019
Average		
United States dollar	**1.14**	1.12
Chinese renminbi	**7.94**	7.73
Japanese yen	**121**	121
Swiss franc	**1.07**	1.11

	30 September 2020	31 March 2020
Closing		
United States dollar	**1.17**	1.09
Chinese renminbi	**7.97**	7.79
Japanese yen	**124**	118
Swiss franc	**1.08**	1.09

Statutory information

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'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 SMI of leading stocks. The Swiss 'Valorennummer' is 21048333. Richemont's 'A' shares are registered. The share register is managed by Computershare Schweiz AG, the registrar.

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

The closing price of the Richemont 'A' share on 30 September 2020 was CHF 61.70 and the market capitalisation of the Group's 'A' shares on that date was CHF 32 207 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 66.64 (15 September) and the lowest closing price was CHF 49.96 (3 April).

Personal data processing
Shareholders are informed that the Company, as data controller, processes the personal data of the shareholders and proxyholders (name, address, contact details, number of shares held, voting instructions) in accordance with applicable data protection laws. The Company processes such personal data for share administration purposes and to facilitate the running of any relevant meetings. You have the right to ask for access to any information that we hold about you and to correct any inaccuracies. For further details on how we process your information and for details of who you can contact for further information or to exercise your rights, please refer to the Privacy Policy found at https://www.richemont.com/

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