RICHEMONT

COMPANY ANNOUNCEMENT

4 November 2016

Richemont announces its unaudited consolidated results for the six month period ended 30 September 2016

Financial highlights

- Sales decreased by 13 % at actual exchange rates to € 5 086 million and by 12 % at constant exchange rates. Excluding exceptional inventory buy-backs, sales declined by 8 % at constant exchange rates
- Globally challenging environment and strong comparatives in Japan and Europe; continued positive momentum in mainland China
- Operating profit decreased by 43% to € 798 million after one-time charges of € 249 million
- Profit for the period decreased by 51% to € 540 million
- Cash flow from operations of € 666 million

Key financial data (unaudited)

	Six months ended 30 September 2016	Six months ended 30 September 2015	Change
Sales	**€ 5 086 m**	€ 5 821 m	-13%
Gross profit	**€ 3 230 m**	€ 3 786 m	-15%
Gross margin	**64%**	65%	-150 bps
Operating profit	**€ 798 m**	€ 1 390 m	-43%
Operating margin	**16%**	24%	-820 bps
Loss for the period from discontinued operations	**-**	€ (88) m	
Profit for the period	**€ 540 m**	€ 1 103 m	-51%
Earnings per share, diluted basis	**€ 0.955**	€ 1.949	-51%
Cash flow generated from operations	**€ 666 m**	€ 1 055 m	-37%
Net cash position	**€ 4 552 m**	€ 4 763 m	€ (211) m

Chairman’s commentary

Sales and profits for the six-month period ended 30 September 2016 were significantly below the prior year’s level, reflecting the difficult global environment, the exceptional inventory buy-backs and challenging comparative figures in the first half of the previous financial year.

Retail sales generated in our owned boutiques and online stores have generally outperformed the wholesale business. Positive developments in accessories and resilience in jewellery partly mitigated poor watch sales. From a geographic perspective, most markets experienced a slowdown in sales with the notable exceptions of mainland China, the UK and Korea.

A number of Maisons proactively assisted their multi-brand retail partners in order to improve the quality of their inventory by buying back slow moving pieces. This initiative, together with the optimisation of certain retail and wholesale locations, led to one-time charges of € 249 million. These, combined with lower sales and lower gross profit, contributed to a 43 % decline in operating profit. Excluding these one-time charges, operating profit would have declined by 25 %. Net profit is down 51 % compared to the prior period.

Richemont acted cautiously, protecting Group cash flow. Working capital requirements have been kept under control, limiting the decline in cash flow from operations. Net cash at 30 September 2016 amounted to € 4 552 million.

Concerning watches, we will look to deal with overcapacity issues, adapting manufacturing structures to the level of demand.

We remain convinced of the long-term prospects for high quality products, in particular for watches and jewellery. Our Maisons stand for timelessness, quality and craftsmanship - values that are particularly sought after in uncertain times. Richemont, with its portfolio of long-established Maisons, strong balance sheet and worldwide geographic footprint, is well positioned to weather the current difficult environment and emerge stronger when global circumstances improve.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 4 November 2016

Financial review

SALES

In the six-month period, sales decreased by 13% at actual exchange rates or by 12 % at constant exchange rates. Excluding buy-backs, sales decreased by 8 % in constant terms. The decrease reflected the weak demand for watches in general, as well as historically high comparatives and the impact of exceptional inventory buy-backs. The decline in watch sales was partly mitigated by demand for accessories and, to a lesser degree, for jewellery. While all regions posted lower sales, Asia Pacific reported a softer rate of decline, benefitting notably from good momentum in mainland China and Korea. Overall, the retail channel was more resilient than the wholesale channel. Further details of sales by region, distribution channel and business area are given below.

GROSS PROFIT

Gross profit decreased by 15 %, representing 64 % of sales. The 150 basis points margin decrease versus the prior period is largely explained by the inventory buy-backs. This negative impact was partly offset by the growing proportion of retail sales and a favourable exchange rate environment.

OPERATING PROFIT

Operating profit declined to € 798 million in the six-month period and the operating margin decreased to 16 %.

The 2 % increase in total operating expenses factors in a 1 % growth in selling and distribution costs linked, in particular, to higher rental and depreciation charges. These charges followed last year's net opening of 22 boutiques. Communication expenses increased by 4 % while "administration and other" costs grew by 1 %, inclusive of one-time charges of € 31 million.

Excluding all one-time charges of € 249 million relating to inventory buy-backs and distribution channels' optimisation, operating profit for the half year would have declined by 25 %.

PROFIT FOR THE PERIOD

Profit for the period decreased by 51 % to € 540 million. This reflects the reduction in operating profit and a reversal in net finance costs, which amounted to € 109 million compared to a net income of € 76 million in the prior period.

Earnings per share decreased by 51% to € 0.955 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 2016 would be € 530 million (2015: € 1 112 million). Basic HEPS for the period was € 0.940 (2015: € 1.972). Diluted HEPS for the period was € 0.937 (2015: € 1.968). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 10.3 of the Group's condensed consolidated interim financial statements.

CASH FLOW

Cash flow generated from operations amounted to € 666 million. At € 417 million, the absorption of cash for working capital in the current period was below last year (2015: € 558 million).

The net investment in tangible fixed assets during the period amounted to € 210 million, reflecting predominantly selective investments in the Maisons' network of boutiques.

The 2016 dividend of CHF 1.70 per share was paid to 'A' and 'B' shareholders and to South African Depository Receipt holders, net of withholding tax, in September. In the prior year, the equivalent dividend was paid to South African Depository Receipt holders in early October due to timing differences. The 35 % withholding tax on all dividends was remitted to the Swiss tax authorities in September. The cash outflow in the period amounted to € 878 million.

The Group acquired some 1.76 million 'A' shares during the six-month period to hedge executive stock options. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives and other activities related to the hedging programme, leading to a net outflow of € 67 million.

FINANCIAL STRUCTURE AND BALANCE SHEET

At 30 September 2016, inventories, at € 5 390 million, were broadly in line with the prior period representing 24 months of cost of sales.

At 30 September 2016, the Group's net cash position amounted to € 4 552 million. Compared with 31 March 2016, the position is € 787 million lower, partly reflecting the annual dividend payment. The Group's net cash position includes highly liquid, highly rated Money Market Funds, short-term bank deposits and medium-duration bond funds, primarily denominated in Swiss francs, euros and US dollars. Bank loans to finance local operating entities are denominated in their local currency.

Richemont's balance sheet remains strong, with shareholders' equity representing 73 % of total equity and liabilities.

Review of operations

Sales by region

in € millions	30 September 2016	30 September 2015	Movement at Constant exchange rates*	Movement at Actual exchange rates
Europe	**1 587**	1 943	-17%	-18%
Asia Pacific	**1 769**	1 972	-8%	-10%
Americas	**821**	883	-5%	-7%
Japan	**477**	534	-22%	-11%
Middle East and Africa	**432**	489	-10%	-12%
	5 086	5 821	-12%	-13%

* 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 2016.

EUROPE

Europe accounted for 31 % of overall sales. European countries saw a decline in sales after a strong performance in the prior period. France was particularly affected by a significantly lower level of tourist activity. The UK, however, enjoyed double digit growth rates in sales following the EU referendum.

ASIA PACIFIC

Sales in the Asia Pacific region accounted for 35 % of the Group total, with Hong Kong and mainland China being the two largest markets. The rate of sales decline has continued to soften to 8 % compared to a 17 % decrease in the prior period. The inventory buy-backs from retail partners weighed heavily on sales in the region. The overall decline was partly offset by continuing growth in mainland China and positive retail, jewellery and accessories sales in the region.

AMERICAS

The Americas experienced a 5 % decline in sales partly due to a strong US dollar. The weak performance of watch sales was somewhat mitigated by a positive momentum in accessories and resilient jewellery sales.

JAPAN

The strength of the yen, that weighed on tourist spending in the country, and the very high comparative figures of 44 % in the first half of last year contributed to a 22 % decline in sales. All product categories were impacted.

MIDDLE EAST AND AFRICA

Sales declined by 10 %, impacted by lower sales mainly as a result of strong currencies.

Sales by distribution channel

in € millions	30 September 2016	30 September 2015	Movement at Constant exchange rates*	Movement at Actual exchange rates
Retail	**2 971**	3 149	-5%	-6%
Wholesale	**2 115**	2 672	-20%	-21%
	5 086	5 821	-12%	-13%

* 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 2016.

RETAIL

The contribution of retail sales, through the Maisons' directly operated boutiques and online stores, has increased from 54 % of Group sales, a year ago, to 58 % given the relative strength of jewellery and accessories that are primarily sold through the Maisons' own boutiques.

Retail was affected by trading in Europe and Japan while Asia Pacific and the Americas showed muted growth. Overall, sales in the Maisons' 1 154 boutiques declined by 5 %.

WHOLESALE

The Group's wholesale business, including sales to franchise partners, declined by 20 %, particularly impacted by the above mentioned one-time items.

Sales and operating results by business area

JEWELLERY MAISONS

in € millions	30 September 2016	30 September 2015	Change
Sales	**2 755**	3 177	-13%
Operating results	**756**	1 101	-31%
Operating margin	**27.4%**	34.7%	-730 bps

The 13 % decline in sales at the Jewellery Maisons – Cartier, Van Cleef & Arpels and Giampiero Bodino – is primarily attributable to watches, significantly impacted by the initiative to assist multi-brand retail partners worldwide. Resilient jewellery sales limited the decline.

The operating result was 31 % lower than in the prior period, pressured by lower sales and the costs associated with the exceptional inventory buy-backs. This led to an operating margin of 27 %. Excluding these costs, the operating margin would have been 32 %.

SPECIALIST WATCHMAKERS

in € millions	30 September 2016	30 September 2015	Change
Sales	**1 445**	1 749	-17%
Operating results	**187**	402	-53%
Operating margin	**12.9%**	23.0%	–

The Specialist Watchmakers' sales decreased by 17 %. This largely reflected a difficult environment for watches, in particular in the wholesale channel.

The lower demand for fine watches, together with the adverse impact of inventory buy-backs and a relative fixed cost base, combined to reduce operating results by 53 %. Consequently, the operating margin for the period declined to 13 %.

OTHER

in € millions	30 September 2016	30 September 2015	Change
Sales	**886**	895	-1%
Operating results	**(40)**	(11)	+264%
Operating margin	**(4.5)%**	(1.2)%	-330 bps

'Other' includes Montblanc, the Group's Fashion and Accessories businesses and the Group's watch component manufacturing activities.

The reported operating losses include one-time charges of € 67 million stemming from the optimisation of certain retail and wholesale locations. Those one-time charges offset positive performances at Montblanc and Chloé.

CORPORATE COSTS

in € millions	30 September 2016	30 September 2015	Change
Corporate costs	**(105)**	(102)	+3%
Central support services	**(93)**	(95)	-2%
Other operating income/(expense), net	**(12)**	(7)	–

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.

Richard Lepeu
Chief Executive Officer

Gary Saage
Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 4 November 2016

Presentation

The results will be presented via a live audio webcast on 4 November 2016, starting at 09:00 (CET). The direct link is available from 07:00 (CET) at: https://www.richemont.com. The presentation may be viewed using a mobile device or from a browser.

- Live telephone connection: call one of these numbers 10 minutes before the start of the presentation:
    - Europe +41 (0) 58 310 50 00
    - USA +1 (1) 631 570 5613
    - UK +44 (0) 203 059 5862
    - South Africa +27 (0) 11 589 8373 / 0800 992 635 (toll free)
- An archive of the audio webcast will be available at 15:00 (CET) the same day from:
    - https://www.richemont.com/investor-relations/results-presentations.html
- A transcript of the audio webcast will be available on 8 November from:
    - https://www.richemont.com/investor-relations/results-presentations.html

Disclaimer

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.

Appendix 1

Consolidated statement of comprehensive income statement

	Six months to 30 September 2016 €m	Six months to 30 September 2015 €m
Sales	**5 086**	5 821
Cost of sales	**(1 856)**	(2 035)
Gross profit	**3 230**	3 786
Selling and distribution expenses	**(1 452)**	(1 440)
Communication expenses	**(485)**	(468)
Administrative expenses	**(476)**	(474)
Other operating expense	**(19)**	(14)
Operating profit	**798**	1 390
Finance costs	**(146)**	(79)
Finance income	**37**	155
Share of post-tax results of equity-accounted investments	**(10)**	(5)
Profit before taxation	**679**	1 461
Taxation	**(139)**	(270)
Profit for the period from continuing operations	**540**	1 191
Loss for the period from discontinued operations	**–**	(88)
Profit for the period	**540**	1 103
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial (losses)/gains	**(29)**	33
Tax on defined benefit plan actuarial (losses)/gains	**5**	(7)
	(24)	26
Items that are or may be reclassified subsequently to profit or loss		
Currency translation adjustments		
– movement in the period	**24**	(526)
Share of other comprehensive income of equity-accounted investments	**(3)**	–
	21	(526)
Other comprehensive loss, net of tax	**(3)**	(500)
Total comprehensive income	**537**	603
Profit attributable to:		
Owners of the parent company	**540**	1 101
Non-controlling interests	**–**	2
	540	1 103
Total comprehensive income attributable to:		
Owners of the parent company	**537**	601
– continuing operations	**537**	703
– discontinued operations	**–**	(102)
Non-controlling interests	**–**	2
	537	603
Earnings per share attributable to owners of the parent company during the period (expressed in € per share)		
From profit for the year		
Basic	**0.958**	1.952
Diluted	**0.955**	1.949
From continuing operations		
Basic	**0.958**	2.115
Diluted	**0.955**	2.112

Consolidated statement of cash flow

	Six months to 30 September 2016 €m	Six months to 30 September 2015 €m
Operating profit	**798**	1 390
Operating loss from discontinued operations	**–**	(79)
Depreciation of property, plant and equipment	**224**	222
Depreciation of investment property	**–**	1
Amortisation of other intangible assets	**46**	48
Loss on disposal of property, plant and equipment	**2**	2
Profit on disposal of intangible assets	**(12)**	(1)
Increase in long-term provisions	**16**	9
Decrease in retirement benefit obligations	**(1)**	(1)
Non-cash items	**10**	22
Increase in inventories	**(31)**	–
Increase in trade receivables	**(127)**	(241)
Increase in other receivables and prepayments	**(50)**	(48)
Decrease in current liabilities	**(160)**	(236)
Increase in long-term liabilities	**11**	7
Decrease in derivative financial instruments	**(60)**	(40)
Cash flow generated from operations	**666**	1 055
Interest received	**39**	26
Interest paid	**(36)**	(34)
Dividends received from equity-accounted investments	**1**	–
Taxation paid	**(214)**	(234)
Net cash generated from operating activities	**456**	813
Cash flows from investing activities		
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	**(2)**	(122)
Acquisition of equity-accounted investments	**(24)**	(9)
Acquisition of property, plant and equipment	**(220)**	(245)
Proceeds from disposal of property, plant and equipment	**10**	3
Acquisition of intangible assets	**(31)**	(37)
Proceeds from disposal of intangible assets	**13**	2
Investment in financial assets held at fair value through profit and loss	**(2 742)**	(3 753)
Proceeds from disposal of financial assets held at fair value through profit and loss	**2 575**	3 859
Acquisition of other non-current assets	**(18)**	(33)
Proceeds from disposal of other non-current assets	**8**	13
Net cash used in investing activities	**(431)**	(322)
Cash flows from financing activities		
Proceeds from borrowings	**89**	60
Repayment of borrowings	**(83)**	(116)
Dividends paid	**(878)**	(759)
Payment for treasury shares	**(95)**	(144)
Proceeds from sale of treasury shares	**28**	47
Acquisition of non-controlling interests in a subsidiary	**–**	(126)
Capital element of finance lease payments	**(1)**	(1)
Net cash used in financing activities	**(940)**	(1 039)
Net change in cash and cash equivalents	**(915)**	(548)
Cash and cash equivalents at the beginning of the period	**2 548**	3 152
Exchange losses on cash and cash equivalents	**(21)**	(88)
Cash and cash equivalents at the end of the period	**1 612**	2 516

Consolidated statement of financial position

	30 September 2016 €m	31 March 2016 €m
Assets		
Non-current assets		
Property, plant and equipment	**2 469**	2 476
Goodwill	**292**	291
Other intangible assets	**405**	421
Investment property	**12**	191
Equity-accounted investments	**1 267**	1 283
Deferred income tax assets	**759**	700
Financial assets held at fair value through profit or loss	**7**	7
Other non-current assets	**428**	398
	5 639	5 767
Current assets		
Inventories	**5 390**	5 345
Trade and other receivables	**1 176**	1 021
Derivative financial instruments	**21**	41
Prepayments	**175**	135
Financial assets held at fair value through profit or loss	**3 411**	3 247
Assets held for sale	**179**	–
Cash at bank and on hand	**4 128**	4 569
	14 480	14 358
Total assets	**20 119**	20 125
Equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	**334**	334
Treasury shares	**(458)**	(412)
Share option reserve	**295**	289
Cumulative translation adjustment reserve	**2 749**	2 725
Retained earnings	**11 725**	12 111
Total equity	**14 645**	15 047
Liabilities		
Non-current liabilities		
Borrowings	**384**	379
Deferred income tax liabilities	**17**	10
Employee benefits obligations	**315**	290
Provisions	**72**	79
Other long-term financial liabilities	**131**	124
	919	882
Current liabilities		
Trade and other payables	**1 414**	1 526
Current income tax liabilities	**235**	268
Borrowings	**87**	77
Derivative financial instruments	**110**	93
Provisions	**193**	211
Bank overdrafts	**2 516**	2 021
	4 555	4 196
Total liabilities	**5 474**	5 078
Total equity and liabilities	**20 119**	20 125

Interim report

The Richemont 2016 Interim Report will be available for download from the Group's website from 11 November 2016 at https://www.richemont.com/investor-relations/reports.html

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 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 2016 was CHF 59.20 and the market capitalisation of the Group's 'A' shares on that date was CHF 30 902 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 66.65 (20 April) and the lowest closing price was CHF 53.50 (27 June).