RICHEMONT

COMPANY ANNOUNCEMENT

7 November 2014

Richemont, the Swiss luxury goods group, announces its unaudited consolidated results for the six month period ended 30 September 2014

Financial highlights

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

Key financial data (unaudited)

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

Chairman's commentary

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

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

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

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

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

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

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

Johann P. Rupert.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 7 November 2014

Financial review

SALES

In the six-month period, sales increased by 2 % at actual exchange rates or by 4 % at constant exchange rates. The overall increase in sales reflected the international demand for jewellery, which grew by 10 % at constant exchange rates, partly offset by subdued demand for other goods. In regional terms, the markets in Europe and the Americas continued to report solid growth, whereas sales in Asia Pacific were broadly in line with the prior period. Further details of sales by region, distribution channel and business area are given in the Review of operations.

GROSS PROFIT

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

OPERATING PROFIT

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

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

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

PROFIT FOR THE PERIOD

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

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

Earnings per share decreased by 24 % to € 1.603 on a diluted basis. To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the period ended 30 September 2014 would be € 910 million (2013: € 1 191 million). Basic HEPS for the period was € 1.616 (2013: € 2.148). Diluted HEPS for the period was € 1.607 (2013: € 2.123). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 10 of the Group's condensed consolidated interim financial statements.

CASH FLOW

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

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

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

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

FINANCIAL STRUCTURE AND BALANCE SHEET

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

At 30 September 2014, the Group's net cash position amounted to € 4 276 million. This represented a decrease of € 383 million during the six-month period, which included the dividend payment. The Group's net cash position includes short-term liquid funds as well as cash, cash equivalents and all borrowings. Liquid bond funds and cash balances were primarily denominated in euros and Swiss francs, whereas borrowings to finance local operating assets are denominated in the currencies of the countries concerned. Richemont's balance sheet remains strong, with shareholders' equity representing 70 % of total equity and liabilities.

Review of operations

Sales by region

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

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2014.

EUROPE, INCLUDING MIDDLE EAST AND AFRICA

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

ASIA PACIFIC

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

AMERICAS

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

JAPAN

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

Sales by distribution channel

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

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2014.

RETAIL

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

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

WHOLESALE

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

Sales and operating results by business area

JEWELLERY MAISONS

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

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

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

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

SPECIALIST WATCHMAKERS

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

The Specialist Watchmakers' sales increased by 2 % overall.

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

OTHER

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

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

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

CORPORATE COSTS

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

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central support services), as well as other expenses and income which are not allocated to specific business areas.

Bernard Fornas
Co-Chief Executive Officer

Richard Lepeu
Co-Chief Executive Officer

Gary Saage
Chief Financial Officer

Compagnie Financière Richemont SA
Geneva, 7 November 2014

Condensed consolidated statement of financial position

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

Condensed consolidated statement of comprehensive income

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

Condensed consolidated statement of cash flows

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

Presentation

The results will be presented via a live audio webcast on 7 November 2014, 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.

- 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) 866 291 4166 (toll free)
  - UK +44 (0) 203 059 5862
  - South Africa 0800 992 635 (toll free)
- An archive of the audio webcast will be available at 14:00 (CET) the same day from:
  - https://www.richemont.com/investor-relations/results-presentations.html
- A transcript of the audio webcast will be available on 10 November from:
  - https://www.richemont.com/investor-relations/results-presentations.html

Interim report

The Richemont 2014 Interim Report will be published on 14 November 2014 and will be available for download from the Group's website at https://www.richemont.com/investor-relations/reports.html . Copies may be obtained from the Company's registered office or by contacting the Company via the website at https://www.richemont.com/about-richemont/contact.html .

Statutory information

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office

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

Registrar

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

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Matthew Kilgarriff
Company Secretary

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

Investor contact

Sophie Cagnard
Head of Investor Relations

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

Media contact

Alan Grieve
Director of Corporate Affairs

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

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

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

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