Richemont

Interim Report 2009

Contents

Financial highlights

- Sales decreased by 15 per cent to € 2 379 million.
- Operating profit decreased by 39 per cent to € 390 million.
- Profit from continuing operations decreased by 36 per cent to € 345 million.
- Cash generated by the Group's operations was € 321 million; net cash at 30 September 2009 amounted to € 902 million.

OVERVIEW

The six months ended 30 September 2009 represent the first complete reporting period for Richemont as a focused luxury goods group; subsequent to the restructuring effected in October 2008. The comparative period has therefore been re-presented in respect of discontinued operations, most notably the Group's former interest in British American Tobacco p.l.c.

The luxury goods industry has faced very adverse trading conditions since October 2008. As anticipated, the Group's sales and results for the period under review were significantly lower than the comparative six-month period.

SALES

Sales decreased by 15 per cent to € 2 379 million, reflecting the difficult trading environment in most major markets. The significant sales decreases in the Americas region, in Europe and Japan were partly offset by continuing growth in the Asia-Pacific region. Sales through the Group's own boutique network were generally more resilient than wholesale sales. At constant exchange rates, Group sales decreased by 20 per cent.

OPERATING PROFIT

Operating profit decreased by 39 per cent to € 390 million. The decrease reflected the significant decline in sales and gross profit, which was only partly offset by operating cost reductions. Consequently, the operating profit margin fell from 22.7 per cent in the comparative period to 16.4 per cent in the period under review.

PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations declined by 36 per cent to € 345 million. Earnings per share from continuing operations on a diluted basis declined by 35 per cent to € 0.623 per share.

CASH POSITION

Cash generated by the Group's operations during the period amounted to € 321 million. The net cash position at 30 September 2009 amounted to € 902 million, an increase of € 80 million compared to the position at 31 March 2009.

Executive Chairman's commentary

OVERVIEW

Since October 2008, the luxury goods industry has faced extremely difficult trading conditions in most of its markets as the financial crisis extended into the broader economy. These difficulties have continued to impact Richemont's sales and profitability during the first six months of this financial year and comparisons reflect the fact that the six-month period ended 30 September 2008 was a record one for the Group in terms of both sales and profitability. Although sales for the six months under review are significantly below the prior year, we have rigorously controlled expenditure and slowed production in order to limit the decline in profitability.

By cutting back production we were able to avoid a build-up of finished goods inventory in the Group's own wholesale distribution network. This was achieved even as our retail partners in the watch business have been de-stocking. Wherever possible, we have cut production without triggering redundancies amongst our skilled workforce. The Group's working capital has been kept under strict control and maintaining cash flow has been a key consideration. At 30 September 2009, the Group's net cash position amounted to some € 900 million; € 80 million above the level of 31 March.

Over the period under review, the rate of decline in sales through both retail and wholesale channels has slowed. Retail sales over the period have generally been much less impacted by the crisis than the wholesale business. At actual rates, sales through our own boutiques reached a low point of -10 per cent in June this year, with the decline limited to single figures since then.

Although western economies, most notably the United States, have been badly hit, the Asia-Pacific region has proved resilient, with the Group's sales in that region being above the prior year's level since July.

CURRENT TRADING AND OUTLOOK

The decline in sales for the month of October across all regions was 10 per cent at actual rates. The Asia-Pacific region saw sales 11 per cent above the prior year, although this was more than compensated by the Americas, Japan and Europe, which all reported lower figures. Cartier performed well in Asia, with a double-digit growth in sales in the month. Overall, the Group's retail sales for the month were 2 per cent below last year.

These performances were achieved against the less challenging comparative figures reported in October 2008. A cause for concern remains the significant weakening of the dollar and, to a lesser extent, the yen against the euro over recent months. These currency trends will have a negative impact on the Group's results for the second half of the year.

We remain cautious as to the sustainability of the improving economic outlook that we are seeing today and are prepared for a long recovery process. However, the Group's Maisons possess the heritage, creative expertise, products and manufacturing resources – linked to the financial backing of Richemont – which will allow them to emerge from this recession stronger than before. Although we will continue to plan for difficult market conditions, Richemont is well prepared to reap the benefits of improved economic circumstances in the years ahead.

JOHANN RUPERT
EXECUTIVE CHAIRMAN
GENEVA, 13 NOVEMBER 2009

Business review

Overview

in € millions	September 2009	September 2008 re-presented	
Sales	**2 379**	2 796	-15 %
Cost of sales	**(915)**	(1 008)	
Gross profit	**1 464**	1 788	-18 %
Net operating expenses	**(1 074)**	(1 153)	-7 %
Selling and distribution expenses	**(598)**	(600)	–
Communication expenses	**(204)**	(294)	-31 %
Administration expenses	**(259)**	(264)	-2 %
Other operating (expense)/income	**(13)**	5	n/a
Operating profit	**390**	635	-39 %

SALES

Sales during the six-month period decreased by 15 per cent to € 2 379 million. This performance reflected the challenging trading conditions which began a year ago. Up until 30 September 2008, the Group had seen record levels of sales and profitability. During the period under review, wholesale sales in those regions most affected by the economic crisis were particularly depressed as trade partners sought to reduce their inventory levels. Sales through the Group's own boutique network were generally more resilient. Sales at all of the Group's Maisons were impacted by these adverse trading conditions. In regional terms, the Americas, Japan and European markets all reported very significant sales decreases. These sales declines were only partly offset by the Asia-Pacific region, where reported sales were higher.

During the period under review, sales benefited from favourable exchange rate movements, in particular the US dollar and the Japanese yen. In constant currency terms, overall sales decreased by 20 per cent.

GROSS PROFIT

The gross margin percentage declined by 2.5 points to 61.5 per cent of sales. The lower margin reflected the strengthening of the Swiss franc during the period, lower levels of manufacturing capacity utilisation and an increase in inventory provisions. The Swiss franc is of particular importance to Richemont, with a large part of the Group's cost of sales being generated in Switzerland, where the majority of its watchmaking facilities are located. The lower gross margin percentage, combined with the decrease in the value of sales, led to a gross profit decrease of 18 per cent.

NET OPERATING EXPENSES

Net operating expenses decreased by 7 per cent overall. Selling and distribution expenses were in line with the prior period, with cost reductions from the existing network offset by the additional costs of boutiques opened over the past 18 months, particularly in the Asia-Pacific region. The 31 per cent decrease in respect of communication costs partly reflected the timing of the annual Salon International de la Haute Horlogerie ('SIHH') event, in respect of which there was no charge during the period under review. Administration costs were marginally lower.

OPERATING PROFIT

Compared to last year's record levels, operating profit decreased by 39 per cent to € 390 million. The operating margin decreased by 6.3 percentage points to 16.4 per cent in the period under review.

INTERIM FINANCIAL STATEMENTS

The unaudited consolidated interim financial statements are presented from page 10 of this report. Where appropriate, comparative figures have been re-presented to conform with changes in presentation in the current period. This primarily relates to discontinued operations.

Business review continued

Analysis of sales and operating results by business area

Sales and the operating results of the Group's main areas of activity were as follows:

in € millions	September 2009	September 2008 re-presented	
Sales			
Jewellery Maisons	**1 222**	1 420	-14 %
Specialist Watchmakers	**655**	794	-17 %
Writing instrument Maison	**238**	282	-16 %
Other	**264**	300	-12 %
Total sales	**2 379**	2 796	-15 %
Operating results			
Jewellery Maisons	**349**	446	-22 %
Specialist Watchmakers	**133**	233	-43 %
Writing instrument Maison	**29**	31	-6 %
Other	**(28)**	(10)	n/a
	483	700	-31 %
Corporate costs	**(93)**	(65)	+43 %
Central support services	**(68)**	(72)	-6 %
Other operating (expense)/income, net	**(25)**	7	n/a
Operating profit	**390**	635	-39 %

BUSINESS AREAS

In accordance with International Financial Reporting Standards 8, *Operating Segments*, the Group has reduced the total number of reportable segments from five to four. Alfred Dunhill and Lancel, formerly reported as the 'Leather and Accessories Maisons' segment, are reported within 'Other' with effect from 1 April 2009. Comparative periods have been re-presented accordingly. Consequently, this segment now includes all of the Group's Fashion and Accessories businesses, as well as the Group's watch component manufacturing activities.

JEWELLERY MAISONS

Cartier reported lower sales through its own network of boutiques and a more pronounced decline in sales to third party retailers, including franchise partners. Notwithstanding the decline in overall sales, demand remained resilient for bijoux and bridal jewellery, as well as high jewellery watches and the *Ballon Bleu* range of watches.

Van Cleef & Arpels reported lower sales overall, particularly in the important US market. Nevertheless, the Maison saw strong growth in the Asia-Pacific and Middle East regions.

The Jewellery Maisons' sales decreased by 14 per cent and operating profit decreased by 22 per cent to € 349 million. The operating margin for the business area decreased from 31 per cent in the comparative period to 29 per cent.

SPECIALIST WATCHMAKERS

Whilst certain of the Group's specialist watchmakers have internal boutiques in a limited number of markets, the great majority of sales to final customers are made through third party retailers. Many such retailers have prudently reduced their inventories during the last 12 months, largely by ordering less new stock. Consequently, the Group's specialist watchmakers' sales decreased by 17 per cent and operating profit decreased by 43 per cent. The operating margin, at 20 per cent of sales, was 9 percentage points lower than the comparative period, primarily due to the reductions in gross margin. The favourable one-off impact on profit arising from the timing of the SIHH event was partially offset by a one-off charge relating to the Roger Dubuis business.

Despite the significant decrease in sales, the specialist watchmaking Maisons reported continuing demand for both existing models and the new collections presented at the 2009 SIHH in Geneva. Sales were most resilient at Vacheron Constantin, in part attributable to its new *Patrimony* collection. Piaget's *Polo FortyFive* watch anniversary collection enjoyed good demand and the Maison's well-developed distribution network in the Asia-Pacific region helped offset weaker trading elsewhere. Jaeger-LeCoultre's *Hybris Mechanica à Grande Sonnerie*, with its 26 complications, marked another watchmaking achievement and complemented that Maison's other collections. Officine Panerai's *Manifattura* collection, featuring new in-house movements, accounted for a growing proportion of the Maison's sales. Demand for IWC's classic *Pilot* and *Portuguese* lines was resilient and new lines were well received. Lange & Söhne's *Zeitwerk* introduced further technological innovations to fine watchmaking and drew further attention to this German Maison. Sales at Baume & Mercier were particularly exposed to the de-stocking phenomenon described above. Nevertheless, the Maison continued to strengthen its collections during the period.

WRITING INSTRUMENT MAISON

Compared to the prior period, Montblanc's wholesale sales declined, due largely to de-stocking by third party retailers in some markets as well as the closure of certain marginal points of sale compared to the prior period. The decline in wholesale sales was offset to some extent by low sales growth through Montblanc's own boutique network.

Operating profit decreased by 6 per cent to € 29 million, while the Maison's operating margin remained relatively stable at 12 per cent.

OTHER

Among the Group's Fashion and Accessories businesses, Alfred Dunhill reported flat sales during the period, with sales growth in the Asia-Pacific region being offset by lower sales in other regions. Alfred Dunhill's operating losses decreased compared to the prior period. Chloé reported lower sales in the period, resulting in a decrease in operating profit. Lancel reported flat sales of its leather goods collections, with higher sales through its own network of boutiques offset by weaker demand through wholesale channels. Lancel's operating losses for the six months were lower than the comparative period's. Other Fashion and Accessories businesses in this segment include Shanghai Tang, Maison Alaïa and Purdey.

As a consequence of the dramatic slowdown in demand, the Group's watch component manufacturing activities reported a significant decrease in sales to external customers. The loss reported from 'Other' businesses stems principally from the Group's watch component manufacturing activities.

CORPORATE COSTS

Corporate expenses principally represent the costs of central management, marketing support and other central functions, as well as other expenses and income which are not allocated to specific business areas, including foreign exchange hedging gains and losses. Central support service expenses declined by 6 per cent to € 68 million. Other operating expenses included non-allocated losses relating to the Group's regular hedging programmes in the amount of € 19 million. In the comparative period, the hedging activities had generated gains of € 11 million.

OPERATING PROFIT

Operating profit for the period decreased by 39 per cent to € 390 million and the operating profit margin decreased from 22.7 per cent to 16.4 per cent.

Business review continued

Sales by region

in € millions	September 2009	September 2008 re-presented	Movement at Constant exchange rates	Movement at Actual exchange rates
Europe	**995**	1 255	-21 %	-21 %
Asia-Pacific	**771**	729	-2 %	+6 %
Americas	**325**	497	-39 %	-35 %
Japan	**288**	315	-25 %	-9 %
	2 379	2 796	-20 %	-15 %

EUROPE

Sales in European markets decreased by 21 per cent overall, reflecting challenging economic conditions throughout the region's markets. The European region accounted for 42 per cent of total Group sales.

ASIA-PACIFIC

This region reported sales growth of 6 per cent, with higher levels of sales in mainland China partly offset by lower sales in most other markets. During the period, sales in the region represented 32 per cent of Group turnover. The mainland China market represented 8 per cent of sales. At constant exchange rates, sales in the entire region declined by 2 per cent.

AMERICAS

Sales in the Americas region declined by 35 per cent. This reflected the economic climate in the US market in particular. All of the Group's larger Maisons reported significantly lower sales in the region, which accounted for 14 per cent of total Group sales.

JAPAN

Luxury businesses continue to face adverse market conditions in Japan and the Group's sales were down by 25 per cent in yen terms. In euro terms, the decrease was largely offset by exchange rate movements. The domestic Japanese market accounted for 12 per cent of total Group sales.

Sales by distribution channel

in € millions	September 2009	September 2008 re-presented	
Retail	**1 035**	1 108	-7 %
Wholesale	**1 344**	1 688	-20 %
	2 379	2 796	-15 %

RETAIL

Retail sales decreased by 7 per cent to € 1 035 million. During the six-month period, the overall retail network of Group-owned boutiques remained stable at 798 boutiques. Store openings in growing markets, such as China, were offset by the closure of boutiques in markets where demand was weaker. In terms of retail distribution, at the end of September there were a total of 1 402 boutiques; 604 of which were operated under franchise agreements.

WHOLESALE

Wholesale sales decreased by 20 per cent during the six-month period. The decline reflected de-stocking among external watch retailers in particular. Sales to franchise partners are treated as wholesale sales.

Summary income statement and results from discontinued operations

in € millions	September 2009	September 2008 re-presented
Operating profit – continuing operations	**390**	635
Net finance income	**24**	15
Profit before taxation	**414**	650
Taxation	**(71)**	(110)
Share of post-tax results of associated undertakings	**2**	1
Profit from continuing operations	**345**	541
(Loss)/profit from discontinued operations	**(1)**	319
Profit for the period	**344**	860
Attributable to shareholders	**344**	862
Attributable to minority interests	**–**	(2)
Profit for the period	**344**	860
Earnings per share from continuing operations – diluted basis	**€ 0.623**	€ 0.961

NET FINANCE INCOME

Net finance income amounted to € 24 million in the period under review. This largely reflected net gains on foreign exchange rate hedging instruments. Interest income on deposits was offset by interest on borrowings.

TAXATION

The Group's effective taxation rate was 17 per cent, reflecting the anticipated full-year rate.

ASSOCIATED COMPANIES

The Group has a number of smaller investments which are classified as associated companies. These associated companies have no material impact on the Group's financial statements.

PROFIT FOR THE PERIOD

Profit from continuing operations amounted to € 345 million, representing a decrease of 36 per cent.

Profit from discontinued operations for the six-month period ended 30 September 2008 included the Group's share of the results of British American Tobacco ('BAT'), which amounted to € 320 million. These results were partly offset by losses from a small business unit, which was disposed of during the six months under review.

Profit for the period under review, including continuing and discontinued operations, was € 344 million compared with profit in the prior period of € 860 million. The decrease reflected the lower profit from continuing operations as well as the discontinuance of the income from the investment in BAT and other assets transferred to Reinet Investments in October 2008 as part of the Group restructuring.

EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Total diluted earnings per share, including profit from discontinued operations, decreased by 59 per cent from € 1.525 to € 0.621. Diluted earnings per share from continuing operations decreased by 35 per cent from € 0.961 to € 0.623.

Business review continued

Cash flow

in € millions	September 2009	September 2008 re-presented*
Operating profit including losses from discontinued operations	389	634
Depreciation, amortisation and other items, net	160	104
Increase in working capital	(228)	(514)
Cash generated from operations	321	224
Dividends received from associate	–	342
Net financial income	–	32
Taxation paid	(59)	(84)
Net acquisitions of fixed assets	(59)	(137)
Net cash flow in respect of short-term government bond funds	118	–
Other investing activities, net	35	(160)
Net cash inflow before financing activities	356	217
Dividends paid to shareholders, net of withholding tax	(71)	(437)
Net cash flow in respect of treasury units and shares	(117)	(37)
Decrease in borrowings and other financing activities	(34)	(4)
Net change in cash and cash equivalents	134	(261)
Cash and cash equivalents at the beginning of period	1 363	1 771
Reclassification of government bond funds	(956)	–
Exchange rate effects	3	(19)
Cash and cash equivalents at the end of period	544	1 491
Short-term government bond funds	838	–
Borrowings	(480)	(564)
Net cash	902	927

*Cash flow re-presented only for IAS 38, *Intangible Assets*, not for discontinued operations.

The Group's net cash position increased from € 822 million at 31 March 2009 to € 902 million at 30 September 2009: an increase of € 80 million.

During the period, cash generated from operations amounted to € 321 million. The decrease in operating profit was more than offset by a smaller increase in working capital requirements during the period from 31 March 2009: € 228 million compared to € 514 million in 2008. The € 228 million increase in working capital included a modest decrease in inventories. This compared with a very significant increase in inventories during the prior period. A € 158 million increase in debtor balances during the period under review, reflecting the volume of sales, was also significantly lower than the comparative period, primarily due to the lower level of trading. These favourable movements were partly offset by reductions in non-trade creditor balances.

Dividends received from associate in the comparative period related to the Group's discontinued interest in British American Tobacco.

Investing activities reported during the period included a net movement of € 118 million in respect of short-term Government Bond Funds. Previously classified as part of cash and cash equivalents, these funds remain an important and secure element of the Group's net cash position.

The 2009 dividend, at CHF 0.30 per share, was paid to shareholders in September. Net of withholding tax, which was remitted to the Swiss authorities in October, this amounted to € 71 million. The 2008 dividends included payments to Richemont SA participation certificate holders prior to the Group restructuring.

During the period under review, the Group bought back 10 million 'A' shares in the market in order to hedge stock option grants. The share buy-back was implemented largely to hedge the Group's increased exposure in respect of its own shares linked to the restructuring effected in 2008. The gross cost of these purchases, at € 153 million, was partly offset by proceeds from the exercise of stock options by executives, leading to a net cash outflow of € 117 million.

Summarised balance sheet

in € millions	30 September 2009	31 March 2009
Non-current assets		
Fixed assets	1 458	1 534
Other non-current assets	617	642
	2 075	2 176
Net current assets excluding cash and cash equivalents	2 270	2 028
Inventories	2 366	2 422
Debtors and other current assets	952	781
Current liabilities	(1 048)	(1 175)
Other non-current liabilities excluding borrowings	(173)	(191)
Net operating assets	4 172	4 013
Net cash	902	822
Cash and cash equivalents	544	1 363
Short-term government bond funds	838	–
Borrowings	(480)	(541)
	5 074	4 835
Equity		
Shareholders' equity	5 070	4 832
Minority interests	4	3
	5 074	4 835

Net current assets increased by € 242 million compared to March 2009. The value of net inventories decreased by 2 per cent to € 2 366 million. The inventory decrease largely reflects efforts to reduce the output of finished goods, particularly watches, and to reduce other inventories. In terms of stock rotation, this inventory reduction was more than offset by the trading slowdown: consequently, the inventory rotation rate in the six-month period slowed by 1.6 months to 20.3 months. During the period since 31 March 2009, trade debtor balances increased, reflecting the timing of wholesale sales. However, debtor balances were broadly in line with the level seen at 30 September 2008.

At 30 September 2009, net cash amounted to € 902 million: an increase of € 80 million over the six-month period. The Group's holdings of short-term government bond funds, which were reported within cash and cash equivalents at 31 March 2009, were reclassified as a distinct asset class with effect from April 2009. Cash balances were primarily denominated in euros, whereas borrowings were spread across the principal currencies of the countries in which the Group has significant operations, namely, euros, yen, US dollars, Hong Kong dollars and Chinese renminbi. Borrowings reflect the financing of net operating assets in the countries concerned.

The unaudited consolidated interim financial statements are set out in full on the following pages.

NORBERT PLATT
GROUP CHIEF EXECUTIVE OFFICER

RICHARD LEPEU
GROUP FINANCE DIRECTOR

COMPAGNIE FINANCIÈRE RICHEMONT SA
GENEVA, 13 NOVEMBER 2009

Consolidated statement of financial position

	Note	30 September 2009 € m	31 March 2009 € m
Assets			
Non-current assets			
Property, plant and equipment		**1 082**	1 148
Intangible assets		**376**	386
Investments in associated undertakings		**19**	14
Deferred income tax assets		**324**	305
Financial assets held at fair value through profit or loss		**92**	143
Other non-current assets		**182**	180
		2 075	2 176
Current assets			
Inventories		**2 366**	2 422
Trade and other receivables		**800**	672
Derivative financial instruments		**63**	18
Prepayments and accrued income		**89**	80
Assets of disposal groups held for sale		**–**	11
Financial assets held at fair value through profit or loss	*10*	**838**	–
Cash at bank and on hand		**1 029**	2 032
		5 185	5 235
Total assets		**7 260**	7 411
Equity and liabilities			
Equity			
Share capital		**334**	334
Treasury shares		**(266)**	(195)
Hedge and share option reserves		**174**	90
Cumulative translation adjustment reserve		**126**	124
Retained earnings		**4 702**	4 479
Total shareholders' equity		**5 070**	4 832
Minority interest		**4**	3
Total equity		**5 074**	4 835
Liabilities			
Non-current liabilities			
Borrowings		**209**	77
Deferred income tax liabilities		**63**	78
Retirement benefit obligations		**37**	39
Provisions		**42**	40
Other long-term liabilities		**31**	34
		382	268
Current liabilities			
Trade and other payables		**464**	545
Current income tax liabilities		**216**	172
Borrowings		**30**	188
Derivative financial instruments		**38**	123
Provisions		**94**	117
Accruals and deferred income		**236**	218
Short-term loans		**241**	276
Bank overdrafts		**485**	669
		1 804	2 308
Total liabilities		**2 186**	2 576
Total equity and liabilities		**7 260**	7 411

The notes on pages 14 to 20 are an integral part of these consolidated interim financial statements.

Consolidated statement of comprehensive income

	Notes	Six months to 30 September 2009 € m	Six months to 30 September 2008 re-presented € m
Continuing operations			
Sales	4	**2 379**	2 796
Cost of sales		**(915)**	(1 008)
Gross profit		**1 464**	1 788
Selling and distribution expenses		**(598)**	(600)
Communication expenses		**(204)**	(294)
Administrative expenses		**(259)**	(264)
Other operating (expense)/income	5	**(13)**	5
Operating profit		**390**	635
Finance costs	6	**(37)**	(100)
Finance income	6	**61**	115
Share of post-tax profit of associated undertakings		**2**	1
Profit before taxation		**416**	651
Taxation	8	**(71)**	(110)
Profit from continuing operations		**345**	541
Discontinued operations			
(Loss)/profit from discontinued operations (net of tax)	14	**(1)**	319
Profit for the period		**344**	860
Other comprehensive income			
Currency translation adjustments		**2**	18
Cashflow hedges			
– net gains/(losses)		**34**	(34)
– reclassification to profit or loss		**20**	(11)
Share of other comprehensive income of associate		**–**	32
Other comprehensive income, net of tax		**56**	5
Total comprehensive income		**400**	865
Profit attributable to:			
Owners of parent		**344**	862
Minority interest		**–**	(2)
		344	860
Total comprehensive income attributable to:			
Owners of parent		**400**	867
Minority interest		**–**	(2)
		400	865
Earnings per share for profit and (loss)/profit from discontinued operations attributable to shareholders during the period (expressed in € per share)			
Basic:			
– from continuing operations	7	**0.624**	0.969
– from discontinued operations	7	**(0.002)**	0.570
		0.622	1.539
Diluted:			
– from continuing operations	7	**0.623**	0.961
– from discontinued operations	7	**(0.002)**	0.564
		0.621	1.525

The notes on pages 14 to 20 are an integral part of these consolidated interim financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders						Minority interest	Total equity
	Shareholders' capital € m	Treasury shares € m	Other reserves € m	Cumulative translation adjustment reserve € m	Retained earnings € m	Total € m	€ m	€ m
Balance at 1 April 2008	979	(268)	176	(348)	7 076	7 615	4	7 619
Changes in equity to 30 September 2008:								
Total comprehensive income	–	–	(45)	18	894	867	(2)	865
Minority interest in business combinations	–	–	–	–	–	–	6	6
Net changes in treasury shares	–	(30)	–	–	(8)	(38)	–	(38)
Employee share option plan	–	–	15	–	–	15	–	15
Dividends paid	–	–	–	–	(437)	(437)	–	(437)
Balance at 30 September 2008	979	(298)	146	(330)	7 525	8 022	8	8 030
Balance at 1 April 2009	**334**	**(195)**	**90**	**124**	**4 479**	**4 832**	**3**	**4 835**
Changes in equity to 30 September 2009:								
Total comprehensive income	**–**	**–**	**54**	**2**	**344**	**400**	**–**	**400**
Minority interest in business combinations	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Net changes in treasury shares	**–**	**(71)**	**–**	**–**	**(12)**	**(83)**	**–**	**(83)**
Employee share option plan	**–**	**–**	**24**	**–**	**–**	**24**	**–**	**24**
Tax on share option plan	**–**	**–**	**6**	**–**	**–**	**6**	**–**	**6**
Dividends paid	**–**	**–**	**–**	**–**	**(109)**	**(109)**	**–**	**(109)**
Balance at 30 September 2009	**334**	**(266)**	**174**	**126**	**4 702**	**5 070**	**4**	**5 074**

The notes on pages 14 to 20 are an integral part of these consolidated interim financial statements.

Consolidated statement of cash flows

	Notes	Six months to 30 September 2009 € m	Six months to 30 September 2008 € m
Cash flows from operating activities			
Cash flow generated from operations	9	**321**	224
Interest received		**9**	51
Interest paid		**(15)**	(19)
Other investment income		**6**	–
Dividends from associated undertaking		**–**	342
Taxation paid		**(59)**	(84)
Net cash generated from operating activities		**262**	514
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	13	**(20)**	(121)
Acquisition of associated undertakings		**(4)**	(1)
Acquisition of property, plant and equipment		**(50)**	(124)
Proceeds from disposal of property, plant and equipment		**2**	2
Acquisition of intangible assets		**(12)**	(15)
Proceeds from disposal of intangible assets		**1**	–
Investment in short-term government bond funds	10	**(2)**	–
Proceeds from disposal of short-term government bond funds	10	**120**	–
Acquisition of other non-current assets		**(7)**	(44)
Proceeds from disposal of other non-current assets		**66**	6
Net cash generated from/(used in) investing activities		**94**	(297)
Cash flows from financing activities			
Proceeds from borrowings		**171**	144
Repayment of borrowings		**(203)**	(146)
Dividends paid	12	**(71)**	(437)
Payment for treasury shares		**(155)**	(49)
Proceeds from sale of treasury shares		**38**	12
Capital element of finance lease payments		**(2)**	(2)
Net cash used in financing activities		**(222)**	(478)
Net change in cash and cash equivalents		**134**	(261)
Cash and cash equivalents at beginning of period		**1 363**	1 771
Reclassification of government bond funds	10	**(956)**	–
Exchange gains/(losses) on cash and cash equivalents		**3**	(19)
Cash and cash equivalents at end of period		**544**	1 491

The notes on pages 14 to 20 are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements
at 30 September 2009

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 luxury goods interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Lancel, Chloé and Azzedine Alaïa.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are listed and traded on the SIX Swiss Exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont shares are traded on the Johannesburg stock exchange operated by JSE Limited.

These unaudited consolidated interim financial statements have been approved for issue by the Board of Directors on 12 November 2009.

2. Basis of preparation

This interim financial information for the half year ended 30 September 2009 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. The interim financial report should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2009.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3. Accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 March 2009 except as described below. There are no new standards, amendments to standards or interpretations which are mandatory for the financial year ending 31 March 2010 that will have a material effect on the Group's consolidated net income and financial position. IAS 1 (amended), *Presentation of Financial Statements* and IFRS 8, *Operating Segments* both became effective 1 January 2009.

IAS 1 (amended), *Presentation of Financial Statements* primarily affects the presentation of owner changes in equity and of comprehensive income. The Group has adopted a single statement presentation of comprehensive income, effectively combining both the income statement and all non-owner changes in equity in a single statement.

IFRS 8, *Operating Segments* introduces a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Under this standard 'Other' now includes the Leather and Accessories Maisons. The quantitative information on net segment assets has now been replaced with information on inventories and trade receivables.

4. Segment information

(a) Information on reportable segments

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

- **Jewellery Maisons –** businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels;
- **Specialist Watchmakers –** businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's specialist watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC, Baume & Mercier and Roger Dubuis;
- **Writing Instrument Maison –** business whose primary activity includes the design, manufacture and distribution of writing instruments, namely Montblanc; and
- **Other –** other operations mainly comprise Alfred Dunhill, Lancel, Chloé, textile brands and other manufacturing entities.

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

The non-separable costs of operating multi-brand regional platforms are allocated to individual operating segments using allocation keys most relevant to the nature of the expense being allocated.

Unallocated corporate costs represent the costs of the Group's corporate operations which are not attributed to the segments.

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

Inter-segment transactions are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions. Inter-segment transactions within the same fiscal entity are transacted at cost. All such transactions are eliminated in the reports reviewed by the Chairman's Committee.

4. Segment information continued

(a) Information on reportable segments continued

The segment results are as follows:

	Six months to 30 September 2009 € m	Six months to 30 September 2008 re-presented € m
External sales		
Jewellery Maisons	**1 222**	1 420
Specialist Watchmakers	**655**	794
Writing Instrument Maisons	**239**	286
Writing Instrument Maison – impact of discontinued operations	**(1)**	(4)
Other	**264**	300
	2 379	2 796

	Six months to 30 September 2009 € m	Six months to 30 September 2008 re-presented € m
Operating result from continuing operations		
Jewellery Maisons	**349**	446
Specialist Watchmakers	**133**	233
Writing Instrument Maison	**29**	31
Other	**(28)**	(10)
Operating profit from reportable segments	**483**	700
Unallocated corporate costs	**(93)**	(65)
Consolidated operating profit before finance and tax	**390**	635
Finance costs	**(37)**	(100)
Finance income	**61**	115
Share of post-tax profit of associated undertakings	**2**	1
Profit before taxation	**416**	651
Taxation	**(71)**	(110)
Profit from continuing operations	**345**	541
(Loss)/profit from discontinued operations (note 14)	**(1)**	319
Profit for the period	**344**	860

The segment assets and additions to non-current assets which are reviewed by the Chairman's Committee comprise inventories and trade debtors and are as follows:

	At 30 September 2009 € m	At 30 September 2008 € m
Segment assets		
Jewellery Maisons	**1 505**	1 564
Specialist Watchmakers	**915**	928
Writing Instrument Maisons	**325**	367
Other	**254**	298
	2 999	3 157
Total assets for reportable segments	**2 999**	3 157
Property, plant and equipment	**1 082**	1 040
Intangible assets	**376**	363
Investments in associated undertakings	**19**	3 055
Deferred income tax assets	**324**	273
Financial assets at fair value through profit or loss	**930**	104
Other non-current assets	**182**	188
Other receivables	**167**	181
Derivative financial instruments	**63**	6
Prepayments and accrued income	**89**	135
Cash at bank and on hand	**1 029**	2 131
Total assets	**7 260**	10 633

Notes to the consolidated interim financial statements continued

4. Segment information continued

(a) Information on reportable segments continued

Other segment information is as follows:

	Six months to 30 September 2009 € m	Six months to 30 September 2008 € m
Additions to non-current assets: property, plant, equipment and intangible assets		
Jewellery Maisons	**21**	35
Specialist Watchmakers	**18**	35
Writing Instrument Maisons	**5**	12
Other	**9**	32
Unallocated	**5**	25
	58	139

(b) Information about geographical areas

Each reporting segment operates on a world-wide basis. External sales presented in the three main geographical areas where the Group's reportable segments operate are as follows:

	Six months to 30 September 2009 € m	Six months to 30 September 2008 re-presented € m
Europe	**995**	1 255
France	**214**	268
Switzerland	**109**	153
Germany, Italy and Spain	**252**	319
Other Europe	**420**	515
Asia	**1 059**	1 044
China/Hong Kong	**497**	447
Japan	**288**	315
Other Asia	**274**	282
Americas	**325**	497
USA	**237**	374
Other Americas	**88**	123
	2 379	2 796

Sales are allocated based on the location of the wholesale customer or the boutique.

Segment tangible and intangible assets located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	At 30 September 2009 € m	At 30 September 2008 € m
Switzerland	**790**	723
Rest of the world	**668**	680
	1 458	1 403

Segment assets are allocated based on where the assets are located.

4. Segment information continued

(c) Information about products

External sales by product are as follows:

	Six months to 30 September 2009 € m	Six months to 30 September 2008 € m
Watches	**1 190**	1 412
Jewellery	**581**	684
Leather goods	**211**	224
Writing instruments	**125**	147
Clothing and other	**272**	329
	2 379	2 796

(d) Major customers

Sales to no single customer represented more than 10 per cent of total revenue. Given the local nature of the luxury goods wholesale and retail businesses, there are no major customer relationships.

5. Other operating income

Included in other operating income are royalties received of € 7 million (2008: € 7 million).

6. Net finance income

	Six months to 30 September 2009 € m	Six months to 30 September 2008 € m
Finance costs:		
Interest expense on bank and other borrowings	**(14)**	(18)
Net loss in fair value of financial assets at fair value through profit or loss	**–**	(11)
Mark-to-market adjustment in respect of hedging activities	**–**	(71)
Net foreign exchange losses on monetary items	**(23)**	–
Finance costs	**(37)**	(100)
Finance income:		
Interest income on bank and other deposits	**9**	51
Dividends received	**6**	–
Net foreign exchange gains on monetary items	**–**	64
Net gain in fair value of financial assets at fair value through profit or loss	**8**	–
Mark-to-market adjustment in respect of hedging activities	**38**	–
Finance income	**61**	115
Net finance income	**24**	15

Foreign exchange losses resulting from effective hedge derivative instruments of € 19 million (2008: gains of € 11 million) were reflected in cost of sales during the period.

Notes to the consolidated interim financial statements continued

7. Earnings per share

7.1. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding shares purchased by the Company and held in treasury.

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
Profit attributable to shareholders of the Company (€ millions)	**345**	543
(Loss)/profit from discontinued operations attributable to shareholders of the Company (€ millions)	**(1)**	319
	344	862
Weighted average number of shares in issue (millions)	**553.1**	560.2

7.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Company has only one category of dilutive potential shares: share options.

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

	Six months to 30 September 2009	Six months to 30 September 2008 re-presented
Profit attributable to shareholders of the Company (€ millions)	**345**	543
(Loss)/profit from discontinued operations attributable to shareholders of the Company (€ millions)	**(1)**	319
	344	862
Weighted average number of shares in issue (millions)	**553.1**	560.2
Adjustment for share options (millions)	**0.3**	4.9
Weighted average number of shares for diluted earnings per share (millions)	**553.4**	565.1

8. Taxation

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax profit of associated undertakings. The rate for the periods ended 30 September 2009 and 2008 was 17.0 per cent.

9. Cash flow generated from operations

	Six months to 30 September 2009 € m	Six months to 30 September 2008 re-presented € m
Operating profit	**389**	634
Depreciation and impairment of property, plant and equipment	**87**	75
Amortisation of intangible assets	**25**	21
Increase in provisions	**7**	4
Decrease in retirement benefit obligations	**(1)**	(2)
Non-cash items	**42**	6
Decrease/(increase) in inventories	**57**	(268)
Increase in trade debtors	**(131)**	(218)
Increase in other receivables, prepayments and accrued income	**(27)**	(54)
(Decrease)/increase in current and long-term operating liabilities	**(127)**	26
Cash flow generated from operations	**321**	224

10. Financial assets held at fair value through profit or loss

The Group holds investments in government bond funds and carefully monitors the maturity of each component investment within the funds. When the level of investment in instruments with a maturity capable of exceeding 90 days from inception exceeds the Group's established threshold the total value of the investment in the funds is irrevocably re-classified from cash equivalents to current assets – financial assets held at fair value through profit or loss. In April 2009 the Group's threshold was exceeded. The Group has therefore re-classified its investments in government bond funds in April 2009. The funds are immediately available.

11. Related-party transactions

There has been no significant change in the nature and magnitude of the related-party transactions and relationships during the period. Full details of related-party transactions will be included in the 2010 annual consolidated financial statements.

12. Dividends

In September 2009 a dividend of € 109 million (CHF 0.30 per share) was paid net of withholding tax of € 38 million (2008: dividend paid € 437 million: € 0.78 per unit).

13. Business combinations

During the period under review the Group acquired a number of small business units, none of which are individually significant. The information presented is on an aggregate basis and includes provisional amounts for certain assets and liabilities.

Net assets acquired in the period ended 30 September 2009

	Business operations acquired	
	Fair value € m	Acquirees' carrying amount € m
Property, plant and equipment and other long-term assets	1	1
Intangible assets	8	–
Inventories	13	13
Net assets acquired	22	14

Net assets acquired	22	
Attributable to minority interests	(1)	
Fair value of net assets acquired	21	
Settlement of trade receivable	(1)	
Purchase consideration – cash paid	20	

The complete disclosures related to these acquisitions will be provided in the annual consolidated financial statements prepared to 31 March 2010.

Notes to the consolidated interim financial statements continued

14. Discontinued operations

During the period under review the Group disposed of a small business unit.

The results of the discontinued operations include the business unit mentioned above and, in the period to 30 September 2008, the share of post-tax profit of British American Tobacco plc ('BAT'). Full disclosure of the Group restructuring leading to the treatment of BAT as a discontinued operation was made in the annual consolidated financial statements to 31 March 2009.

Results of discontinued operations

	Six months to 30 September 2009 € m	Six months to 30 September 2008 € m
Sales	**1**	4
Cost of sales	**(2)**	(2)
Gross (loss)/profit	**(1)**	2
Selling and distribution expenses	**(1)**	(2)
Communication expenses	**–**	(1)
Administrative income	**1**	–
Operating loss	**(1)**	(1)
Share of post-tax profit of associated undertaking	**–**	320
(Loss)/profit from discontinued operations	**(1)**	319

The complete disclosures related to this discontinued operation will be provided in the annual consolidated financial statements prepared to 31 March 2010.

One of the small business units identified for disposal at 31 March 2009 and included within discontinued operations for the year ended 31 March 2009 is no longer anticipated to be sold within the timeframe specified by IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*. This operation is no longer classified as a discontinued operation.

15. Financial commitments and contingent liabilities

At 30 September 2009 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise.

16. Treasury shares

During the period under review the Group acquired 10 million treasury shares in the open market at a total cost of € 153 million. These treasury shares are held to hedge partially the Group's obligation arising from the Group stock option plan.

Exchange rates

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

Exchange rates against the euro

	Six months to 30 September 2009	Six months to 30 September 2008
Average		
United States dollar	**1.40**	1.53
Japanese yen	**133.25**	162.36
Swiss franc	**1.52**	1.61

	30 September 2009	31 March 2009
Closing		
United States dollar	**1.46**	1.33
Japanese yen	**131.04**	130.92
Swiss franc	**1.52**	1.51

Statutory information

'A' shares issued by the Swiss parent company, Compagnie Financière Richemont SA, are listed and traded on the SIX Swiss Exchange, (Reuters 'CFR.VX'/Bloomberg 'CFR:VX'/ISIN CH0045039655) and are included in the Swiss Market Index ('SMI') of leading stocks. The Swiss 'Valorennummer' is 4503965. South African depository receipts in respect of Richemont 'A' shares are traded on the Johannesburg Stock Exchange operated by JSE Limited (Reuters 'CFRJ.J'/Bloomberg 'CFR:SJ'/ISIN CH0045159024).

The closing price of the Richemont 'A' share on 30 September 2009 was CHF 29.28 and the market capitalisation of the Group's 'A' shares on that date was CHF 15 284 million. Over the preceding six months, the highest closing price of the 'A' share was CHF 30.02 (8 September), and the lowest CHF 18.52 (1 April).

COMPAGNIE FINANCIÈRE RICHEMONT SA

Registered office: 50 chemin de la Chênaie
1293 Bellevue Geneva
Switzerland
Tel: (+41) (0) 22 721 3500
Fax: (+41) (0) 22 721 3550

Internet: www.richemont.com
E-mail: investor.relations@cfrinfo.net
secretariat@cfrinfo.net
pressoffice@cfrinfo.net

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