Compagnie Financière Richemont SA
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RICHEMONT

COMPANY ANNOUNCEMENT
6 NOVEMBER 2020

RICHEMONT ANNOUNCES ITS UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2020

Financial highlights

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

Key financial data (unaudited)

	Six months ended 30 September 2020	Six months ended 30 September 2019	Change
Sales	**€ 5 478 m**	€ 7 397 m	-26%
Gross profit	**€ 3 165 m**	€ 4 610 m	-31%
Gross margin	**57.8%**	62.3%	-450 bps
Operating profit	**€ 452 m**	€ 1 165 m	-61%
Operating margin	**8.3%**	15.7%	-740 bps
Profit for the period	**€ 159 m**	€ 869 m	-82%
Earnings per A share/10 B shares, diluted basis	**€ 0.281**	€ 1.533	-82%
Headline earnings per A share/10 B shares, basic	**€ 0.273**	€ 1.540	-82%
Cash flow generated from operating activities	**€ 926 m**	€ 928 m	0%
Net cash position	**€ 2 111 m**	€ 1 770 m	

Chairman's commentary

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

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

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

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

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

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

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

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

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

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

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

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

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 6 November 2020

Financial review

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

Sales

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

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

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

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

Gross profit

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

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

Operating profit

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

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

Profit for the period

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

Earnings per share (1 A share/10 B shares) decreased by 82% to € 0.281 on a diluted basis.

To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the period ended 30 September 2020 would be € 154 million (2019: € 870 million). Basic HEPS for the period was € 0.273 (2019: € 1.540), diluted HEPS for the period was € 0.272 (2019: € 1.535). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 11.3 of the Group's condensed consolidated interim financial statements.

Cash flow

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

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

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

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

Balance sheet

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

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

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

Review of operations

Sales by region

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

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2020.

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

Europe

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

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

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

Asia Pacific

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

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

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

Americas

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

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

Japan

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

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

Middle East and Africa

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

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

Sales by distribution channel

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

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2020.

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

Retail

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

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

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

Online retail

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

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

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

Wholesale and royalty income

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

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

Sales and operating results by segment

Jewellery Maisons

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

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

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

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

Specialist Watchmakers

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

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

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

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

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

Online Distributors

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

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

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

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

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

Other

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

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

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

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

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

Valuation adjustments on acquisitions

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

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

Corporate costs

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

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

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

Jérôme Lambert
Chief Executive Officer

Burkhart Grund
Chief Finance Officer

Compagnie Financière Richemont SA
Geneva, 6 November 2020

Appendix 1

Condensed consolidated statement of comprehensive income

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

Condensed consolidated statement of cash flow

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

Condensed consolidated balance sheet

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

Operating results for the period ended 30 September

	Maisons €m	Online Distributors €m	Intersegment elimination and central costs €m	Total Group €m
30 September 2020				
Sales	**4 572**	**934**	**(28)**	**5 478**
Gross profit	**2 891**	**284**	**(10)**	**3 165**
Gross margin	**63.2%**	**30.4%**		**57.8%**
Operating profit	**806**	**(138)**	**(216)**	**452**
Operating margin	**17.6%**	**(14.8)%**		**8.3%**

	Maisons €m	Online Distributors €m	Intersegment elimination and central costs €m	Total Group €m
30 September 2019				
Sales	6 244	1 179	(26)	7 397
Gross profit	4 221	398	(9)	4 610
Gross margin	67.6%	33.8%		62.3%
Operating profit	1 509	(104)	(240)	1 165
Operating margin	24.2%	(8.8)%		15.7%

Presentation

The results will be presented via a live audio webcast on 6 November 2020, starting at 09:30 (CET). The direct link is available from 07:00 (CET) at www.richemont.com. The presentation may be viewed using a mobile device or from a browser.

- Live telephone connection:
  - pre-registration required here
- An archive of the audio webcast will be available at 15:00 (CET) the same day from:
  - www.richemont.com/investor-relations/results-presentations
- A transcript of the audio webcast will be available on 10 November from:
  - www.richemont.com/investor-relations/results-presentations

Statutory information

The Richemont 2020 Interim Report will be available for download from the Group's website from 13 November 2020 at www.richemont.com/investor-relations/reports

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

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

About Richemont

Richemont owns a portfolio of leading international Maisons recognised for their distinctive heritage, craftsmanship and creativity. The Group operates in four business areas: **Jewellery Maisons**, namely Buccellati, Cartier and Van Cleef & Arpels; **Specialist Watchmakers**, namely A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis and Vacheron Constantin; **Online Distributors**, namely YOOX NET-A-PORTER GROUP (NET-A-PORTER, MR PORTER, YOOX, THE OUTNET) and Watchfinder & Co.; and **Other**, primarily Fashion & Accessories Maisons, including Alaïa, Chloé, dunhill, Montblanc and Peter Millar.

Disclaimer

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance. Richemont's forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop and a decline in consumers traffic could have a negative effect on our comparable store sales and/or average sales per square foot and store profitability resulting in impairment charges, which could have a material adverse effect on our business, results of operations and financial condition. Reduced travel resulting from economic conditions, retail store closure orders of civil authorities, travel restrictions, travel concerns and other circumstances, including disease epidemics, pandemics and other health-related concerns, could have a material adverse effect on us, particularly if such events impact our customers' desire to travel to our retail stores. 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.

Notes for South African editors

Acknowledging the interest in Richemont's results on the part of South African investors, set out below are key figures from the results expressed in rand. The average euro/rand exchange rate prevailing during the six-month period ended 30 September 2020 was 19.752; this compares with a rate of 16.227 during the comparative period.

	Six months period ended	
in ZAR millions	**30 September 2020**	**30 September 2019**
Revenue	**108 201**	120 031
Operating profit	**8 928**	18 904
Profit for the period	**3 141**	14 101
Profit attributable to:		
Owners of the parent company	**3 141**	14 101
Non-controlling interests	**-**	-
	3 141	14 101
Earnings per depository receipt - diluted basis	**ZAR 0.5550**	ZAR 2.4876
Headline earnings per depository receipt - diluted basis	**ZAR 0.5373**	ZAR 2.4908

Headline earnings per depository receipt exclude the impact of losses amounting to ZAR 99 million (€ 5 million). In the comparative period, headline earnings per depository receipt excluded the impact of gains amounting to ZAR 16 million (€ 1 million). Further details of these losses, which conform to the JSE listing requirements, are presented in note 11.3 of the unaudited interim consolidated financial statements.

Richemont Securities SA Depository Receipts are issued subject to the terms of the Deposit Agreement entered into on 18 December 1992, most recently amended on 26 March 2014. By holding Depository Receipts, investors acknowledge that they are bound by the terms of the Deposit Agreement. Copies of the Deposit Agreement may be obtained by investors from Richemont Securities SA or Computershare Investor Services (Proprietary) Limited.

Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)